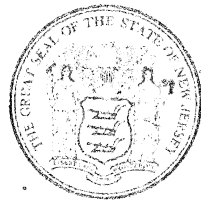


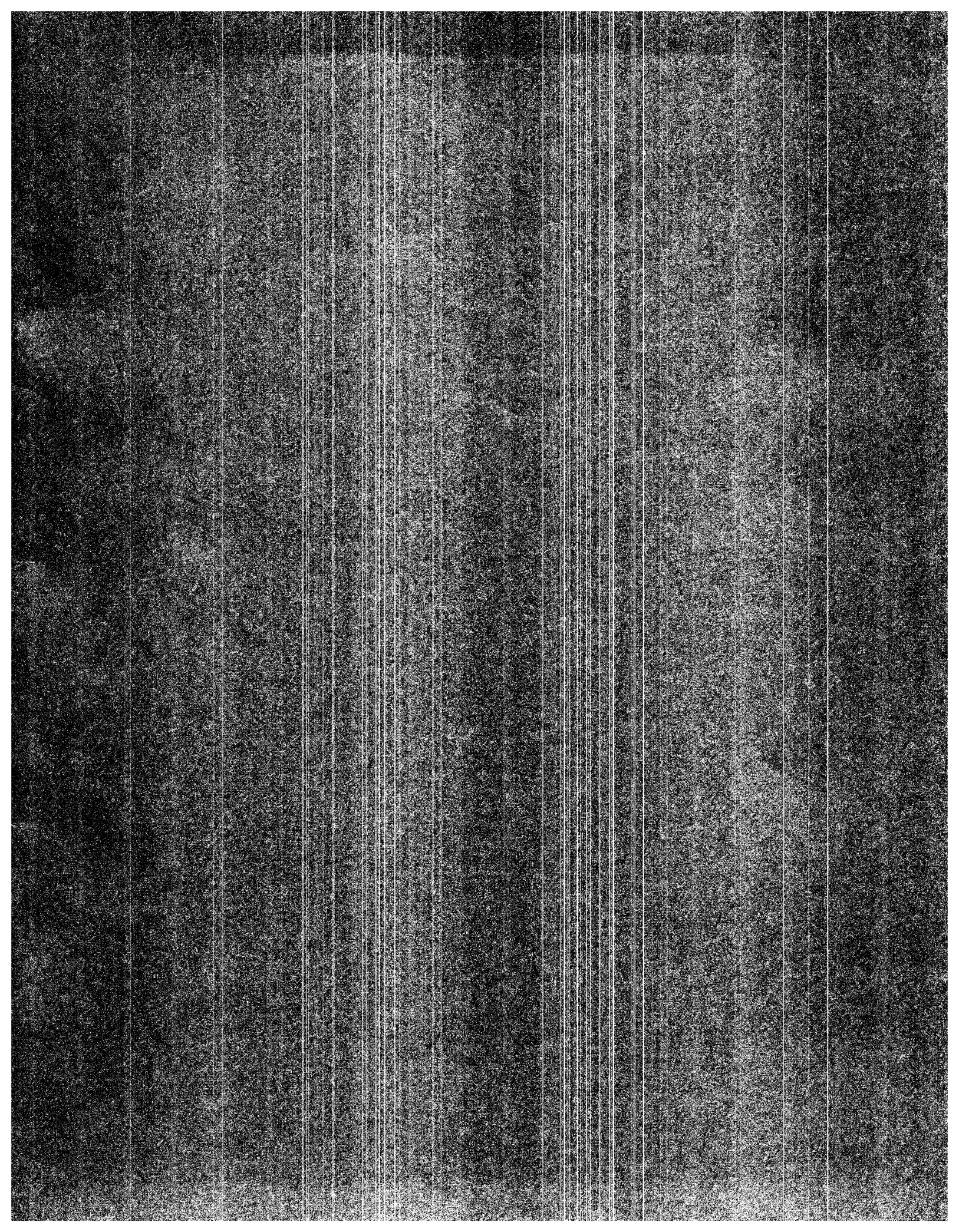
TAX EXEMPTION AND ABATEMENT
FOR
IMPROVEMENTS TO RESIDENTIAL BUILDINGS
AND
CONVERSION OF NON-RESIDENTIAL BUILDINGS TO
USE AS MULTIPLE DWELLINGS

A PROCEDURAL GUIDE
To P.L. 1975, c.104, As Amended,
and
P.L. 1979, c.233



NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF HOUSING



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STATE OF NEW JERSEY
Brendan Byrne, *Governor*

DEPARTMENT OF COMMUNITY AFFAIRS
Joseph A. LeFante, *Commissioner*

DIVISION OF HOUSING
Philip B. Caton, *Director*



State of New Jersey
DEPARTMENT OF COMMUNITY AFFAIRS

JOSEPH A. LEFANTE
COMMISSIONER

363 WEST STATE STREET
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M E M O R A N D U M

TO: Chairmen of County Planning Boards and Mayors of Municipalities
FROM: Joseph A. LeFante, Commissioner
SUBJECT: Tax Exemptions and Abatements under P.L. 1975, c.104, as amended, and P.L. 1979, c.233

On May 29, 1975, P.L. 1975, Chapter 104 was approved and became effective. It enabled "qualified municipalities" to exempt from taxation the first \$4,000 of improvements per unit on housing 20 years old or older for a period of five years. In October of 1975, the Department adopted regulations implementing the Act and at the same time published a guide to the law and regulations entitled, "Tax Abatement on Added Assessments: A Procedural Guide to P.L. 1975, C.104, Technical Bulletin No. 1." A second Technical Bulletin was published after the Act was substantially amended in 1977.

The 1977 amendments substituted the words "in need of rehabilitation" for "endangered by blight" and gave the municipality the option of exempting the first \$10,000 — rather than the first \$4,000 — of added value from taxation. Municipalities enacting ordinances under the Act were also required to inform residential taxpayers of the program by including a notice prepared by the Department of Community Affairs in the mailing of annual tax bills during the first year following the amendment or following enactment of the ordinance. Other changes of a more technical nature were also made.

The enactment of P.L. 1979, c.233 created a new exemption and abatement program for improvements to multiple dwellings and for the conversion of non-residential buildings to use as multiple dwellings. This Act represents a major new attempt to address the multifamily housing crisis in this State and we hope that many municipalities will take advantage of it.

Aside from the fact that improvements to one- and two-unit dwellings come under P.L. 1975, c.104, as amended, while improvements to multiple dwellings come under P.L. 1979, c.233, there are other significant differences between the statutes to which I wish to call your attention. They are as follows:

1. An ordinance under P.L. 1975, c.104 can only be enacted in a municipality found to be a "qualified municipality" by the county planning board or the Commissioner of Community Affairs. However, any municipality which finds that it meets the standards established by regulation by the Department of Community Affairs may enact an ordinance under P.L. 1979, c.233 without prior approval.

2. Abatement of a portion of the taxable value of the building prior to improvement or conversion can be granted, in addition to exemption of the added value, if an ordinance adopted under P.L. 1979, c.233 so provides. Only exemption of added value is available under P.L. 1975, c.104, as amended, and this is limited to either \$4,000 or \$10,000.
3. With respect to condominiums and horizontal property regimes, P.L. 1975, c.104, as amended, applies to improvements to individual units, while P.L. 1979, c.233 applies to common areas.
4. The benefits created by P.L. 1979, c.233 are only available in areas which have been determined to be in need of rehabilitation. However, a municipality, once it has been determined to be "qualified," may make the benefit of P.L. 1975, c.104 available either to a designated area considered to be in need of rehabilitation or to the entire municipality.
5. Exemption under P.L. 1975, c.104, as amended, continues for five years even if the property is transferred. Exemption or abatement under P.L. 1979, c.233 ceases immediately upon transfer of the property.

