# P U B L I C   H E A R I N G

before

ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

on

ACR-29

Held:
May 27, 1980
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard Van Wagner, Chairman
Assemblyman Robert J. Janiszewski, Vice-Chairman
Assemblyman Walter Rand
Assemblywoman Barbara F. Kalik
Assemblyman Byron M. Baer
Assemblyman Daniel J. Dalton
Assemblyman Chuck Hardwick
Assemblyman Walter J. Kavanaugh
Assemblyman Karl Weidel

ALSO:

William D. Zuzzio, Aide
Assembly Revenue, Finance and Appropriations Committee
Office of Legislative Services

# I N D E X



* * *

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# ASSEMBLY CONCURRENT RESOLUTION No. 29

# STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1980 SESSION

By Assemblymen KARCHER and OTLOWSKI

A CONCURRENT RESOLUTION proposing to amend Article VIII, Section I, paragraph 4, of the Constitution.

BE IT RESOLVED _by the General Assembly of the State of New Jersey (the Senate concurring):_

1. The following proposed amendment of the Constitution is hereby agreed to:

PROPOSED AMENDMENT

Amend Article VIII, Section I, paragraph 4, to read as follows:

4. The Legislature may, from time to time, enact laws granting an annual deduction from the amount of any tax bill for taxes on the real property of any citizen and resident of this State of the age of 65 or more years, or any citizen and resident of this State less than 65 years of age who is permanently and totally disabled according to the provisions of the Federal Social Security Act, residing in a dwelling house owned by him which is a constituent part of such real property but no such deduction shall be in excess of $160.00 *_with respect to any year prior to 1981, $200.00 per year in 1981, $225.00 per year in 1982, and $250.00 per year in 1983 and any year thereafter_* and such deduction shall be restricted to owners having an income not in excess of $5,000.00 per year *[_with respect to any year prior to 1979, $7,500.00 per year with respect to any year subsequent to 1978 and prior to 1981, $10,000.00 per year with respect to any year subsequent to 1980 and prior to 1986, and $12,000.00 per year with respect to any year subsequent to 1985_]* *_with respect to any year prior to 1981, $8,000.00 per year in 1981, $9,000.00 per year in 1982, and $10,000.00 per year in 1983 and any year thereafter,_* exclusive of benefits under any one of the following:

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

a. The Federal Social Security Act and all amendments and supplements thereto;

b. Any other program of the Federal Government or pursuant to any other Federal law which provides benefits in whole or in part in lieu of benefits referred to in, or for persons excluded from coverage under, a. hereof including but not limited to the Federal Railroad Retirement Act and Federal pension, disability and retirement programs; or

c. Pension, disability or retirement programs of any state or its political subdivisions, or agencies thereof, for persons not covered under a. hereof;

provided, however, that the total amount of benefits to be allowed exclusion by any owner under b. or c. hereof shall not be in excess of the maximum amount of benefits payable to, and allowable for exclusion by, an owner in similar circumstances under a. hereof.

The surviving spouse of a deceased citizen and resident of this State who during his or her life received a real property tax deduction pursuant to this paragraph shall be entitled, so long as he or she shall remain unmarried and a resident in the same dwelling house with respect to which said deduction was granted, to the same deduction, upon the same conditions, with respect to the same real property, notwithstanding that said surviving spouse is under the age of 65 and is not permanently and totally disabled, provided that said surviving spouse is 55 years of age or older.

Any such deduction when so granted by law shall be granted so that it will not be in addition to any other deduction or exemption to which the said citizen and resident may be entitled, but said citizen and resident may receive in addition any homestead rebate or credit provided by law. The State shall anually reimburse each taxing district in an amount equal to one-half of the tax loss to the district resulting from the allowance of tax deductions pursuant to this paragraph.

2. When this proposed amendment to the Constitution is finally agreed to, pursuant to Article IX, paragraph 1 of the Constitution, it shall be submitted to the people at the next general election occurring more than 3 months after such final agreement and shall be published at least once in at least one newspaper of each county designated by the President of the Senate and the Speaker of the General Assembly and the Secretary of State, not less than 3 months prior to said general election.

3. This proposed amendment to the Constitution shall be submitted to the people at said election in the following manner and form:

There shall be printed on each official ballot to be used at such general election, the following:

a. In every municipality in which voting machines are not used, a legend which shall immediately precede the question, as follows:

If you favor the proposition printed below make a cross (×), plus (+) or check (✓) in the square opposite the word "Yes." If you are opposed thereto make a cross (×), plus (+) or check (✓) in the square opposite the word "No."

b. In every municipality the following question:

<table>
<tr><td></td><td>Yes.</td><td rowspan="2">CONSTITUTIONAL AMENDMENT<br>SENIOR AND DISABLED CITIZEN'S PROPERTY TAX DEDUCTION: RAISING INCOME ELIGIBILITY LIMITS<br>*[Shall the amendment of Article VIII, Section I, paragraph 4, of the Constitution, agreed to by the Legislature, increasing the annual-income limitation on eligibility for the senior and disabled citizens' property-tax deduction from $5,000.00 to $7,500.00 for 1979 through 1980, $10,000.00 for 1981 through 1985, and $12,000.00 thereafter, be approved?]* *Shall the amendment of Article VIII, Section I, paragraph 4, of the Constitution, agreed to by the Legislature, increasing the maximum allowable property tax deduction to disabled and senior citizens from $160.00 to $200.00 in 1981, from $200.00 to $225.00 in 1982, from $225.00 to $250.00 in 1983 and thereafter, and increasing the annual income limitation on qualification for property tax deductions of disabled and senior citizens from $5,000.00 to $8,000.00 in 1981, from $8,000.00 to $9,000.00 in 1982, and from $9,000.00 to $10,000.00 in 1983 and thereafter, be approved?*</td></tr>
<tr><td></td><td>No.</td></tr>
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ASSEMBLYMAN RICHARD VAN WAGNER (Chairman): Good morning. This hearing was scheduled to begin at ten o'clock. We're running about twenty minutes late. There are some legislators who are on the committee who will be up shortly. For the sake of those of you who are here, on my right is Assemblyman Robert Janiszewski, who is the Vice-Chairman of the Committee, and on my left is Assemblyman Walter Rand, who is also a member of this committee and Chairman of the Transportation Committee. Shortly, Assemblyman Weidel will be joining us.

Just to acquaint everyone with the background of the proposed Assembly Concurrent Resolution #29, this hearing is being held by the Assembly Revenue, Finance and Appropriations Committee as a result of its action of approximately one week ago in releasing ACR 29 to the floor for a vote, and under the prescribed procedures of the Legislature, this Committee must then hold a public hearing. The purpose of this hearing is to take testimony on the proposal by Assemblymen Karcher and Otlowski to amend the State Constitution with regard to the $160 property tax deduction available now to senior citizens and disabled residents.

This public hearing is being held in compliance with Article 9, paragraph 1 of the Constitution of the State of New Jersey and the rules of the General Assembly. The hearing will remain open until all persons indicating an interest in speaking on the proposal have had a chance to be heard.

After this hearing, for those who are interested in the process, the bill will lay on the desks for a period of 20 days, while the Legislature is in session. At that point, it is then in a position to be voted on by the full House. From there, it proceeds to the Senate where it is in a position, immediately, to receive a second reading by the committee of reference and to be voted on. It does not have to fulfill the twenty day requirement in that House. So, once the Senate Committee releases it, it then goes directly to the Senate floor for a vote. That, as a matter of fact, applies to all ACR's or SCR's, depending on their point of origin.

