

Office of Legislative Services Background Report The Veterans' Property Tax Deduction

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INTRODUCTION

The veterans' property tax deduction has its roots and authorization in the New Jersey Constitution. Article VIII, Section I, paragraph 3 of the Constitution provides that honorably discharged veterans of certain wars or other military emergencies who are citizens and residents of New Jersey, and their surviving spouses, shall be entitled annually to a deduction from the amount of any tax bill for taxes on real and personal property, or both, including taxes attributable to a residential unit held by a stockholder in a cooperative or mutual housing corporation, currently in the amount of \$250.00.

HISTORY OF THE VETERANS' PROPERTY TAX DEDUCTION

Prior to 1947, various tax exemptions for veterans were granted by statute, not by constitutional authorization. However, in 1903, the Supreme Court of New Jersey, in Tippett v. McGrath, 70 N.J. Law 110, determined that exemptions of property from taxation that are not based upon characteristics of the property or upon the uses to which the property is put, but on the personal status of the owner, were unconstitutional under Article IV, Section VII, paragraph 12 of the Constitution in effect at that time. That section provided that "property shall be assessed for taxes under general laws and by uniform rules, according to its true value."

The current State Constitution, adopted in 1947, for the first time provided a property tax exemption to veterans who were honorably discharged or released under honorable circumstances from active service in time of war. This provision, found at Article VIII, Section I, paragraph 3, stated that such a person would be exempt from taxation on real and personal property to an aggregate assessed valuation not exceeding \$500.00.

This paragraph was first amended in 1953, to add to those persons eligible to receive this exemption the widows of those citizens killed during active duty in time of war or other emergency, or honorably discharged or released under honorable circumstances from active service in time of war.

A second amendment in 1963 substantially revised the benefit from an exemption from assessed valuation not to exceed \$500.00 to a deduction of \$50.00 from a veteran's or widow's tax bill. At the public hearing on January 31, 1963, on Senate Concurrent Resolution Nos. 3 and 5, which proposed the change, the veterans' groups, though supportive of the change from an exemption to a deduction, felt that the \$50.00 figure was too low. Their reason for this concern was that the \$50.00 "flat" figure would remain in each subsequent year, so that if tax rates were to increase, the \$50.00 figure would lose some of its value.

Also, under the exemption in effect at that time, the average tax bill benefit of the exemption was around \$54.00. The Chairman of the Veterans' Tax Exemption Committee of the American Legion, during his testimony, requested a "raise" in the amount of the proposed deduction to an amount greater than \$54.00. That request was not granted.

A third amendment in 1983 changed the term "widow" to "surviving spouse" which allowed widowers of veterans also to qualify for the deduction.

A fourth amendment in 1988 included as eligible for the \$50.00 deduction honorably discharged veterans who held stock in a cooperative or mutual housing corporation.

A fifth amendment, approved by the voters on November 2, 1999 provided an incremental increase in the veterans' property tax deduction. Under this amendment, the veterans' property tax deduction was increased to \$100.00 in calendar year 2000; \$150.00 in calendar year 2001; \$200.00 in calendar year 2002; and \$250.00 in calendar year 2003 and in every year thereafter.

QUALIFICATIONS FOR ELIGIBILITY TO RECEIVE VETERANS' PROPERTY TAX DEDUCTION

The parameters of the veterans' property tax deduction are established by statute. A qualified veteran under the property tax deduction statutes is one who is a citizen and resident of New Jersey, who has been honorably discharged from active service in time of war in any branch of the Armed Forces of the United States and who has an ownership interest in the property for which the deduction is sought. A qualified surviving spouse of a veteran is one who is unmarried, a resident of New Jersey and who has an ownership interest in the property for which the deduction is sought.

The veteran's or surviving spouse's "ownership interest" in the property must be in the form of full or partial ownership interest in the property for which the deduction is claimed. The veteran must file an application with the municipal tax assessor of the taxing district in which the dwelling is located. The required application form, State Form V.S.S., is available from the municipal tax assessor. (A complete listing of the qualifications that must be met is described in detail in the Appendix to this report.)