It is our hope that this new Procedural Guide will be of help to you in implementing these very valuable programs. If you require further information or technical assistance, please call the Bureau of Neighborhood Preservation of the Division of Housing at (609) 984-6659 or Michael L. Ticktin, Esq., Assistant to the Director of the Division, at (609) 292-0505.

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COMMON INQUIRIES CONCERNING P.L. 1975, CHAPTER 104, AS AMENDED

- Q. Is a municipality obligated to adopt this program?
- A. No. Even if the County Planning Board designates a municipality as "qualified," it does not have to adopt an ordinance instituting a tax exemption program.
- Q. What improvements will be considered for home improvement exemption?
- A. The regulations provide that "any improvement that has the effect of modernizing or rehabilitating a dwelling shall be deemed to be a home improvement qualifying for tax exemption pursuant to the Act."
- Q. Do swimming pools and fireplaces qualify?
- A. Yes.
- Q. Does the law apply to apartment houses?
- A. Individual units in condominium and horizontal property regime properties are eligible. However, rental and cooperative apartment houses, as well as common areas in condominiums and horizontal property regimes, are eligible for exemption only under P.L. 1979, c.233 and not under P.L. 1975, c.104, as amended.
- Q. What if the property is sold after the inception of the tax exemption?
- A. The exemption remains with the property for the full five years regardless of the number of title transfers.
- Q. What if a municipality should be revalued during this period of exemption?
- A. The revaluation takes its normal course, but the revaluators must note that \$4,000 or \$10,000, as the case may be, of the value of the home improvement is exempted.
- Q. Does the Legislature provide funds for the implementation of this law?
- A. Yes, but it is limited to printing and distribution of notices to be sent by municipalities to taxpayers.
- Q. What is the minimum age a dwelling must be to be eligible under this law?
- A. 20 years old.
- Q. Can a participating municipality increase or decrease its maximum amount for exemption as provided by the recent amendment?
- A. Yes, by General Ordinance. However, the maximum amount must be *either* \$4,000 *or* \$10,000 and cannot be any other amount.
- Q. When and to whom is the application for exemption made?
- A. It is made to the municipal Tax Assessor within 30 days of the completion of the improvements.
- Q. Will failure to comply with applicable construction permit and certificate of occupancy requirements make a home improvement ineligible?
- A. Yes.

A
PROCEDURE

- 1. Implementation of P.L. 1975, c.104, as amended**
- 2. Implementation of P.L. 1979, c.233**
- 3. Model Municipal Resolution – P.L. 1975, c.104, as amended**
- 4. Model County Resolution – P.L. 1975, c.104, as amended**
- 5. Model Ordinance – P.L. 1975, c.104, as amended**
- 6. Model Ordinance – P.L. 1979, c.233**

**IMPLEMENTATION OF
P.L. 1975, c.104, AS AMENDED**

The following procedure has been developed as a model, which, in the Department's view, meets the intent of P.L. 1975, c.104, as amended.

A municipal petition should be made to the county seeking a determination that neighborhoods within the municipality are in need of rehabilitation.

Such a petition should include:

- A. A resolution indicating the municipality's desire to be designated as qualifying under the law.
- B. Some form of evidence to indicate that the municipality qualifies for the designation.
- C. The extent to which the municipality wishes to employ the tax exemption, i.e., in the entire municipality, or only in designated areas.

The County Planning Board must then undertake a review of the petition and determine its sufficiency. If it deems necessary, it may require further evidence. Its determination must be made within 30 days of receipt of the completed petition.

If the county passes favorably on the petition it should do so in a formal document, e.g., a resolution indicating that the municipality has received "qualified municipality" status in accordance with P.L. 1975, c.104, as amended. If the county fails to pass favorably upon the petition within 30 days, the municipality may appeal to the Commissioner of the Department of Community Affairs for an administrative hearing. Hearing requests should be sent to the Hearing Coordinator of the Division of Housing, 363 West State Street, Trenton, New Jersey 08625.

The Department will refer the municipal appeal to the Office of Administrative Law for hearing within 30 days of the receipt of a completed application. The Office of Administrative Law will schedule the hearing and notify the municipality. The county planning board will also be given notice of the hearing and be given an opportunity to appear in opposition to the municipality's petition. The judge designated by the Office of Administrative Law will submit an Initial Decision to the Commissioner, who will issue the Final Decision.

A favorable determination by the county or the Commissioner allows a municipality to proceed to the second stage in the process, i.e., adoption of an ordinance in conformity with the Act. An unfavorable determination by the Commissioner ends the administrative process.

Any municipality adopting an ordinance, whether for the entire municipality or for designated areas, must enclose the notice provided to it by the Department with the mailing of annual property tax bills to each owner of residential housing. This mailing is made once and must be done in the first year following adoption of an ordinance. In the case of municipalities who began their participation in the program prior to adoption of this requirement, this mailing must have been made prior to November 4, 1978.

IMPLEMENTATION OF

P.L. 1979, c.233

In contrast to P.L. 1975, c.104, as amended, P.L. 1979, c.233 can be implemented by ordinance without any prior approval by the county planning board or the Department of Community Affairs. Care must still be taken, however, to ensure that "areas in need of rehabilitation" are designated in a manner that is in conformity with Section 2.2 of the Regulations (N.J.A.C. 5:22-2.2).

Once the governing body has determined the boundaries of the area(s) in need of rehabilitation, it must decide which of the exemption and abatement programs allowed by the Act it wishes to adopt. Exemptions can be allowed for improvements to multiple dwellings or for conversion of non-residential buildings to multiple dwelling use, or for both.

Abatement of some portion of the assessed value of the property prior to improvement or conversion can also be provided for in the ordinance. In that case, the maximum percentage of the cost of the improvement or conversion allowable as an abatement must be stated.

If further improvements are made to a property already receiving exemption, or exemption and abatement, an additional exemption or exemption and abatement may be allowed if the ordinance so provides. A provision of this sort, like a provision allowing abatement, is optional, but neither can be enacted alone without at least one of the basic exemption provisions.

A provision expressly permitting conversion of industrial properties to residential use to further the purposes of the Act should be included if the ordinance allows exemption for conversion alterations.

MODEL MUNICIPAL RESOLUTION

P.L. 1975, c.104, AS AMENDED

WHEREAS, P.L. 1975, c.104, as amended, supplementing Chapter 4 of Title 54 of the revised statutes (N.J.S.A. 54:4-3.72 et seq.) enables "qualified municipalities" to exempt from taxation the first \$4,000 (\$10,000) of improvements per unit on housing 20 years old or older for a period of five years; and,

WHEREAS, a "qualified municipality" means any municipality in which residential neighborhoods have been declared to be in need of rehabilitation, such determination being made by the County Planning Board, or on its failure to make such determination, by the Department of Community Affairs; and,

WHEREAS, the municipality of _____ contains residential neighborhoods previously designated as blighted; and/or,

WHEREAS, the municipality of _____ contains residential neighborhoods in close proximity to an area that has previously been declared to be blighted; and/or,

WHEREAS, the municipality of _____ has experienced a deterioration in its housing stock as evidenced by the existence of substantial housing or health code violations in at least 25% of the dwelling units in certain neighborhoods; and/or,

WHEREAS, the municipality of _____ contains neighborhoods in which at least 25% of the dwelling units are in buildings at least 40 years old; and/or,

WHEREAS, the municipality of _____ contains neighborhoods in which at least 25% of the dwelling units are in buildings having real property tax arrearages in at least the amount of one year's taxes; now, therefore,

BE IT RESOLVED, by the governing body of the municipality of _____, that the best interest of the municipality of _____ is served by encouraging, to the fullest extent, the maintenance and preservation of its older homes; and,

BE IT FURTHER RESOLVED, by the governing body of the municipality of _____, that proper application be made and the necessary requirements met to qualify this municipality to provide for tax exemption pursuant to P.L. 1975, c.104, as amended.