Just to give you a background and history of the deduction that we will be addressing ourselves to today, on November 8, 1960, the State first passed an $800 exemption in assessed valuation for those who had reached the age of 65 or more with income below $5000. On November 5, 1963, that was changed to reflect an $80 deduction in the tax bill, rather than an exemption in assessed valuation. On November 3, 1970, the present $160 deduction in the tax bill was instituted. On November 2, 1971, the law was again changed to exclude social security and railroad retirement to determine the eligibility for that $5000 income requirement. On November 4, 1975, that senior citizen exemption was extended to the permanently and totally disabled and surviving spouses. So, in effect, since November 3, 1970, this present level of reduction of $160 and the present method of income determination has been in effect, which, of course, has created an erosion of the income of our retired and disabled people, the people who live in our state who live on fixed incomes.

This ACR is designed to attract or address itself to that over the next period of years and prescribes a formula for increasing both the dollar amount of the $160 exemption and the income amount under which a person would become eligible.

Once again, I would like to introduce the members of the Committee who are here. On my left is Assemblyman Rand; on my right is Assemblyman Janiszewski, who is the Vice-Chairman of the Committee; and on the extreme right is Assemblyman Weidel and Assemblyman Hardwick. We will hear first today from the Director of the New Jersey Division of Taxation, Mr. Sid Glaser.

S I D G L A S E R: Thank you, Mr. Chairman. My name is Sid Glaser and I am the Director of the Division of Taxation, Department of the Treasury. I appear here today to comment with respect to the proposed constitutional amendment to Article XIII, Section 1, paragraph 4, as set forth in ACR 29, as amended.

The Division of Taxation has the responsibility for the administration of the senior citizen tax deduction. From time to time, we have promulgated regulations and tax forms for use of applicants. In addition, bulletins and memoranda have been issued to serve as guidelines to the local tax assessors and the general public.

Adoption of this Resolution is a matter of policy. My comments are offered not for the purpose of advocating any specific policy, but rather to present certain data which we feel should be brought to the attention of this Committee to assist it in arriving at a conclusion. It is realized that to those on fixed incomes, such as senior citizens, the inflationary spiral has had and is still having serious economic repercussions.

This Resolution has as its objective the increase of the income limitations from $5000 to $8000 in 1981, to $9000 in 1982, and to $10,000 in 1983 and thereafter. In addition, the tax deduction off the property tax bill would be increased from $160 annually to $200 in 1981, $225 in 1982, and $250 per year thereafter.

It is recognized that the cost of living has increased substantially and that the value of the present exemption,in light of the property tax increases, has decreased materially. Also, with the rise in incomes, persons previously eligible have become ineligible.

I wish to point out that although the Constitution provides for annual reimbursements to each taxing district equal to ½ of the tax loss resulting from the allowance of the senior citizen tax deductions, present law provides for full reimbursement by the State. It is my purpose to describe our estimates of the tax loss to the State for 1981 through 1983. This is estimated to be: $9.8 million in 1981; $16.2 million in 1982; and $23.6 million in 1983.

It has been asserted that these funds can be obtained from casino revenues. This Committee should consider the question whether there are other calls upon casino revenue funds which should be given priority or at least have equal call. I might note that such funds have been used to provide funds to pay the additional homestead rebate for senior citizens, disabled persons and survivors of senior citizens. Also to be considered is the fact that renters will not share in this tax deduction--so that any distribution of casino funds under ACR 29 would not be made to this group.

Now, the estimate for 1981--the number of qualified persons in the under $5000 income class dropped 2% from 1978 to 1979. This is understandable in the light of income increases. The same rate of decrease would result in an estimate in the number of persons in this class of 178,960 for 1981. This group would then receive an increase of $40 in their tax deduction for a total of $7,158,000. However, it is estimated that 13,273 individuals with incomes between $5000 and $8000 would qualify for the first time for 1981 and receive the full $200 deduction.

So, the State reimbursement is calculated as follows: for incomes under $5000, we have 178,960 times $40 resulting in a total of $7,158,000; and the incomes between $5000 and $8000, we have 13,273 times $200, which comes to $2,654,600 and therefore, there would be a total of which the State would be required to pay in fiscal 1981-1982 of $9.8 million. Now, in the same vein, the statement here indicates just how we made the estimates for 1982 and 1983. I might point out that in 1983, we have 11,330 people who qualify for the deduction for the first time. These people each get $250 for a total of $2.8 million. Now, the income up to $9000, in the same manner, they would get $250 and the income from $5000 to $8000 would be at $250, resulting altogether in a total of $23.6 million. Now, there is one thing I want to explain about these estimates. When we calculated the estimates, we didn't calculate the increase, for example, of 1982 over 1981 and 1983 over 1982, but these figures represent our compilations as to how much additional the State would have to pay, when we compare the payments of 1983 to the payments of, let's say, 1979. So, each of these is calculated from the base period of 1979 or 1980. This is the additional amount that the State would be required to pay in 1983, for example, of $23.6 million over the amount that was paid in 1980.

In the above computations where a person did not qualify before the amendments, but did qualify as a result of the amendment, the maximum deduction for the particular year was used.

In passing, I might note that income of one of three categories, i.e., social security, federal pensions and state pensions are excluded. We issued details as to the manner in which these exclusions are pemissible. In view of the 14% increase in social security benefits, new examples will be issued shortly by this office. I have attached guidelines which we issue using current social security maximum benefits to calculate the maximum for federal and state pensions. Now, there is an attachment here and on page 4 there is a good example of a husband and wife who were both over 65 and I use this to illustrate that the current law is fairly liberal. The husband and wife were both over 65. The husband gets a federal pension of $10,500. The wife has a social security of $2500 and they have other income of $5800. Now, what we did, although the husband's federal pension is $10,500, as to an exclusion for a federal pension, we can't give any more than what he would have gotten had he qualified for social security. Now, the maximum happened to be $6390 for that year. So, we excluded $6390 off of the $10,500. The $2500 social security of the wife was completely excluded. We had exclusions of $8890, total income of $18,800. Under current law, that individual could not qualify because his income, exclusive of his pensions and social security, was more than $5000. It was close to $10,000. Now, under this law, this person, with this kind of income, would probably qualify in 1983 because his income, exclusive of social security and pensions, would be not quite $10,000. It would be just under $10,000. So, this person with $18,800 would qualify under this particular amendment of 1983. But, up to that point, he could not qualify. Now, take another person with a state pension of $2000, plus the husband's social security of $3000 and the wife has a state pension of $1800 and the wife's social security of $1500. In this case, since the husband was getting social security of $3000, we allowed that, but not the state pension because you can only get one of those three. We also disallowed--since the wife's state pension of $1800 was more than the social security of $1500, we allowed the $1800, gave her the benefit of that. So, the total deductions were $4800 and the total income was $8300 and these people qualified for the deduction because their income, after exclusions, was less than $5000, and they, of course, will continue to qualify and will qualify for the $200 exemption, $225, and $250.

I appreciate the opportunity to be here this morning and to give you some of these figures which I know will be helpful to this committee. Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Glaser, do you have any other copies of your statement that you might give to the Committee?

MR. GLASER: I think I have a few more.

ASSEMBLYMAN VAN WAGNER: Do any of the Committee members have any questions?

ASSEMBLYMAN HARDWICK: Do you recall the rationale for exempting federal pensions and state pensions and not exempting private pensions?