STATE COST OF VETERANS' DEDUCTION

The State of New Jersey reimburses municipalities for the property tax revenues lost by the granting of a veterans' property tax deduction. That amount, currently 102% of the deduction, provides a 100% reimbursement of the amount of each deduction plus 2% of the amount of the deduction to reimburse municipalities for the administrative costs of providing the deduction, as required by P.L.1997, c.30.

The following chart represents the number of veterans qualified to receive a veterans' property tax deduction since 1998, and the total amount of reimbursements for these deductions issued to the State's municipalities (including the annual 2% reimbursement for local administrative costs pursuant to P.L.1997, c.30). The increase in qualifying veterans between 1999 (334,193) and 2000 (337,344) is attributed to the publicity over the incremental annual increase approved by the State's voters in 1999, which may have

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alerted non-participating but qualified veterans to the fact of their eligibility to receive a veterans' property tax deduction. As the final installment in the graduated increase in the amount of the veterans' property tax deduction was implemented in 2003, any subsequent annual increases in the program would likely be the result of the eligibility of additional veterans to receive this deduction. All information contained in the chart was obtained from the Division of Taxation in the Department of the Treasury.

Benefit Year	Number of Veterans' Property Tax Deduction Claims	Total Amount of Veterans' Property Tax Deductions Reimbursed to Municipalities
1998 (@ \$50)	343,975	\$17,538,791
1999 (@\$50)	334,193	\$17,043,098
2000 (@\$100)	337,344	\$33,275,446
2001 (@\$150)	330,528	\$50,222,536
2002 (@\$200)	324,455	\$65,851,186
2003 (@\$250)	319,262	\$81,015,991
2004 (@\$250)	311,383	\$79,450,016
2005 (@ \$250)	300,144	\$74,859,292

APPENDIX 1

CRITERIA FOR ELIGIBILITY TO RECEIVE THE VETERANS' PROPERTY TAX DEDUCTION

Persons Eligible for Deduction

N.J.S.A. 54:4-8.11 states that honorably discharged veterans of certain wars or conflicts as set forth in N.J.S.A.54:4-8.10, and the surviving spouses of such veterans during their widowerhood or widowhood, as appropriate, and during residence in the State, shall be entitled annually to a property tax deduction. (A listing of the periods of active service determining eligibility for the deduction appears later in this Appendix.)

The surviving spouse of a New Jersey resident honorably discharged veteran who at the time of death was lawfully entitled to the deduction is eligible for the same deduction as the deceased spouse or serviceperson, during widowhood or widowerhood and while a State resident and in possession of full legal title or fractional ownership interest in the property for which the deduction is claimed.

The surviving spouse of a disabled veteran or serviceperson who is also a qualified veteran himself or herself is eligible to receive a veterans' property tax deduction under each status. In 2000, such a person would be entitled to a \$400.00 deduction, or \$200.00 for the deceased qualified veteran and the qualified veteran surviving spouse.

Eligibility

To qualify for the veterans' property tax deduction, a war veteran must meet all requirements of New Jersey citizenship as of October 1 of the year prior to the year for which the deduction is requested; legal or domiciliary New Jersey residence as of October 1 of the year prior to the year for which the deduction is requested; active service in the United States Armed Forces during time of war or other conflict as defined by law; honorable discharge; legal title (full or partial ownership interest) in the property for which the deduction is claimed; and a timely application for the deduction.

Active wartime service periods pursuant to N.J.S.A.54:4-8.10 are as follows:

- | | | |
|---|---|-------------------------------------|
| ! | Operation "Iraqi Freedom" | - March 19, 2003 - ongoing; * |
| ! | Operation "Enduring Freedom" | -September 11, 2001 - ongoing;* |
| ! | Operations "Joint Endeavor"/"Joint Guard" Ggg | -November 20, 1995 - June 20, 1998; |