AND BE IT FURTHER RESOLVED, that this resolution and any accompanying documents shall be forwarded to the chief officer of the Planning Board of the County of _____, and shall form the basis of this municipality's petition as required by section 3 of P.L. 1975, c.104, as amended.

The criteria outlined in the resolution are as set forth in Section 1.3 of the Regulations (N.J.A.C. 5:22-1.3). A municipality need not establish that all of these criteria exist; for most municipalities seeking "qualified" status, one or more of these criteria should be easily establishable. The Regulations provide that additional factors may also be considered if they are germane.

A municipality seeking to designate a specific area would have to tailor the resolution more closely to that end, describing the area or areas with specificity, and making a determination that the criteria chosen apply uniquely to that area or areas.

MODEL COUNTY RESOLUTION

WHEREAS, P.L. 1975, c.104, as amended, supplementing Chapter 4 of Title 54 of the Revised Statutes (N.J.S.A. 54:4-3.72 et seq.) enables "qualified municipalities" to exempt from taxation the first \$4,000 or \$10,000 of improvements per unit on housing 20 years old or older for a period of five years; and,

WHEREAS, a "qualified municipality" means any municipality in which residential neighborhoods have been declared to be in need of rehabilitation, such determinations being made by the County Planning Board on its own initiative or by petition of said municipality; and,

WHEREAS, it has been established to the satisfaction of the County Planning Board that the municipality of _____ contains residential neighborhoods previously designated as blighted; and/or,

WHEREAS, the municipality of _____ contains residential neighborhoods in close proximity to an area that has previously been declared to be blighted; and/or,

WHEREAS, it has been established to the satisfaction of the County Planning Board, that the municipality of _____ has experienced a deterioration in its housing stock as evidenced by the existence of substantial housing or health code violations in at least 25% of the dwelling units in certain neighborhoods; and/or,

WHEREAS, it has been established to the satisfaction of the County Planning Board, that the municipality of _____ contains neighborhoods in which at least 25% of the dwelling units are in buildings at least 40 years old; and/or,

WHEREAS, it has been established to the satisfaction of the County Planning Board, that the municipality of _____ contains neighborhoods in which at least 25% of the dwelling units are in buildings having real property tax arrearages in at least the amount of one year's taxes; now, therefore,

BE IT RESOLVED, by the Planning Board of the County of _____, that the greater interest of the municipality of _____, and the County as a whole, are served by encouraging to the fullest extent the maintenance and preservation of older homes and,

BE IT FURTHER RESOLVED, that the municipality of _____ having been found to contain neighborhoods which are in need of rehabilitation, is entitled to "qualified municipality" status pursuant to P.L. 1975, c.104, as amended, and is hereby formally granted such status; and,

BE IT FURTHER RESOLVED, that copies of this resolution be forwarded to _____, Mayor of the municipality of _____, to _____, Tax Assessor of the municipality of _____ and to the Division of Housing of the New Jersey Department of Community Affairs.

The criteria outlined in the resolution are as set forth in Section 1.3 of the Regulations (N.J.A.C. 5:22-1.3). A municipality need not establish that all of these criteria exist; for most municipalities seeking "qualified" status, one or more of these criteria should be easily establishable. The Regulations provide that additional factors may also be considered if they are germane.

A county designating a specific area would have to tailor the resolution more closely to that end, describing the area with specificity and making a determination that the criteria chosen apply uniquely to the area designated.

MODEL ORDINANCE

P.L. 1975, c.104, AS AMENDED

WHEREAS, the municipality of _____ has deemed it advisable and beneficial to apply for designation as a "qualified municipality" pursuant to P.L. 1975, c.104, as amended; and,

WHEREAS, the municipality of _____ has duly adopted and forwarded to the _____ County Planning Board a resolution petitioning for such designation; and,

WHEREAS, the _____ County Planning Board (or the Commissioner of Community Affairs) has approved such designation for the municipality of _____; and,

WHEREAS, in order to make the provisions of P.L. 1975, c.104, as amended, effective within the municipality of _____, an ordinance for that purpose must be duly enacted.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Governing Body of the municipality of _____ in the County of _____ and State of New Jersey, as follows:

1. The municipality of _____ hereby acknowledges having been duly designated as a "qualified municipality" pursuant to P.L. 1975, c.104, as amended.
2. The entire municipality of _____ is hereby designated as the area in which residential buildings may be eligible for tax exemption pursuant to P.L. 1975, c.104, as amended.
(or The following described area(s) of the municipality of _____ is (are) hereby designated as (the) area(s) in which residential buildings may be eligible for tax exemption pursuant to P.L. 1975, c.104, as amended.)
3. All housing units which are in buildings at least twenty (20) years old, and which are otherwise eligible for tax exemption pursuant to P.L. 1975, c.104, as amended, the regulations duly promulgated pursuant thereto and this ordinance, shall have exempt from taxation the first Four Thousand Dollars (\$4,000.00) (or Ten Thousand Dollars (\$10,000)) of otherwise taxable improvements for a period of five years following completion of such improvements.
4. No exemption of improvements from taxation shall be allowed except pursuant to statute and to duly promulgated regulations of the Department of Community Affairs and the Division of Taxation.
5. The Tax Assessor (or Board of Assessors) of the municipality of _____ shall implement P.L. 1975, c.104, as amended, in the municipality of _____ and shall accept and receive applications for exemption of improvements from taxation and shall record such applications and retain them as a permanent part of the municipal tax records.
6. The Tax Collector shall, within a year of the adoption of this ordinance, supply to each residential taxpayer a notice concerning the tax exemption program, which notice shall be in a form approved by the Department of Community Affairs.

All ordinances or parts thereof which are inconsistent with the terms of this ordinance be and the same are hereby repealed to the extent of such inconsistency.

This ordinance shall take effect immediately upon final passage, approval and publication as provided by law.

MODEL ORDINANCE

P.L. 1979, c.233

WHEREAS, the municipality of _____ includes within its corporate limits an area (or areas) in need of rehabilitation;

WHEREAS, there is (are) located within such area(s) multiple dwelling(s) in need of rehabilitation (and/or building(s) other than multiple dwelling(s) which is (are) in need of rehabilitation and capable of being advantageously converted to multiple dwelling use); and

WHEREAS, it is in the best interest of the municipality of _____ that the rehabilitation of such area(s) be encouraged by the enactment of an ordinance implementing P.L. 1979, c.233 in the municipality.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Governing Body of the municipality of _____ in the County of _____ and State of New Jersey, as follows:

1. The following described area(s) is (are) hereby declared to be "in need of rehabilitation" within the meaning of P.L. 1979, c.233 and the regulations promulgated by the Commissioner of Community Affairs pursuant thereto:

Set forth the boundaries of the area(s).