MR. GLASER: I think if there was any rationale, they might have believed that the revenue implications might have been too great. Other than that, there was really no other reason.

ASSEMBLYMAN HARDWICK: You are saying, because there are more people on private pensions, it might have cost more?

MR. GLASER: I think so.

ASSEMBLYMAN HARDWICK: But, from an equity standpoint, you don't know of any rationale?

MR. GLASER: No.

ASSEMBLYMAN VAN WAGNER: Mr. Rand?

ASSEMBLYMAN RAND: Thank you, Mr. Chairman.

MR. GLASER: Excuse me. I could say this. I think, initially, all that they excluded was social security and then the amendment came in and they said, "Well, there are people on federal and state pensions. At least we ought to give them the full amount, if they do not qualify for social security in some way," because I think the federal people did not qualify for social security. So, they wanted to put them, at least, on a par of equality. So, they said, "Okay, if you have a federal pension, we will give you up to the amount that you would have received had you qualified for social security."

ASSEMBLYMAN HARDWICK: Well, then, as a follow-up question, aren't state employees going under social security now?

MR. GLASER: That's correct.

ASSEMBLYMAN HARDWICK: So, the state employees would be exempt for both their social security and their state pensions?

MR. GLASER: You can't get both. It is either one or the other.

ASSEMBLYMAN HARDWICK: Up to the maximum of the social security?

MR. GLASER: Right. So, for example, if you get social security, the maximum, that would be it, irrespective of what the state pension was.

ASSEMBLYMAN HARDWICK: Any federal or state retirement?

MR. GLASER: You can't get more than what social security would give you.

ASSEMBLYMAN HARDWICK: Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Rand?

ASSEMBLYMAN RAND: Thank you, Mr. Chairman. Mr. Glaser, you bring up a very interesting point, and I don't know if I am using the exact words, "overburdening the casino fund". Could you go into that a little bit more?

MR. GLASER: Well, what I was trying to say was that I think the casino revenues are dedicated, aren't they, to senior citizens' relief.

ASSEMBLYMAN RAND: That's right, property tax relief.

MR. GLASER: What I'm saying is that this amendment excludes a large number of senior citizens, namely, those who are renters and even those who may have income a little larger than what is here. What I am trying to say is that if casino revenues are going to be used in order to make up this distribution, then I think, maybe, a priority of needs from the casino fund should be considered.

ASSEMBLYMAN RAND: Thank you, Mr. Chairman.

MR. GLASER: I wish I had a solution to that.

ASSEMBLYMAN VAN WAGNER: I should point out for the sake of those listening that Mr. Glaser is conjecturing in terms of the money that would be used or where the source of that money would be, whether or not it would be, in fact, casino funds. The present ACR does not indicate, at all, that that fund would be used for this--I should make that clear--that there would be a priority of the budget committee at that time, in 1983 or 1982, to determine for themselves as where that amount of money should be paid from.

I want to also comment that if one looks at the growth of this, to the $23.6 million in 1983, assuming even a slackening in the inflationary rate, that $23.6 million increase represents less than one half of one percent of this year's total state budget. So, we're talking about the use of this money and where we are proposing to target this money, assuming even some growth in social security and so on, that that fixed amount of $15,000 per couple, in order to receive this additional property tax reduction, will pale somewhat in 1983. It will mean about as much as $5000 means now.

In addition to that we can expect, even with the cap legislation in place, there are going to be increases in property taxes that will face every community, as well as the state, although we do not collect property taxes or levy them. So, when the committee reviewed this, we were aware of the figures that Mr. Glaser is giving to us now.

I would now like to call on Mr. Clem Finkelstein. Clem is with the New Jersey Federation of Senior Citizens and has spent much time with the committee on these matters.

C L E M   F I N K E L S T E I N: Mr. Chairman, members of the Committee, I am the Executive Vice-President of the New Jersey Federation of Senior Citizens and I have appeared before you before.

I think the first two or three pages of Mr. Glaser's statement are the hub and nub which expresses the need of the elderly for some kind of economic relief. I don't have to point out the fact that since 1971 there has been no increase in the eligibility limits for the tax deduction. There has been a very dramatic decrease in purchasing power of the dollar that is obvious to you. Most of us are on fixed incomes. The elderly poor are very obvious to you, but there is a large group of persons who were formerly refered to as the genteel poor and we are being hard pressed by the economic facts of life.

The figures given to you by Mr. Glaser are substantiated by some of our research and we are wholly in agreement in terms of what this may cost. In terms of affecting the needs of tenants, our Federation has issued a statement which we gave to this Committee about nine months ago, indicating the priorities in the use of the casino revenue funds or other dedicated funds, such as the General Property Tax Relief Fund, for the purpose of providing some kind of property tax relief to both home-owners and tenants and we are in the process of formulating a proposed bill, which will give a circuit breaker aspect to the kind of relief for property taxes of home-owners and for tenants in terms of a 25% consideration of their rent as property taxes.

So, we are fully cognizant of the needs of tenants and we feel that this bill should be supported at this time as a humane, reasonable process for relieving the press of inflation on people who are primarily and essentially on fixed incomes. Thank you very much.

ASSEMBLYMAN VAN WAGNER: Thank you. Are there any questions from the members of the Committee? (No response) I would now like to call on Mr. Don Hart representing Assemblyman Joseph Chinnici of the 1st District. Mr. Hart?

D O N A L D   H A R T: Mr. Chairman and members of the Revenue, Finance and Appropriations Committee, my name is Don Hart, senior aide to Assemblyman Joseph W. Chinnici, a member of this Committee. Unfortunately, the Assemblyman had a conflicting meeting in his district, and therefore regrets not being present here today. Assemblyman Chinnici has asked me to convey his feelings regarding ACR 29 and wishes me to submit the following statement on his behalf.

Assemblyman Chinnici lends his full and unqualified support to the adoption of ACR 29, a resolution that would modify both the amount and income qualifications for the property tax deduction currently available for disabled and senior citizens.

Mr. Chinnici is heartily in favor of this modification, primarily because it is sorely needed to assist the disabled and senior citizens of New Jersey who are living on fixed and extremely limited incomes.

This proposed Constitutional Amendment would increase the annual income limitation on qualification for property tax deductions for disabled and seniors from $5000 to $8000 in 1981 and up to $10,000 in 1983.

During the past few years, and increasingly so during the last 12 months, these individuals have been faced with tremendous hikes in the cost of living. In some cases, these increased costs have brought many disabled persons and senior citizens to the point where they can barely hold onto their homes. The adoption of ACR 29, with the provisions added by this Committee, would be a positive step in the right direction, a logical step, to help our State's seniors and disabled hold onto their homes.

To add just another paragraph, Assemblyman Chinnici would like the seniors, the disabled and the Committee to know that he feels it a duty to do everything possible to provide for this staunch group of our citizens.

The modification of the old income limitations which have proven unrealistic by inflation is overdue. We must all lend our efforts to see that the voters of our State have the opportunity to give this proposal their favorable consideration. Thank you very much.

ASSEMBLYMAN VAN WAGNER: Are there any questions from the Committee? (No response) Thank you, Mr. Hart, for coming down today.

MR. HART: Thank you.

ASSEMBLYMAN VAN WAGNER: Next we have Mr. Russ Heeren and Mr. John Thornton who are from the Association of Retired People.

R U S S E L L   H E E R E N: Thank you, Mr. Chairman and members of the Committee. I'm speaking for the Joint Legislative Committee of the A.A.R.P. and N.R.T.A. We are speaking in favor of ACR 29. We have 535,000 members in our two groups in the State of New Jersey.