!	Operation "Restore Hope"	- December 5, 1992 - March 31, 1994;
!	Operation "Desert Shield/Desert Storm"	- August 2, 1990 - February 28, 1991
!	Panama Peacekeeping Mission	- December 20, 1989 - January 31, 1990;
!	Lebanon Peacekeeping Mission	- September 26, 1982 - December 1, 1987;
!	Grenada Peacekeeping Mission	- October 23, 1983 - November 21, 1983;
!	Vietnam Conflict	- December 31, 1960 - May 7, 1975;
!	Lebanon Crisis	- July 1, 1958 - November 1, 1958;
!	Korean Conflict	- June 23, 1950 - January 31, 1955;
!	World War II	- September 16, 1940 - December 31, 1946;
!	World War I	- April 6, 1917 - November 11, 1918;
!	United States Military Forces in Russia	- April 6, 1917 to April 1, 1920.

*Pursuant to law, the termination dates of Operation "Iraqi Freedom," and "Operation Enduring Freedom" are to be determined by the President of the United States or the United States Secretary of Defense. To date, such a determination has not been made with respect to those operations.

Note that peacekeeping missions require actual service in a combat zone for a total of 14 days, unless a service injury was received in a combat zone.

Property Ownership and Occupancy

Ownership. A qualified veteran must have legal title in the property for which the deduction is claimed. Legal title may include either a full or partial ownership interest in the property. The ownership criteria are met by: an executory contract for the sale of land under which the claimant takes possession; partnership property to the extent of the claimant's ownership interest as a partner up to a tax levy equal to the amount of the veterans' property tax deduction for that year; shareholders of mutual housing corporations or co-operatives to the extent of the claimant's proportionate share of taxes assessed against the real property; property held by a guardian, trustee, committee, conservator or other fiduciary for any person otherwise eligible; joint tenants, tenants in common, or tenants by the entirety on their interest, but the tax deduction for any one claimant may not exceed the taxes due on the proportionate share; property in which the claimant has a life estate, life tenancy or lifetime rights; or interest arising from a will or from State intestate laws as long as care is taken to ensure that the claimant is a legal owner of full or fractional interest in the property.

(Note: if property is held by a husband and wife as tenants by entirety and both are qualified veterans, each receives a deduction on the property. Effectively, a double deduction is permitted. For example, in 2004, each deduction would be in the amount of \$250, for a total of \$500 in deductions on such a property.)

Occupancy. Occupancy by the qualified veteran is not required.

Ineligible Ownership. Corporate property is not eligible for a deduction.

Aggregate Veterans' Property Tax Deduction

A tax deduction in the amount of \$250, as specified by law and the State Constitution, is allowed per individual claimant. The deduction may be applied to property in any taxing district, and may be divided among two or more properties, but the total veterans' property tax deduction received by a qualified individual cannot exceed the amount specified by law and the State Constitution for that year. An exception is made in the case of a veteran who is the surviving spouse of a veteran, where a "double" deduction, or a deduction for the veteran as a veteran and as the surviving spouse of a veteran, is permitted. In the case of a property owned by more than one veteran, each claimant is eligible to receive his or her full deduction as long as that claimant's proportionate share of the property taxes is equal to or greater than the amount of the veterans' property tax deduction for that year.

No Refund of Taxes Paid

No application for a previous tax year is to be permitted by the assessor, tax collector or local governing body.

Surviving Spouses

If a deceased war veteran is qualified to receive a property tax deduction at the time of death, eligibility status inures to the surviving spouse if all of the foregoing requirements are satisfied. The:

- ! widow or widower must have been married to the deceased veteran at time of death;
- ! widow or widower must verify that the deceased veteran was entitled to a veterans' property tax deduction and met all qualifying criteria at the time of death;
- ! widow or widower must verify that the deceased veteran was a citizen and resident of New Jersey at the time of death;
- ! widow or widower must not be remarried;
- ! widow or widower must be a legal resident of New Jersey;
- ! widow or widower must have full legal title or fractional ownership interest in the same property that was subject to the deduction at the time of the death; and
- ! widow or widower must apply for the exemption to the municipal assessor in a timely fashion.

Specific questions regarding the application process and required supporting documentation, or the appeals procedure available in the case of a denial of a property tax deduction, should be referred to the municipal tax assessor.