2. Within the above-described area(s), improvements to multiple dwellings in need of rehabilitation (and/or conversion alterations to buildings other than multiple dwellings which are in need of rehabilitation and capable of being advantageously converted to multiple dwelling use), as such terms are defined in P.L. 1979, c.233, and in accordance with the provisions of P.L. 1979, c.233 and with standards established by regulation by the Commissioner of Community Affairs pursuant thereto, shall be exempt from taxation to the extent of _____ % (may be up to 100%) of the Assessor's full and true value of such improvements (or conversion alterations) for the five years immediately following the year in which such improvements (or conversion alterations) are completed.

The provisions of paragraphs 3 through 5 are optional. Any of them may be included in the ordinance, but none need be.

3. A portion of the assessed value of property receiving an exemption from taxation pursuant to section 2 hereof, as such property existed immediately prior to the improvement (or conversion alteration), may be abated, while the exemption remains in effect, provided that the total of such abatements does not exceed the cost of the improvement (or conversion alteration), in accordance with the following schedule:
 - (a) For the first year, _____ % (may not exceed 30%) of the cost of the improvement (or conversion alteration);
 - (b) For the second year, _____ % (may not exceed 25%) of such cost;
 - (c) For the third year, _____ % (may not exceed 20%) of such cost;
 - (d) For the fourth year, _____ % (may not exceed 15%) of such costs; and
 - (e) For the fifth year, _____ % (may not exceed 10%) of such cost.
4. An additional improvement, completed on a property granted a previous exemption (or abatement) pursuant to P.L. 1979, c.233 during the period in which such previous exemption or abatement is in effect, shall be qualified for an exemption (or exemption and abatement), just as if such property had not received a previous exemption (or abatement).

5. Industrial properties in areas in need of rehabilitation may be converted to residential use in order to further the purpose of P.L. 1979, c.233, any provision of any other ordinance to the contrary notwithstanding.
6. The property tax exemption (and abatement) procedure of the municipality of _____ shall be as provided by statute and by regulations of the Department of Community Affairs and the Division of Taxation.
7. The Tax Assessor (or Board of Assessors) of the municipality of _____ shall implement P.L. 1979, c.233, and the regulations duly promulgated pursuant thereto, in the municipality of _____ and shall accept and receive applications for exemption (and abatement) for improvements (or conversion alterations) that qualify, and shall record such applications and make them a permanent part of the official tax records of the municipality of _____.

All ordinances or parts thereof which are inconsistent with the terms of this ordinance be and the same are hereby repealed to the extent of such inconsistency.

This ordinance shall take effect immediately upon final passage, approval and publication as provided by law.

B
THE STATUTES

The following reprints of P.L. 1975, c.104, as amended, and P.L. 1979, c.233 are correct and complete as of the date of publication of this Procedural Guide (January, 1981). Before using these statutes at a later date, however, it will be advisable to check if there have been any further amendments to either the statutes or the regulations.

TAX EXEMPTIONS
ONE- AND TWO-UNIT RESIDENCES
(P.L. 1975, c.104, as amended)

54:4-3.72 Legislative Findings

The Legislature finds:

- a. Efforts are being made by many of our municipalities as well as by the State and Federal Government to encourage owners, particularly, of residential properties to rehabilitate their properties and thereby curb the deterioration of residential neighborhoods.
- b. As a result of the decline of such neighborhoods, many of our municipalities have and are presently engaged in extensive urban renewal and urban redevelopment projects involving vast expenditures of public funds.
- c. The deterioration of neighborhoods making such renewal and redevelopment projects necessary is the result in some measure of the unwillingness of the owners and investors of residential properties to properly maintain and improve their properties out of fear of the resulting increase in property taxes.
- d. By exempting for a limited period certain home improvements from taxation much of this unwillingness and fear would not only be dissipated but such owners and investors would be encouraged to rehabilitate and improve their properties and, incidentally, their respective neighborhoods and municipalities.

L. 1975, c.104, Sect. 1, eff. May 29, 1975. Amended by L. 1977, c.284 Sect. 1, eff. Nov. 4, 1977.

54:4-3.73 Definitions

As used in this act:

- a. "Assessor" means the assessor, board of assessors or any other official or body of a taxing district charged with the duty of assessing real property for the purpose of general taxation.
- b. "Completion" means substantially ready for the use for which it was intended.
- c. "Dwelling" means any building or part of a building used, to be used or held for use as a home or residence, including accessory buildings located on the same premises, together with the land upon which such building or buildings are erected and which may be necessary for the fair enjoyment thereof, but shall not mean any building or part of a building, defined as a "multiple dwelling" pursuant to the "Hotel and Multiple Dwelling Law," P.L. 1967, c.76 (C.55:13A-1 et seq.). A dwelling shall include individual residences within a horizontal property regime or a condominium, but shall not include "general common elements" or "common elements" of such horizontal property regime or condominium as defined pursuant to the "Horizontal Property Act," P.L. 1963, c.168 (C.46:8A-1 et seq.), or the "Condominium Act," P.L. 1969, c.257 (C.46:8B-1 et seq.).
- d. "Home Improvement" means the improvement of a dwelling which does not change its permitted use, and shall include the modernization, rehabilitation, renovation, alteration or repair of a dwelling.
- e. "Qualified municipality" means any municipality in which residential neighborhoods have been declared by the county planning board or the Commissioner of the Department of Community Affairs to be in need of rehabilitation, pursuant to section 3 of this act.

L. 1975, c.104, Sect. 2, eff. May 29, 1975. Amended by L. 1975, c.283, Sect. 1, eff. Jan. 12, 1976; L. 1977, c.284, Sect. 2, eff. Nov. 4, 1977; L. 1979, c.233, Sect. 10, eff. Oct. 30, 1979.

54:4-3.74 Need of rehabilitation; residential neighborhoods; determination

The county planning board may determine that a municipality's residential neighborhoods are in need of rehabilitation. It may make such a determination on its own initiative or in response to a petition by the governing body of the municipality. In the event of the failure of the county planning board to respond favorably to such a petition within 30 days of its receipt, the petitioning municipal governing body may request the Commissioner of the Department of Community Affairs to make such determination instead.

In determining that a municipality's residential neighborhoods are in need of rehabilitation, the following may be considered: existence of areas within the municipality that have previously been declared blighted; deterioration in housing maintenance, age of housing stock, and arrearage in real property taxes due on residential properties.

L. 1975, c.104, Sect. 3, eff. May 29, 1975, Amended by L. 1977, c.284, Sect. 3, eff. Nov. 4, 1977.

54:4-3.75 Home Improvement exemption; limitations

In determining the value of real property for the purposes of taxation, qualified municipalities, after passage by the municipal governing body of a general ordinance providing for such exemptions either throughout the municipality or in designated residential neighborhoods to be specified in such ordinance, may regard the first \$4,000.00 or \$10,000.00, as may be specified by general ordinance, in assessor's full and true value of home improvements for each dwelling unit primarily and directly affected by a home improvement in any dwelling more than 20 years old, as not increasing the value of such property for a period of 5 years, notwithstanding that the value of the dwelling to which such improvements are made is increased thereby, provided, however, that during said period, the assessment on such dwelling shall in no case, except that of damage through action of the elements sufficient to warrant a reduction, be less than the assessment thereon existing immediately prior to such home improvements.

L. 1975, c.104, Sect. 4, eff. May 29, 1975. Amended by L. 1975, c.283, Sect. 2, eff. Jan. 12, 1976; L. 1977, c.284, Sect. 4, eff. Nov. 4, 1977; L. 1979, c.233, Sect. 11, eff. Oct. 30, 1979.

54:4-3.76 Duration of deduction

Such amounts may be deducted from the amount determined by the assessor on October 1 of any year following the date of the completion of the improvement to be the true taxable value of the improvement, and shall continue to be so treated for each of the 5 tax years subsequent to the original determination by the assessor.