The increased proposal is way past due, as you gentlemen know. I commend the Appropriations Committee for bringing this bill out of committee, for bringing it out on the floor for a vote. The A.A.R.P. and N.R.T.A. has been working on similar legislation for the past few years. Last year, we had 70,000 signatures on a piece of legislation that was similar, ACR 71, but time ran out on us and it did not get placed on the ballot. The Joint Committee conducted a survey of its members last

Spring and property tax relief was second on our survey. The only piece of legislation that was more important, of course, was health. The senior citizens felt that was more important.

We earnestly ask the Legislature to pass ACR 29 and allow it to go on the ballot so all citizens can vote for it. We thank you for allowing us to testify and hope that it will be successful. Thank you very much.

ASSEMBLYMAN VAN WAGNER: Thank you Mr. Heeren. Mr. Thornton?

J O H N   T H O R N T O N: Mr. Chairman and members of the committee, I can't add too much to what the previous speakers have said. They are all colleagues of mine. But, I do want to thank you for this opportunity of not only speaking for the 535,000 members that we have in the A.A.R.P., but we represent over 1,400,000 senior citizens in the State of New Jersey and I am happy that you are taking this step. It is a step that is going to help. I live in a retirement community and I don't want to give any figures, but the people in the community that I live in, when they retired here seven years ago, thought, and they were justified in their thoughts, that they were going to be comfortable. In the last three years, if I was to tell you how many people are finding it almost impossible to pay their real estate taxes in our community, it would be hard to believe. So, gentlemen, in the interest of people that I represent and that my colleague represents, we want to thank you for bringing this bill out and we hope that you endeavor to see that it is made into law. I thank you for this opportunity to talk to you.

ASSEMBLYMAN VAN WAGNER: Thank you for coming here, Mr. Thornton. That is exactly what our purpose is.

MR. THORNTON: Right. You know, I have breathing down your neck.

ASSEMBLYMAN VAN WAGNER: You certainly have. We have, now, to testify on the proposed amendment Mayor Edward Earnest of Mt. Ephraim. Mayor Earnest?

E D W A R D   E A R N E S T: Thank you, Mr. Chairman and Committee members. I am Edward Earnest and I am Mayor of Mt. Ephraim in Camden County and I do appreciate the opportunity to come here and talk to the Committee and give my firm support to ACR 29 on behalf of the many senior citizens in my community.

Mt. Ephraim is a small town. It is less than a square mile and we have approximately 5700 people in our town and over 40% of them are senior citizens. So, you can see that we are strongly concerned with this particular bill. It means a lot to us. Most of the seniors fall into the middle to lower income bracket and no other people are struggling more to make their fixed money supply make ends meet. One of the costs that most seriously strains their fixed incomes is property taxes. That's a big problem.

As you know, current law allows for senior citizens property tax deductions only if a senior has an income of $5000 or less. Now, I'm sure that you all realize that there are many senior citizens with income levels only a few thousand dollars above that $5000 limit. Of course, that limit was realistic several years ago, when it was set, but it is no longer a true indicator of finances, especially when our skyrocketing inflation is taken into account.

If the current law is unchanged, I anticipate that many of Mt. Ephraim's senior citizens will be unable to meet their property tax payments, even though our tax rate is relatively low compared to surrounding areas, and without the additional property tax relief that this measure affords, I'm afraid more and more seniors will be forced to sell their homes which they have so long resided in, and they are long time residents of Mt. Ephraim in most cases. We just cannot allow that to happen.

So, I urge this Committee to release ACR 29 and I hope that the Legislature and the voters in November will agree and approve this much needed change in the law. Again, I thank you very much for this opportunity to talk to you.

ASSEMBLYMAN VAN WAGNER: Thank you. Any members of the Committee have any questions? Mr. Rand?

ASSEMBLYMAN RAND: Thank you, Mr. Chairman. Mayor Earnest is one of the mayors of our surburban communities, but they are not exempt from the problems that some of our cities face. They are a surburban community that has been built up. There is no place for expansion. They have problems with their caps. They have a big senior citizen population. They face the same problems that many of our older communities face and what Mayor Earnest, I guess, is really trying to tell us is that they may be called a surburban community, but they have problems just as well as any other community and I want to thank you, Mayor Earnest.

MAYOR EARNEST: That is exactly right. Thank you.

ASSEMBLYMAN VAN WAGNER: Thank you. I would like, once again, to acknowledge the presence of the members of the Committee. On the extreme left is Assemblywoman Barbara Kalik of the 7th District; Assemblyman Baer, who has joined us; Assemblyman Dalton; Assemblyman Kavanaugh; Assemblyman Rand, who I introduced before; Assemblyman Janiszewski, the Vice-Chairman; Assemblyman Hardwick and Assemblyman Weidel. Is there anyone else who has any statement to make? Yes, ma'am?

A L I C E   O B E L L E I R O: My name is Alice Obelleiro from the Division on Aging, Department of Community Affairs.

ASSEMBLYMAN VAN WAGNER: Do you have a copy of your statement?

MS. OBELLEIRO: Well, I wasn't going to make a statement, but I just wanted to say something.

ASSEMBLYMAN VAN WAGNER: Well, at some later date you can submit your remarks.

MS. OBELLEIRO: Okay. We agree with ACR 29. However, we think that maybe there could be some sort of cost-of-living adjustment made, like in ACR 12 or ACR 15, that will deal with the cost-of-living as the years go on.

ASSEMBLYMAN VAN WAGNER: That's what we are doing.

MS. OBELLEIRO: That's what ACR 29 will do?

ASSEMBLYMAN VAN WAGNER: Yes. We amended it. I should explain to you that the ACR has been released from committee already and amendments have been made to the ACR, including an adjustment each year on up to 1983 in both the amount of the income eligibility level and the amount of the deduction.

MS. OBELLEIRO: That means that they won't have to make constitutional amendments for all those years then?

ASSEMBLYMAN VAN WAGNER: That's right.

MS. OBELLEIRO: Okay. That's what the Division on Aging seemed to be worried about.

ASSEMBLYMAN VAN WAGNER: We did that.

MS. OBELLEIRO: I'm sorry to waste your time. I just got this job, so I'm learning. Thank you very much.

ASSEMBLYMAN VAN WAGNER: That's all right. That's what we do sometimes too. Thank you very much. If you would put the Division's indication of support to us, we would appreciate that. It is in the record now, your remarks as to the request by the Division for incremental cost-of-living adjustments. It has been noted and made. So, now, all you really have to do, if you would, is just give us a very brief indication of your support, your own remarks. You did an excellent job for the first time.

MS. OBELLEIRO: Thank you. Who do I send that to?

ASSEMBLYMAN VAN WAGNER: You can send it directly to Mr. Zuzzio, who is Aide to the Committee, Office of Fiscal Affairs or whatever they call it.

We also have a statement, that I have been asked to read, by the New Jersey Council of Senior Citizens. The New Jersey Council of Senior Citizens has indicated an interest in this proposal, but has not yet developed a final position paper. The Council has indicated support for this proposal and the hearing record will be left open so that when the Council position is submitted to the Committee, it will be made part of this hearing.

This, then, completes this part of the process. The proposed resolution will now lay over on the desks for a period of 20 days, when the full House will be prepared to debate the Resolution. I would like to thank the members of the Committee for being here. This hearing is now concluded. Thank you.