L. 1975, c.104, Sect. 5, eff. May 29, 1975. Amended by L. 1977, c.284, Sect. 5, eff. Nov. 4, 1977.

54:4-3.77 Additional deduction for additional improvements

Additional improvements, completed during a period in which the improved property is subject to previously granted exemption privileges in an amount less than the maximum deductions permissible hereunder shall be qualified for additional deduction privileges, under the terms and conditions herein specified; provided, however, that in no tax year shall the total deduction for any single property exceed the maximum amount specified in section 4 hereinabove.

L.1975, c.104, Sect. 6, eff. May 29, 1975.

54:4-3.78 Application; approval; recordation

No exemption authorized pursuant to the provisions of this act, shall be granted or allowed except upon written application therefor filed with and approved by the assessor of the

taxing district wherein the home improvement is made. Every such application shall be on a form prescribed by the Director of the Division of Taxation, Department of the Treasury, and provided for the use of claimants by the governing body of the municipality constituting the taxing district, and shall be filed with the assessor within 30 days, including Saturdays and Sundays, following the completion of the improvement. Every application for exemption of one or more improvements which qualify as improvements, within a municipality adopting the provisions of this act, as defined by this act, and which is filed within the time specified, shall be approved and allowed by the assessor. The granting of any such exemption shall be recorded and made a permanent part of the official tax records of the taxing district, which record shall contain a notice of the termination date of the exemption and the consequences of transfer of title.

L. 1975, c.104 Sect. 7, eff. May 29, 1975.

54:4-3.79 Standards and guidelines; rules and regulations

The Commissioner of the Department of Community Affairs is authorized to determine standards and guidelines and to promulgate rules and regulations to effectuate the purposes of this act.

L. 1975, c.283, Sect. 3, eff. Jan. 12, 1976. Amended by L. 1977, c.284, Sect. 6, eff. Nov. 4, 1977.

54:4-3.79a Notice to taxpayers describing exemption program and application procedure

The Department of Community Affairs shall prepare, in sufficient quantity for distribution to residential property owners in municipalities electing to offer exemptions pursuant to this act, a notice for taxpayers describing the exemption program and the application procedure therefor. Any qualified municipality which has adopted a general ordinance providing for exemptions pursuant to this act shall include said notice in the mailing of annual property tax bills to each owner of residential property, including multi-family housing, in the municipality during the first year following adoption of said ordinance or, for municipalities which adopted such an ordinance prior to the effective date of this amendatory and supplementary act, during the first year following the effective date of said act.

L. 1977, c.284, Sect. 7, eff. Nov. 4, 1977. Amended by L. 1979, c.233, Sect. 12, eff. Oct. 30, 1979.

54:4-3.79b Amendment of ordinance to declare neighborhoods "in need of rehabilitation" rather than "endangered by blight"

Any municipality which has adopted an ordinance pursuant to this act declaring neighborhoods "endangered by blight" may proceed, on the initiative of the governing body, to amend such ordinance declaring neighborhoods to be "in need of rehabilitation," provided, however, that any exemption granted and in force shall not be discontinued by virtue of such amended ordinance.

L. 1977, c.284, Sect. 8, eff. Nov. 4, 1977. Amended by L. 1979, c.233, Sect. 13, eff. Oct. 30, 1979.

TAX EXEMPTIONS AND ABATEMENTS – MULTIPLE DWELLINGS

(P.L. 1979, c.233)

54:4-3.121 *Legislative findings and declarations*

The Legislature finds and declares that:

- a. Article VIII, Section I, paragraph 6 of the Constitution authorizes the Legislature to enact general laws under which municipalities may adopt ordinances granting exemptions or abatements from taxation for limited periods of time not in excess of 5 years on buildings and structures in areas declared in need of rehabilitation in accordance with statutory criteria, within such municipalities and to the land comprising the premises upon which such buildings or structures are erected and which is necessary for the fair enjoyment thereof.
- b. The deterioration of once-flourishing residential neighborhoods is a problem of enormous magnitude for the State of New Jersey, the solution of which has been, and should continue to be, an overriding public purpose of Federal, State and local governments.
- c. The deterioration of such neighborhoods is in large measure the result of the unwillingness of the owners of, and investors in, residential properties to properly maintain and improve their properties arising out of fear of the resulting increase in property taxes, and from pragmatic and emotional decisions concerning the future viability of such neighborhoods.
- d. In many such neighborhoods, particularly in urban centers, much of the existing housing is in the form of multiple dwelling structures, the deterioration of which has enormous psychological and financial impact upon owners of, and investors in, residential properties in the surrounding neighborhood and upon the relative tax burden borne by residents of the municipality.
- e. Furthermore, in many urban municipalities a shortage of housing exists side-by-side with the existence of abandoned and deteriorating buildings and structures, including hotels and commercial buildings, which if converted into residential multiple dwellings would again shoulder a share of the municipal tax burden.
- f. By exempting for a limited period improvements to existing multiple dwellings and the costs of converting other buildings and structures to multiple dwellings, and providing for the abatement of some portion of the assessed value of such buildings before improvement or conversion, a substantial incentive could be provided for owners and investors in multiple dwellings to rehabilitate and improve such properties and, incidentally, their respective neighborhoods and municipalities.
- g. The cost of rehabilitating multiple dwellings and of converting other buildings and structures to use as multiple dwellings is so extraordinarily high, and yet the impact of the existence of deteriorating multiple dwellings on a neighborhood is so great, as to necessitate legislation specifically directed to the provision of tax incentives tailored especially to promoting the accomplishment of these purposes.

L. 1979, c.233, Sect. 1, eff. Oct. 30, 1979

54:4-3.122 *Definitions*

As used in this act:

- a. "Abatement" means that portion of the assessed value of a property as it existed prior to an improvement or conversion alteration which is exempted from taxation pursuant to subsection b. of section 4 of this act,

- b. "Assessor" means the assessor, board of assessors or any other official or body of a taxing district charged with the duty of assessing real property for the purpose of general taxation;
- c. "Completion" with respect to the conversion or improvement of any building or structure, means substantially ready for the use for which it was intended or converted;
- d. "Conversion" or "conversion alteration" means the alteration or renovation of a nonresidential building or structure, or hotel, motel, motor hotel or guest-house, in such manner as to convert such building or structure from its previous use to use as a multiple dwelling;
- e. "Cost," when used with respect to an improvement or conversion alteration, means only the cost or fair market value of direct labor and materials used in improving a multiple dwelling, or in converting another building or structure to a multiple dwelling, including any architectural, engineering, and contractors' fees associated with the improvement or conversion, as the owner of the property shall cause to be certified to the governing body by an independent and qualified architect, following the completion of the project;
- f. "Exemption" means any portion of the assessor's full and true value of any improvements or conversion alterations not regarded as increasing the taxable value of a property pursuant to subsection a. of section 4 of this act;
- g. "Improvement" means a physical change in an existing multiple dwelling, other than ordinary painting, repairs and replacement of maintenance items, and other than the repair of fire or other damage to the property for which payment of a claim was received by any person from an insurance company at any time during the 3-year period immediately preceding the filing of an application pursuant to section 9 of this act, which improves the safety, sanitation, decency or attractiveness of such multiple dwelling as a place for human habitation, which involves a renovation, restoration or modernization which affects common areas or elements or three or more dwelling units within such multiple dwelling, and which does not change the size or permitted use of the multiple dwelling;
- h. "Multiple dwelling" means any building or structure meeting the definition of "multiple dwelling" set forth in the "Hotel and Multiple Dwelling Law," P.L. 1967, c.76 (C.55:13A-1 et seq.);
- i. "Horizontal property regime" means any property submitted to a horizontal property regime pursuant to the "Horizontal Property Act," P.L. 1963, c.168, (C.46:8A-1 et seq.); and
- j. "Condominium" means any property created or recorded as a condominium pursuant to the "Condominium Act," P.L. 1969, c.257, (C.46:8B-1 et seq.).
L. 1979, c.233, Sect. 2, eff. Oct. 30, 1979.

54:4-3.123 Areas or buildings in need of rehabilitation; determination by municipality; regulations

The governing body of any municipality may determine that areas within such municipality are in need of rehabilitation, and that one or more multiple dwellings located within such areas are in need of rehabilitation, or that one or more other buildings and structures located within such areas are in need of such rehabilitation and could advantageously be converted to multiple dwellings, or both. Any such determination shall be made in keeping with regulations which shall be promulgated by the Commissioner of the Department of Community Affairs pursuant to the "Administrative Procedure Act," P.L. 1968, c.410 (C.52:14B-1 et seq.), which may take into consideration the following: existence of blighted areas in the municipality; deterioration

of housing stock; age of housing stock; supply of and demand for housing in the municipality; and arrearage in real property taxes due on residential properties. The governing body may also permit the conversion of industrial properties to residential use to further the purpose of this act.

L. 1979, c.233, Sect. 3, eff. Oct. 30, 1979.

54:4-3.124 Improvements to multiple dwellings or structures converted to multiple dwelling use; exemptions and abatement; ordinance

- a. Any municipality making a determination as set forth in section 3 of this act may enact an ordinance providing for exemptions from taxation of improvements to multiple dwellings or for other buildings or structures converted to multiple dwelling use, or both. In granting such exemptions, the municipality may, in determining the value of real property for the purposes of taxation, regard up to the assessor's full and true value of such improvements or conversion alterations as not increasing the value of such property for a period of 5 years, notwithstanding that the value of the property to which such improvements or conversion alterations are made is increased thereby; provided, however, that during said period, the assessment on such property shall in no case, except that of an abatement as provided in subsection b. of this section, or damage through action of the elements sufficient to warrant a reduction, be less than the assessments thereon existing immediately prior to such improvements or conversion alterations.
- b. Any such ordinance granting such exemptions may also provide for the abatement of some portion of the assessed value of property receiving such an exemption as it existed immediately prior to the improvement or conversion alteration. Any such abatement for any single such property may be granted with respect to any such property for a total of up to 5 years, but the total amount of abatements granted to any single such property shall not exceed the total cost of the improvement or conversion alteration. The amount of abatement to be granted in each year of the abatement period shall be specified in the adopting ordinance and shall not exceed the following:
 - (1) For the first year for which an abatement is granted, up to 30% of the cost of the improvement or conversion alteration;
 - (2) For the second year for which an abatement is granted, up to 25% of the cost of the improvement or conversion alteration;
 - (3) For the third year for which an abatement is granted, up to 20% of the cost of the improvement or conversion alteration;
 - (4) For the fourth year for which an abatement is granted, up to 15% of the cost of the improvement or conversion alteration; and,
 - (5) For the fifth year for which an abatement is granted, up to 10% of the cost of the improvement or conversion alteration.

Any exemption or abatement granted pursuant to an ordinance adopted in conformity with the provisions of this act shall terminate immediately upon the transfer of title of the property with respect to which such exemption or abatement was provided.

L. 1979, c.233, Sect. 4, eff. October 30, 1979.

54:4-3.125 True taxable value of improvement or conversion alteration; determination, tax payable

The assessor of the local taxing district in which an ordinance adopted pursuant to this act is in force shall determine on October 1 of the year following the date of the completion of the improvement or conversion alteration the true taxable value of

the improvement or conversion alteration. The amount of tax to be paid for the first tax year following the completion of the improvement or conversion alteration shall be based on the assessed valuation of the improvement or conversion alteration not allowed an exemption pursuant to subsection a. of section 4 of this act, minus the amount of the abatement, if any, allowed pursuant to subsection b. of section 4 of this act. Subject to the restrictions and amounts set forth in section 4 of this act, such property may continue to be so treated for each of the 5 tax years subsequent to the original determination by the assessor.

L. 1979, c.233, Sect. 5, eff. Oct. 30, 1979.

54:4-3.126 Additional Improvement; exemption and abatement

Any ordinance adopting the provisions of this act may also provide that an additional improvement, completed on a property granted a previous exemption or abatement pursuant to this act during the period in which such previous exemption or abatement is in effect, shall be qualified for an exemption, or exemption and abatement, just as if such property had not received a previous exemption or abatement. In such case, any such additional improvement shall be considered as a separate improvement for the purposes of calculating exemptions and abatements pursuant to this act, except that the assessed value of any previous improvements shall be added to the assessed valuation as it was prior to such previous improvements or conversion alterations, for the purpose of determining the assessed valuation of the property from which any additional abatement is to be subtracted. Unless provided by ordinance, no such additional improvement exemption or abatement shall be allowed.

L. 1979, c.233, Sect. 6, eff. Oct. 30, 1979.

54:4-3.127 Horizontal property regimes and condominiums

Horizontal property regimes and condominiums shall be eligible for exemptions and abatements authorized pursuant to this act, but only with respect to improvements to "general common elements" and "common elements" as defined pursuant to the "Horizontal Property Act," P.L. 1963, c.168 (C.46:8A-1 et seq.), and the "Condominium Act," P.L. 1969, c.257, (C.46:8B-1 et seq.).

L. 1979, c.233, Sect. 7, eff. Oct. 30, 1979.

54:4.3.128 Inapplicability of exemption or abatement for property with delinquent or unpaid taxes or penalties due

No exemption or abatement shall be granted pursuant to this act with respect to any property for which property taxes are delinquent or remain unpaid, or for which penalties for nonpayment of taxes are due.

L. 1979, c.233, Sect. 8, eff. Oct. 30, 1979.

54:4-3.129 Application; grant; recordation

No exemption or abatement shall be granted pursuant to this act except upon written application therefor filed with and approved by the assessor of the taxing district wherein such improvement or conversion alteration is made. Every such application shall be on a form prescribed by the Director of the Division of Taxation in the Department of the Treasury, and provided for the use of claimants by the governing body of the municipality constituting the taxing district, and shall be filed with the assessor within 30 days, including Saturdays and Sundays, following the completion of the improvement or conversion alteration. Every such application for exemption, or exemption and abatement, within a municipality adopting the provisions of this act which is filed within the time specified, shall be approved and allowed by the assessor to the degree that such application is consistent with the provisions of such adopting ordinance, provided that the improvement or conversion alteration for which such appli-

cation is made qualifies as an improvement or a conversion alteration pursuant to the provisions of this act. The granting of any such exemption, or exemption and abatement, shall be recorded and made a permanent part of the official tax records of the taxing district, which record shall contain a notice of the termination date of the exemption and the consequences of transfer of title.

L. 1979, c.233, Sect. 9, eff. Oct. 30, 1979.

C

THE REGULATIONS

EXEMPTIONS FROM TAXATION

SUBCHAPTER 1. ONE- AND TWO-UNIT RESIDENCES

5:22-1.1 Definitions

The following words and terms, when used in this sub-chapter, shall have the following meanings unless the context clearly indicates otherwise.

"Act" means N.J.S.A. 54:4-3.72 et seq. (P.L. 1975, c.104, as amended and supplemented).