(Hearing concluded)

May 27, 1980

STATEMENT OF SIDNEY GLASER
DIRECTOR, NEW JERSEY DIVISION OF TAXATION

ACR 29 (1980)

My name is Sidney Glaser. I am Director of the Division of Taxation, Department of the Treasury, and appear here today to comment with respect to the proposed constitutional amendment to Article VIII, Section 1, paragraph 4, as set forth in ACR 29, as amended.

The Division of Taxation has the responsibility for the administration of the senior citizen tax deduction. From time to time we have promulgated regulations and tax forms for use of applicants. In addition, bulletins and memoranda have been issued to serve as guidelines for the local tax assessors and the general public.

Adoption of this Resolution is a matter of policy. My comments are offered not for the purpose of advocating any specific policy but rather to present certain data which we feel should be brought to the attention of this Committee to assist it in arriving at a conclusion. It is realized that to those on fixed incomes, such as senior citizens, the inflationary spiral has had and is still having serious economic repercussions.

This Resolution has as its objective the increase of the income limitations from $5,000 to $8,000 in 1981, $9,000 in 1982 and $10,000 in 1983 and thereafter. In addition, the tax deduction off the property tax bill would be increased from $160 annually to $200 in 1981, $225 in 1982 and $250 per year thereafter.

It is recognized ~~understandable~~ that the cost of living has increased substantially and that the value of the present exemption, in the light of property tax increases, has decreased materially. Also, with the rise in incomes, persons previously eligible have become ineligible.

I wish to point out that although the Constitution provides for annual reimbursements to each taxing district equal to 1/2 of the tax loss resulting from the allowance of the senior citizen tax deductions, present law provides for full reimbursement by the State. It is my purpose to describe our estimates of the tax loss to the State for 1981 through 1983. This is estimated to be:

| | |
|---|---|
| 1981 | \$9.8 million |
| 1982 | \$16.2 million |
| 1983 | \$23.6 million |

It has been asserted that these funds can be obtained from casino revenues. This Committee should consider the question whether there are other calls upon casino revenue funds which should be given priority, or at least have equal call. I might note that such funds have been used to provide funds to pay the additional homestead rebate for senior citizens, disabled persons and survivors of senior citizens. Also to be considered is the fact that renters will not share in this tax deduction--~~to~~ so that any distribution of casino funds under ACR 29 would not be made to such group.

Estimate for 1981

The number of qualified persons in the under \$5,000 income class dropped 2% from 1978 to 1979. This is understandable in the light of income increases. The same rate of decrease will result in an estimate the number of persons in in this class of 178,960 for 1981. This group would receive an increase of \$40 in their tax deduction or a total of \$7,158,000. However, it is estimated that 13,273 individuals with incomes between $5,000 and $8,000 would qualify for the first time for 1981 and receive the full $200 deduction.

The State reimbursement thus is calculated as follows:

| | | |
|---|---|---|
| Incomes under $5,000 | | |
| 178,960 x $40 | = | $7,158,000 |
| Incomes $5,000 to $8,000 | | |
| 13,273 x $200 | = | 2,654,600 |
| Payable in fiscal 1981-82 | | $9,812,600 or $9.8 million |

Estimate for 1982

| | | |
|---|---|---|
| Incomes under $5,000 | | |
| 176,812 x $65 | = | $11,492,780 |
| Incomes between $5,000-$8,000 | | |
| 10,830 x $225 | = | 2,436,750 |
| Incomes between $8,000-$9,000 | | |
| 10,009 x $225 | = | 2,252,025 |
| Payable in fiscal 1981-82 | | $16,181,555 or $16.2 million |

Estimate for 1983

| | | |
|---|---|---|
| Incomes under $5,000 | | |
| 174,691 x $90 | = | $15,722,190 |
| Incomes $5,000 to $8000 | | |
| 8,833 x $250 | = | 2,209,500 |
| Incomes $8,000 to $9,000 | | |
| 11,330 x $250 | = | 2,832,500 |
| Incomes $9,000 to $10,000 | | |
| 11,330 x $250 | = | 2,832,500 |
| Payable in fiscal year 1982-83 | | $23,596,690 or $23.6 million |

In the above computations where a person did not qualify before the amendments but did qualify as a result of the amendment, the maximum deduction for the particular year was used. For example, in 1982, there were 10,830 qualifiers. To compute the State loss, this number was multiplied by $225, the deduction for that year.

In passing, I might note that income of one of three categories, i.e., social security, federal pensions and state pensions, ~~are~~ is excluded. We issued details as to the manner in which these exclusions are permissible. In view of the 14% increase in social security benefits, new examples will be issued shortly by this office. Attached are guidelines issued by this office using current social security maximum benefits

I trust that the foregoing information will be helpful to this Committee. Thank you for the opportunity to appear here today.

to calculate maximum for federal and state pensions.

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

July 20, 1979

SIDNEY GLASER, DIRECTOR

WEST STATE & WILLOW STREETS
TRENTON NEW JERSEY 08646
(609) 292-5185

TO: ALL ASSESSORS, TAX COLLECTORS AND COUNTY TAX BOARD COMMISSIONERS AND SECRETARIES

This memorandum supersedes the memorandum published on July 20, 1978 and reflects situations occuring for the 1979 tax year and is designed to illustrate by example, a number of situations contained in the "Revised Guidelines for Implementation of Chapter 129, Laws of 1976 (An Act concerning deductions from taxes assessed against certain real property of citizens and residents of this State, of the age of 65 or more years, or less than 65 years of age who are permanently and totally disabled, and their surviving spouses in certain cases). It is to aid local officials and property owners in determining income which may be deducted or excluded from gross income in determining whether a claimant meets the $5,000 income limitation provided by law.

Where the claimant and/or spouse receives only social security benefits and no benefits under (2) and (3) below, the amount of social security benefits received by the claimant and/or spouse may be deducted from income, in full. Examples 1 and 2 below are applicable where the claimant and spouse has income from social security benefits and no benefits under (2) and (3).

Examples 3 through 15 below are applicable where the claimant has income under more than one of the following three categories. It must be emphasized that an applicant is entitled to exclude benefits under only one of the three categories.

The Three Categories are:

(1) The Federal Social Security Act and all amendments and supplements thereto;

(2) any other program of the Federal Government or pursuant to any other Federal law which provides benefits in whole or in part in lieu of benefits referred to in, or for persons excluded from coverage under (1) hereof, including but not limited to the Federal Railroad Retirement act and Federal pension, disability, and retirement programs; or

(3) pension, disability, or retirement programs of any state or its political subdivisions, or agencies thereof, for persons not covered under (1) hereof; provided, however, that the total amount of benefits to be allowed exclusion by any owner under (2) or (3) hereof shall not be in excess of the maximum amount of benefits payable to, and allowable for exclusion by, an owner in similar circumstances under (1) hereof. (N.J.S.A. 54:4-8.40).

In the following examples, the notations (1), (2) or (3) following a particular pension benefit refer to the above listed categories.

In all cases, it is assumed that these claimants meet all other prerequisites necessary to qualify for the property tax deduction.

EXAMPLE 1

Assumptions:

Husband and wife both over 65. Each a retired person in his own right, or

Husband disabled -- less than 65 -- wife 62

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Social Security | (1) | $ 6,390 | $ 6,390 |
| Wife -- Social Security | (1) | 4,000 | 4,000 |
| Other Income | | 3,500 | ----- |
| TOTAL | | $13,890 | $10,390 |

Conclusion: They do qualify

The Social Security Benefits received by claimant and spouse may be deducted in full which leaves a balance of income of $3,500, which is less than $5,000 income limitation.

EXAMPLE 2

Assumption:

Husband over 65 -- Wife 62, or

Husband disabled -- less than 65 -- Wife 62

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Social Security | (1) | $ 6,390 | $ 6,390 |
| Wife -- Social Security | (1) | 2,500 | 2,500 |
| Other Income | | 3,500 | ----- |
| TOTAL | | $12,390 | $ 8,890 |

Conclusion: They do qualify

The Social Security Benefits received by claimant and spouse may be deducted in full which leaves a balance of income of $3,500, which is less than $5,000 income limitation.

EXAMPLE 3

Assumptions:

Husband and wife both over 65 -- Both retired workers, or

Husband disabled -- less than 65 -- wife 65

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Railroad pension | (2) | $ 7,000 | $ 6,390 |
| Husband -- Social Security | (1) | 3,000 | ------ |
| Wife -- Federal pension | (2) | 6,500 | 6,390 |
| Wife -- Social Security | (1) | 1,500 | ------ |
| TOTAL | | $18,000 | $12,780 |

Conclusion: They do not qualify

Both husband and wife over 65 should be considered as "retired workers" and since each of their pensions exceed the maximum social security benefit, respectively, they are entitled to deduct a total of $12,780 (the social security maximums) from the total income which leaves a balance of income of $5,220, which is in excess of the $5,000 statutory income limitation. A disabled husband, less than 65 and wife, age 65, would be entitled to the same deductions from the total income. It is important to note that a person may deduct only one of the three categories listed above and not all three categories. Thus, the husband may not deduct both his railroad pension and his social security pension; he may deduct either. Since the railroad pension exceeds the social security maximum, his deduction is limited to such maximum.

The wife may not deduct both her Federal Pension and her Social Security Pension; she may deduct either. Since the Federal Pension exceeds the Social Security maximum, her deduction is limited to such maximum.

EXAMPLE 4

Husband and wife both over 65 -- Both retired workers, or

Husband disabled -- less than 65 -- wife 62 or more

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- State Police Pension | (3) | $ 3,700 | $ 3,700 |
| Husband -- Social Security | (1) | 800 | ------ |
| Wife -- School Pension | (3) | 4,000 | 4,000 |
| Wife -- Social Security | (1) | 1,900 | ------ |
| Other Income | | 2,200 | ------ |
| TOTAL | | $12,600 | $ 7,700 |

Conclusion: They do qualify

The greater amount of the husband's State Police Pension does not exceed the maximum social security benefit and the greater amount of the wife's school pension does not exceed the maximum social security benefit as they are considered "retired workers" or a total of $7,700, which leaves an income balance of $4,900, which is less than the $5,000 income limitation. A disabled husband -- less than 65 and wife 62 or more would be entitled to the same deductions from the total income.

EXAMPLE 5

Assumptions:

Husband and wife both over 65, or

Husband disabled -- less than 65 -- wife 62 or more

| | INCOME | DEDUCTION ALLOWED |
|---|---|---|
| Husband -- State Pension (3) | $ 2,000 | $ ----- |
| Husband -- Social Security(1) | 3,000 | 3,000 |
| Wife -- State Pension (3) | 1,800 | 1,800 |
| Wife -- Social Security(1) | 1,500 | ----- |
| TOTAL | $ 8,300 | $ 4,800 |

Conclusion: They do qualify

The husband's social security benefit of $3,000 is greater than his state pension and is less than $6,390, and the wife's state pension of $1,800 is greater than her social security benefit and is less than $6,390, making both items deductible. The difference between the total income of $8,300 and the pension deductions allowable of $4,800 is $3,500, which is less than the $5,000 income limitation. A disabled husband less than 65 and wife 62 or more would be entitled to the same deductions form the total income.

EXAMPLE 6

Assumptions:

Husband and wife both over 65, or

Husband disabled -- less than 65 -- wife 62 or more

| | INCOME | DEDUCTION ALLOWED |
|---|---|---|
| Husband -- Federal Pension (2) | $10,500 | $ 6,390 |
| Wife -- Social Security (1) | 2,500 | 2,500 |
| Other Income | 5,800 | ----- |
| TOTAL | $18,800 | $ 8,890 |

Conclusion: They do not qualify

The total maximum pension that may be deducted from the husband's Federal pension is $6,390 and the wife's social security benefit of $2,500 which leaves a balance of income of $9,910, which is in excess of the $5,000 income limitation. A disabled husband less than 65 -- wife 62 or more would be entitled to the same deduction from the total income.

EXAMPLE 7

Assumptions:

Husband and wife both over 65, or

Husband disabled -- less than 65 -- wife 65

| | | INCOME | DEDUCTION ALLOWED | |
|---|---|---|---|---|
| Husband -- Railroad Retirement Pension | (2) | $ 6,500 | $ 9,585 | (H & W) |
| Husband -- Social Security | (1) | 1,000 | ----- | |
| Wife -- Social Security | (1) | 500 | ----- | |
| Other Income | | 3,700 | ----- | |
| TOTAL | | $11,700 | $ 9,585 | |

Conclusion: They do qualify

The maximum pension that may be deducted is $9,585 ($6,390 (H) and $3,195 (W).) In applying category (2), the deduction may not exceed the maximum allowable under social security. (See proviso following the third category.) Accordingly, this leaves a balance of $2,115, which is less than the $5,000 income limitation. A disabled husband -- less than 65 and wife 62 or more would be entitled to the same deductions from the total income.

In this example and under circumstances where the husband is allowed the maximum social security benefit as provided in category #3 and where the income statement of the claimant indicates the wife is receiving social security benefits amounting to 50% of the social security benefits granted the husband, it has been determined that in these situations the wife is allowed as a deduction 50% of the maximum security benefits granted the husband.

EXAMPLE 8

Assumptions:

Husband and wife both over 65, or

Husband disabled -- less than 65 -- wife 62 or more

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Federal Pension | (2) | $ 1,000 | $ ------ |
| Husband -- Social Security | (1) | 3,000 | 3,000 |
| Wife -- Social Security | (1) | 1,500 | 1,500 |
| Other Income | | 3,000 | ----- |
| TOTAL | | $ 8,500 | $ 4,500 |

Conclusion: They do qualify

After deducting the social security benefits of the husband and wife, the balance of the income is less than $5,000 income limitation. It is important to note that the husband does not exclude both his Federal pension and social security benefits. He is entitled to benefits under only one category. A disabled husband -- less than 65, and wife 62 or more would be entitled to the same deduction from the total income.

EXAMPLE 9

Assumptions:

Husband over 65 -- Wife 60, or

Husband disabled -- less than 65 -- wife 60

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Social Security | (1) | $ 2,400 | $ 2,400 |
| Husband -- Other Income | | 1,700 | ----- |
| Wife -- Private Pension | (3) | 7,000 | ----- |
| TOTAL | | $11,100 | $ 2,400 |

Conclusion: He does not qualify

The husband's social security benefit of $2,400 is the only pension that can be deducted. The wife, not being 65 years of age, cannot include as a further deduction one-half of the husband's social security benefit. Accordingly, the balance of $8,700 is in excess of the $5,000 statutory income limitation.