"Assessor" means the assessor, board of assessors or other official or body charged with the duty of assessing real property for the purpose of general taxation.

"Qualified municipality" means any municipality in which residential neighborhoods have been declared by the county planning board, or by the Commissioner of the Department of Community Affairs, after an administrative hearing, to be in need of rehabilitation pursuant to N.J.S.A. 54:4-3.74.

5:22-1.2 Municipal appeals; administrative hearing

- (a) A municipality seeking qualified municipality status pursuant to the Act, which has not been granted such status by the county planning board within 30 days of the submission by the municipality to the county planning board of a petition requesting such status, shall be given an opportunity to present oral or written testimony at an administrative hearing at which it shall be represented by its counsel. The administrative hearing shall be conducted by an administrative law judge of the Office of Administrative Law and the final decision in the matter shall be made by the Commissioner of the Department of Community Affairs.
- (b) Together with the hearing request, the municipality shall submit copies of all documents previously submitted to the county planning board and any new material that it wishes to submit. Copies of any such new material shall be submitted to the county planning board at least ten days prior to the hearing.
- (c) The county planning board shall in all cases be served with notice of the hearing and be given an opportunity to appear and present evidence in opposition to the municipality's petition requesting qualified municipality status.

5:22-1.3 Neighborhoods in need of rehabilitation

- (a) In any administrative hearing on qualified municipality status, the existence of any of the following characteristics in a residential neighborhood shall establish a rebuttable presumption that it is in need of rehabilitation.
 1. The neighborhood has previously been declared, pursuant to N.J.S.A. 40:55-21.1 et seq., to be blighted or is in close proximity to an area that has been so declared to be blighted, or
 2. There is evidence of substantial housing or health code violations in at least 25 per cent of the dwelling units in the neighborhood; or
 3. At least 25 per cent of the dwelling units in the neighborhood are in buildings at least 40 years old; or
 4. At least 25 per cent of the dwelling units in the neighborhood are in buildings having real property tax arrearages in at least the amount of one year's taxes.
- (b) Factors other than those set forth in subsection (a) of this section may also be considered if germane to the question of whether a municipality's residential neighborhoods are in need of rehabilitation.
- (c) The establishment of standards in this section shall in no way affect the status of any municipality heretofore determined to be a qualified municipality.

5:22-1.4 Supplemental procedural rules for assessors

- (a) The assessor shall designate any exemption allowed pursuant to the Act by the symbol "H" under "Specific exemptions" on the real property tax list and reflect it in column 7 on the said list.
- (b) The provisions of N.J.S.A. 54:4-63.1 to 63.11, the Added and Omitted Assessment Laws, shall not apply to the allowable increase in the amount of assessed valuation in the year in which the improvements qualify for the exemption.
- (c) When application for exemption is made with respect to an improvement or improvements which do not qualify, the assessor shall notify the claimant of the disallowance in writing upon form H.I.E.-2 within 20 days after disallowance and properly note thereon the specific reasons for the disallowance.
- (d) Any improvement that has the effect of modernizing or rehabilitating a dwelling shall be deemed to be a home improvement qualifying for tax exemption pursuant to the Act, including, without limitation, swimming pools assessable as real property and fireplaces.

5:22-1.5 Construction permit; certificate of occupancy

No exemption shall be allowed pursuant to the Act for any improvement for which no construction permit or, if applicable, no certificate of occupancy has been issued by the local construction official.

SUBCHAPTER 2. MULTIPLE DWELLINGS

5:22-2.1 Definitions

The following words and terms, when used in this subchapter, shall have the following meanings unless the context clearly indicates otherwise.

"Act" means P.L. 1979, c.233, Sections 1 through 9.

"Conversion" means the alteration or renovation of a nonresidential building or structure, or hotel, motel, motor hotel or guesthouse, in such manner as to convert such building from its previous use to use as a multiple dwelling.

"Multiple dwelling" means any building or structure of one or more stories, and any land appurtenant thereto, and any portion thereof, in which three or more units of dwelling space are occupied, or are intended to be occupied, by three or more persons who live independently of each other. This definition shall not include hotels, motels, motor hotels, guesthouses, properties subject to the Rooming and Boarding House Act of 1979, or dwelling units of any mutual housing corporation constructed under the Lanham Act (National Defense Housing) on or before June 1, 1941.

5:22-2.2 Areas in need of rehabilitation

- (a) Standards for determining if an area is in need of rehabilitation are as follows:
 1. Pursuant to Section 3 of the Act, the governing body of any municipality may determine that areas within such municipality are in need of rehabilitation and that one or more multiple dwellings located within such areas are in need of rehabilitation, or that one or more other buildings or structures located within such areas are in need of rehabilitation and could advantageously be converted to multiple dwellings, or both.
 2. No area within a municipality shall be determined to be in need of rehabilitation pursuant to the Act unless:
 - i. The area has been previously declared, pursuant to N.J.S.A. 40:55-21.1 et seq., to be blighted; or

- ii. There is evidence of substantial housing or health code violations in at least 25 per cent of the dwelling units in the area; or
 - iii. At least 25 per cent of the dwelling units in the area are in buildings at least 40 years old; or
 - iv. At least 25 per cent of the dwelling units in the area are in buildings having real property tax arrearages in at least the amount of one year's taxes; or
 - v. The demand for multi-family housing within the municipality exceeds the supply and the conversion of non-residential buildings or structures, hotels, motels, motor hotels or guesthouses within the area to use as multiple dwellings would help satisfy the existing demand.
3. No area within a municipality shall be determined to be in need of rehabilitation pursuant to the Act unless there is located therein at least one building which is either:
 - i. A multiple dwelling deemed to be in need of rehabilitation; or
 - ii. A non-residential building or structure or hotel, motel, motor hotel or guesthouse deemed to be in need of rehabilitation and capable of being advantageously converted into a multiple dwelling.
 4. Any area delineated pursuant to the Act shall bear a reasonable relationship to existing neighborhood boundaries or zones.
 5. No boundary shall be established for any area, pursuant to the Act, which unreasonably includes or excludes any particular property.
 6. No area shall be so delineated that more than 15 per cent of the privately-owned land contained therein consists either of a single property or of two or more contiguous properties under common ownership or control.

5:22-2.3 Building in need of rehabilitation

(a) Standards for determining if a building is in need of rehabilitation are as follows:

1. A multiple dwelling shall not be deemed to be in need of rehabilitation unless it either:
 - i. Contains substantial housing or health code violations in or affecting at least 25 per cent of the dwelling units therein; or
 - ii. Is at least 40 years old.
2. A building, other than a multiple dwelling, shall not be deemed to be in need of rehabilitation unless it either:
 - i. Contains substantial violations of applicable housing, health, building or safety codes in or affecting at least 25 per cent of the units, in the case of a hotel, motel, motor hotel or guesthouse, or 25 per cent of the area of the building, in the case of any industrial or other non-residential building; or
 - ii. Is at least 40 years old; or
 - iii. Cannot feasibly be continued in its present use as a result of functional or economic obsolescence.