EXAMPLE 10

Assumptions:

Husband over 65 -- Wife 54, or

Husband disabled -- less than 65 -- Wife 54

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Husband -- Federal Pension | (2) | $ 500 | $ ----- |
| Husband -- Social Security | (1) | 2,900 | 2,900 |
| Wife -- Salary | | 3,500 | ----- |
| Other Income | | 500 | ----- |
| TOTAL | | $ 7,400 | $ 2,900 |

Conclusion: He qualifies

The net income after deduction of the $2,900 social security is less than the $5,000 statutory income limitation.

EXAMPLE 11

Assumptions:

Retired citizen (male) over 65, or

Disabled citizen (male) less than 65

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Federal Pension | (2) | $ 6,500 | $ 6,390 |
| Social Security | (1) | 1,680 | ----- |
| TOTAL | | $ 8,180 | $ 6,390 |

Conclusion: He qualifies

The maximum pension of $6,390 may be deducted leaving a balance which is less than the $5,000 income limitation. If he were married and his wife was 65 or over, a further deduction of $3,195 (one-half of social security maximum) would be allowed.

EXAMPLE 12

Assumptions:

Retired citizen (female) -- over 65, or

Disabled citizen (female) -- less than 65

| | | INCOME | DEDUCTION ALLOWED |
|---|---|---|---|
| Federal Pension | (2) | $ 6,500 | $ 6,390 |
| Social Security | (1) | 1,500 | ----- |
| TOTAL | | $ 8,000 | $ 6,390 |

Conclusion: She qualifies

The maximum pension of $6,390 may be deducted leaving a balance which is less than $5,000 income limitation.

SURVIVING SPOUSE -- Age 55 or more

Due to various and individual circumstances concerning a surviving spouse claimant, the maximum deduction from income allowed such a claimant is to be determined by the amount of social security benefits awarded the claimant which is indicated on the Social Security Award Certificate Form SSA-30 or Form SSA-2458 and reported by the claimant accordingly as part of the total income of the claimant.

EXAMPLE 13

Assumptions:

Surviving spouse -- Retired female -- age 55 (who does not have minor or disabled children in her care or is not totally disabled herself.)

| | INCOME | DEDUCTION ALLOWED |
|---|---|---|
| School Pension | $ 7,500 | $ ------ |
| Other Income | 2,500 | ------ |
| TOTAL | $10,000 | $ ------ |

Conclusion: Does not qualify

In this example, the claimant has not reached the age of 62 which is the earliest age a retired insured worker may be eligible to receive social security benefits. Therefore, income from all sources must be considered in determining elgigiblity of meeting the $5,000 income limitations. The income of $10,000 and no deductions exceeds the income limitation of $5,000.

EXAMPLE 14

Assumptions:

Surviving Spouse -- Female -- age 63

| | INCOME | DEDUCTION ALLOWED |
|---|---|---|
| School Pension | $ 6,500 | $ 6,390 |
| Social Security | 3,500 | ----- |
| TOTAL | $10,000 | $ 6,390 |

Conclusion: She qualifies

The maximum of $6,390 may be deducted from the school pension, leaving a balance of $3,610 which is less than the $5,000 income limitation.

EXAMPLE 15

Assumptions:

Surviving Spouse -- age 62

| | INCOME | DEDUCTION ALLOWED |
|---|---|---|
| Federal Pension | $ 2,500 | $ ------ |
| Social Security | 4,000 | 4,000 |
| Other Income | 2,000 | ------ |
| TOTAL | $ 8,500 | $ 4,000 |

Conclusion: She qualifies

The maximum deduction allowed is $4,000, the Social Security benefits. The Federal pension of $2,500 does not exceed the Social Security benefits; hence the claimant is permitted to deduct the greater of the two pensions, but not both pensions. Deducting $4,000 from $8,500 income leaves a balance of $4,500 which is less than the $5,000 income limitation.

Sincerely,

Sidney Glaser

Sidney Glaser, Director
Division of Taxation

SG:dd

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

July 20, 1979

SIDNEY GLASER, DIRECTOR

WEST STATE & WILLOW STREETS
TRENTON, NEW JERSEY 08646
(609) 292-5185

TO: ALL ASSESSORS, TAX COLLECTORS AND COUNTY TAX BOARD COMMISSIONERS AND SECRETARIES

RE: REVISED GUIDELINES FOR IMPLEMENTATION OF CHAPTER 129, LAWS OF 1976

(An Act concerning deductions from taxes assessed against certain real property of citizens and residents of this State of the age of 65 or more years or less than 65 years of age who are permanently and totally disabled, and their surviving spouses in certain cases.)

To assist all concerned with the implementation of Chapter 129, Laws of 1976, the Director of the Division of Taxation has established the following guidelines to be used by assessors and tax collectors in determining the income limitation of citizens and residents of this State, of the age of 65 or more years, or less than 65 years of age who are permanently and totally disabled, and their surviving spouses in certain cases, applying for the property tax deduction pursuant to N.J.S.A. 54:4-8.40 et seq.

These Guidelines supersede the Guidelines issued on July 20, 1978, and shall become effective with respect to applications filed for deductions for the 1979 tax year and for confirming the 1979 anticipated income when the Post-Tax Year Statements are filed on February 1, 1980.

The changes made in these Guidelines specifically concern paragraph "5" since the Federal Government has increased the Social Security benefits for the 1979 tax year.

1. Application Form PD 1, 2, or 3 must be filed with the assessor during the period on or after October 1 and not later than December 31 of the pretax year or with the tax collector at any time during the tax year. Thus, for the tax year 1979 deduction, the applicant should file with the tax collector on or before December 31, 1979.

2. (a) A claimant who is the recipient of a pension benefit under the Federal Railroad Retirement Act or pursuant to any Federal, State, County and Municipal pension, disability and retirement programs, or any agency thereof, and who does not receive any benefit under the Federal Social Security Act shall submit to the assessor or tax collector, as the case may be, the amount of such annual benefit and the name and address of the agency granting the benefit, This information may be endorsed in the upper right hand corner of Form PD 1, 2, or 3 or submitted on a separate statement attached to said form. In such cases, the claimant may exclude the amount of such benfit from

income but not in excess of the maximum amount of benefit allowed under the Federal Social Security Act. See paragraph "5" for maximum benefit allowed.

(b) Where a person described in 2 (a) is the recipient of both a Social Security Benefit and a pension, disability or retirement benefit as described in said paragraph 2 (a), he may exclude from income the greater amount but not in excess of the maximum amount of benefit allowed under the Federal Social Security Act. See paragraph "5" for maximum benefit allowed.

3. Where both the husband and wife are entitled to pension, disability or retirement benefits as permitted by law, the benefits of both combined may be excluded, subject however, to the maximum limitations. See paragraph "5" for maximum limitation.

4. It is important to note that Chapter 129, Laws of 1976 provides that the total amount of benefits to be allowed exclusion by any owner under Sections 1(a)(1), 1 (a)(2) and 1(a)(3) of the Act shall not be in excess of the maximum amount of benefits payable to and allowable for exclusion by an owner in similar circumstances under the Federal Social Security Act.

5. In accordance with P.L. 92-603, Sec. 104 known as Social Security amendment of 1972 as amended, Sec. 214 of the Social Security Act, the following are the annual maximum retirement benefit estimates under the Federal Social Security Act. These maximums are to govern the amount of pension, disability or retirement income to be excluded pursuant to Chapter 129, Laws of 1976. They were compiled from information received from the Department of Health, Education and Welfare and are as follows:

Retired worker - Male (65 or older) . . . $6,390

Retired worker - Female (65 or older) . . . $6,390

In the case where the husband is the retired worker and the wife is receiving Social Security benefits through her husband:

Retired worker - husband
(65 or older) . . . . . . . . $6,390 (formerly $5,727)

Wife (65 or older) . . . . . . . . $3,195 (formerly $2,863)

Retired worker and wife
(Both 65 or older). . . . . . $9,585 (formerly $8,590)

6. <u>Disability Benefits</u> -Less than 65 years of age.

The primary benefit amount for a disabled worker is based on average yearly earnings under Social Security. It is the same amount as the worker would get if he or she were retiring at age 65.

Disabled worker - male
(less than 65)........................$6,390

Disabled worker - female
(less than 65)........................$6,390

In the case where the husband is the disabled worker and the wife is receiving the Social Security benefits through her husband:

Disabled worker - husband
(less than 65)........................$6,390 (formerly $5,727)

Wife (with minor or disabled
children).............................$3,195 (formerly $2,863)

Disabled worker and wife
(as above)............................$9,585

Wife (under age 62 with no minor
or disabled children).................No Benefits

Disabled worker - husband
(less than 65)........................$6,390

Wife (age 65 or older)...................$3,195

Disabled worker and wife
(as above)............................$9,585

7. Surviving Spouse

A surviving spouse must be at least age 60 to be eligible for Social Security benefits on the record of the deceased worker, unless;

(a) the surviving spouse has minor or disabled children of the deceased worker in his or her care, or

(b) the surviving spouse is between age 50 and 60 and is totally disabled.

The maximum amount of pension, disability or retirement income to be excluded will be based on the actual benefits received but shall not be in excess of the maximum amount of benefits payable to and allowable for exclusion by an owner in similar circumstances under Social Security.

8. Forms PD 1, 2, or 3 (initial application) must be used in applying for the $160 property tax deduction. Form PD 5 (Post-Tax Year Statement) must be used to confirm the tax year income and to continue the deduction.

9. If you have any questions not specifically covered by these Guidelines, you may write directly to the Division of Taxation, Local Property and Public Utility Branch, West State and Willow Streets, Trenton, New Jersey 08646.

Adherence to these guidelines should result in uniform implementation of the Act.

Sincerely,

Sidney Glaser

Sidney Glaser, Director
Division of Taxation

SG:dd

A General Statement Concerning Disability Benefits

Regarding the law and regulations as they pertain to disability income for the purpose of determining the income requirement for the $160 Property Tax Deduction, such income is mentioned in the New Jersey Constitution and statutes as being excludable only for those who received such benefits under a Federal, State, or Political subdivision program, and then only to the extent of the maximum benefits payable to a person receiving such benefits under the Federal Social Security Act.

The New Jersey Constitution, statutes, and regulations are otherwise silent on the subject of disability income. It follows then that any disability income received, other than that received under a Federal, State, or Political subdivision program would be evaluated for inclusion on the basis of how such income is treated on a properly completed Federal Income Tax Return. (See Handbook for New Jersey Assessors, Sec. 303.25, and Local Property and Public Utility Branch Newsletter, September -- October, 1977, pg. 1.)

L.P. & P.U.B

ED:dd

# New Jersey Council of Senior Citizens

STATE HEADQUARTERS
16 Commerce Drive, Cranford, N. J. 07016
Telephone: (201) 272-4200



TESTIMONY OF JOHN P. TERGIS BEFORE THE ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE REGARDING ACR-29, ON MAY 27, 1980.

Although the New Jersey Council of Senior Citizens strongly recommends real estate tax relief for senior citizen and disabled homeowners and renters, we have some misgivings as to whether ACR-29 will provide sufficient additional relief to those who need it most.

A recent study by Rutgers University shows that on the average in New Jersey a person with $16,000 income pays 6.7% of income in real estate taxes, whereas a person with income less than $5500 pays 27.4% of income in real estate taxes. A good rebate system helps reverse this regressivity by paying a greater rebate to the person who has a high tax bill in relation to income and vice versa.

In Exhibit "A" we have tried to illustrate the present financial impact of the real estate tax on a low income and a moderate income taxpayer each of whom pays the same taxes. The figures have been projected to 1983 showing the benefits of ACR-29 and assuming uniform increases in the tax and in social security. The results seem to indicate that the low income taxpayer who paid 16% of income in taxes is still paying 16% in 1983, and the moderate income person who pays only 6% is able to maintain this favorable position with the help of ACR-29.

We would like to make these specific points about ACR-29:

1. It seems to aid moderate income people while not significantly improving the tax burden of the low income. (53% of the total number of seniors and disabled have incomes less than $5000, exclusive of any social security benefits they may have).

2. It grants the deduction to all persons within the income limits whether or not they have tax overloads and thus is a very expensive plan.

3. If later on it becomes more obvious that the tax position of low income homeowners and renters should be improved, it is somewhat doubtful whether that would be possible either politically or financially, after having sold the public on ACR-29 and after having spent considerable sums on it.

4. $10,000 with social security translates into a total income of $16,000 or $17,000 ($5,000 is the present average social security benefit). Some people feel there would be the possibility of a backlash against the senior citizen movement. (Incidentally, should the question indicate that the amounts shown therein are exclusive of social security?)

In our opinion the correct approach would be to let the $160 deduction stand where it is now. Instead we would superimpose an additional homestead rebate on the tax-overload (circuit breaker) basis on the present system. Suppose, for example, we considered 8 % of income as being an acceptable out-of-pocket expense for taxes. The excess over 8% would be rebated by the state, subject to a maximum, of course, and integration with the present rebate system.

The tax-overload basis would have these advantages:

1. The plan could be enacted without a constitutional amendment.

2. It places relief where the need is, even to moderate income people who have high taxes. It is self-adjusting does not need a cutoff point.

3. It is a cheaper plan since it does not spread benefits shot-gun style, but concentrates them to those who have high taxes in relation to income.

4. It can be made to fit the budget by adjusting the maximum more flexible.

5. It can be adapted to renters by considering a portion of rent to be in the nature of taxes.

While we do not wish to be in the position of opposing any reasonable plan of tax relief, we recommend that the points raised in this memorandum, including the circuit breaker approach, which has been adopted in one form or other by 36 states, should receive your careful consideration.

I was out of town at the time the hearing was held and certainly appreciate your making this memorandum part of the record.

jpt
opeiu 494

EXHIBIT "A"

1980

| | Senior Citizen A | | Senior Citizen B | |
|---|---|---|---|---|
| Gross real estate tax | | $1200 | | $ 1200 |
| Tax deduction | $160 | | $ 0 | |
| homestead rebate (approx.) | 240 | 400 | 240 | 240 |
| out-of-pocket expense for taxes | | $ 800 | | $ 960 |
| pension | $2000 | | $10000 | |
| social security | 3000 | $5000 | 6000 | $16000 |
| out-of-pocket expense as % of income | | 16% | | 6% |

1983

| | Senior Citizen A | | Senior Citizen B | |
|---|---|---|---|---|
| gross real estate tax | | $1390* | | $1390* |
| tax deduction | $ 250 | | $ 250 | |
| homestead rebate (approx.) | 240 | 490 | 240 | 490 |
| out-of-pocket expense for taxes | | $ 900 | | $ 900 |
| pension | $2000 | | $10000 | |
| social security | 3472** | $5472* | $6945** | $16945 |
| out-of-pocket expense as % of income | | 16.4% | | 5.3% |

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(*) $1200 increased 5% for each of 3 years, compounded

(**) social security increased 5% for each of 3 years, compounded

DATE DUE

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