5:22-2.4 Conversion of buildings into multiple dwellings

(a) Standards for determining if a building, other than a multiple dwelling, can be advantageously converted into a multiple dwelling are as follows:

1. No building shall be deemed to be capable of being advantageously converted into a multiple dwelling unless it is either a non-residential building or a hotel, motel, motor hotel or guesthouse.
 - i. No health-care facility licensed or subject to licensure by the State Department of Health shall be deemed to be capable of being advantageously converted into a multiple dwelling.
 - ii. No building licensed or subject to licensure by the Department of Community Affairs pursuant to the Rooming and Boarding House Act of 1979 shall be deemed to be capable of being advantageously converted into a multiple dwelling.
 - iii. No building containing sleeping or dwelling accommodations for transient or permanent occupants shall be deemed to be capable of being advantageously converted into a multiple dwelling in the absence of certification by the State Department of Health that the property is neither licensed nor subject to licensure by it or in the absence of certification by the Department of Community Affairs that the property is neither licensed by it pursuant to the Rooming and Boarding House Act of 1979 nor subject to licensure pursuant thereto.
2. No building shall be deemed to be capable of being advantageously converted into a multiple dwelling unless:
 - i. The building has been vacant for a least one year immediately prior to the filing of any request for exemption pursuant to the Act with any officer of the municipality; or
 - ii. Proof is presented to the municipality that all persons employed at such building, or who were employed at the building at any time during the preceding twelve-month period and who ceased to be so employed for any reason having to do with the desire of the owner to convert the building into a multiple dwelling, can be or have been readily re-employed in comparable jobs reasonably accessible to them without any reduction in wages or salary.

5:22-2.5 Relocation assistance

The rehabilitation of any building pursuant to the Act shall be deemed to be part of a "program of voluntary rehabilitation of buildings or other improvements conducted pursuant to governmental supervision" within the meaning of N.J.S.A. 20:4.1.

D
FORMS

- 1. Notice to Taxpayers**
- 2. Application For Home Improvement Tax Exemption (H.I.E. 1-1, 1980)**
- 3. Notification of Disallowance of Claim for Exemption (H.I.E. 2, 1975)**
- 4. Application for Exemption and/or Abatement for Rehabilitation of or Conversion into Multiple Dwelling (MD-EA-1-1980)**
- 5. Worksheet for Exemption and/or Abatement for Rehabilitation of or Conversion into Multiple Dwelling (MD-EA-2-1980)**
- 6. Notification of Disallowance of Claim for Exemption and/or Abatement for Rehabilitation of or Conversion into Multiple Dwelling. (MD-EA-3-1980)**

NOTICE TO TAXPAYERS



- ENLARGE
- MODERNIZE
- IMPROVE
- RENOVATE

**YOUR ONE- OR TWO-UNIT
DWELLING
AND PAY NO ADDITIONAL
REAL ESTATE TAXES FOR
5 YEARS**

An explanation of P.L. 1975, C. 104, as amended,
printed, and provided by the
NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
Joseph A. LeFante, *Commissioner*



State of New Jersey
Brendan Byrne, *Governor*

This municipality is now participating in the Chapter 104 Tax Exemption Program.

On May 29, 1975, The Governor signed into law what is known as P.L. 1975, C. 104. This law, as amended, permits exemption from taxation for five years of improvements to one- and two-unit dwellings, including condominium and horizontal property regime units.

This provides property owners with an opportunity to upgrade their residential properties through modernization or enlargement, without paying additional real estate taxes on those assessable improvements whose value does not exceed the limit set by the municipality.

This tax exemption stays with the property for 5 years regardless of re-valuation, sale, or death of the owner. To qualify, your building must be at least 20 years old. You must file an application at the Tax Assessor's office within 30 days of completion of the renovations. Applicable building permit and certificate of occupancy requirements must be observed.

**FOR FURTHER INFORMATION,
CALL YOUR TAX ASSESSOR.**

STATE OF NEW JERSEY
CLAIM FOR HOME IMPROVEMENT
TAX EXEMPTION

Municipality _____ County _____

This application must be filed with the local tax assessor within 30 days following the completion of the improvement.

I, _____ (Name of Owner) residing at _____ (Address of Owner)

hereby make claim for a limited tax exemption with respect to certain home improvements to the extent allowable by Chapter 104, Laws of 1975 made to premises located at

_____, which (Street) (Municipality)

municipality is a "qualified municipality", and which is further described as Block _____, Lot No. _____ on the

Tax Map of said municipality (or Page _____ Line _____ on the 19 _____ Tax List).

II. The applicant makes the following statement in support of this claim:

- (a) The subject property is a residential dwelling;
- (b) Said dwelling was constructed on or about _____, 19 _____;
- (c) Improvements were completed on _____, 19 _____;
- (d) The premises improved consist of: a single-unit residence ; a two-unit residence ; (If a two-unit residence, complete the following, if additional space is required, use blank sheets and attach).

1. Improvements consisted of _____ (Briefly Describe Improvements)

2. The dwelling units affected by the improvements are designated as _____ (Describe by Apartment Number or Location)

- (e) Total costs of said improvements were \$ _____;
- (f) Prior exemptions granted under P.L. 1975, c. 104, amount to \$ _____; (State, "none" if no prior exemptions have been granted on subject premises);

I hereby certify that the foregoing declarations are true to the best of my knowledge and belief and fully understand that such declarations will be considered as if made under oath, and, as to a false declaration, shall be subject to the penalties provided by the law for perjury.

Dated: _____ (Signature of Claimant)

(FOR ASSESSOR'S USE ONLY)

Approved Disapproved

- 1. Prior Assessed Valuation of Premises \$ _____
- 2. Assessed Value (After Improvements) \$ _____
- 3. Amount of Exemption to be Deducted \$ _____ (Not to Exceed \$4,000 or \$10,000 per unit as may be specified by general ordinance, P.L. 1977, c. 284)
- 4. Assessor's Full and True Value \$ _____ After Deduction (Line 2 minus Line 3)
- 5. Exemption Commences as of _____, 19 _____; Terminated _____, 19 _____

This form is prescribed by the Director, Division of Taxation, in the Department of the Treasury, as required by law and may be reproduced for distribution, but no alteration may be made therein without prior approval.

**REVISED INSTRUCTIONS FOR
FORM, H. I. E.—1, (1980)**

1. File this application with your local tax assessor within 30 days after completion of the home improvement.
2. The application form must be completed in all respects.
3. If your building is not more than 20 years old, you do not qualify for the home improvement exemption. If doubtful as to the date the building was constructed, check with your local building inspector or the local tax assessor.
4. The "home improvement" must have been completed with respect to a single or two-unit dwelling.
5. (a) "Home improvement" means the improvement of a dwelling which does not change its permitted use, and shall include the modernization, rehabilitation, renovation, alteration, or repair of a dwelling.
(b) "Completion" means substantially ready for the use for which it was intended.
(c) "Dwelling" means any building or part of a building used, to be used, or held for use as a home or residence including accessory buildings located on the same premises, together with the land upon which such building or buildings are erected and which may be necessary for the fair enjoyment thereof, but shall not mean any building or part of a building, defined as a "multiple dwelling" pursuant to the "Hotel and Multiple Dwelling Law," P.L. 1967, c. 76. A dwelling shall include individual residences within a horizontal property regime or a condominium, but shall not include "general common elements" of such horizontal property regime or "common elements" of such condominium.
6. The home improvement must have been completed in a "qualified municipality." Check with your local tax assessor whether your municipality has qualified under P.L. 1975, c. 104.
7. You should have on hand bills or other documents substantiating the cost of the home improvements.
8. Information as to block and lot may be obtained from your tax bill.

Excerpts from the law (P.L. 1975, c. 104, as amended) provide as follows:

N.J.S.A. 54:4-3.75 "In determining the value of real property for the purposes of taxation, qualified municipalities, after passage by the municipal governing body of a general ordinance providing for such exemptions either throughout the municipality or in designated residential neighborhoods to be specified in such ordinance, may regard the first \$4,000.00 or \$10,000.00, as may be specified by general ordinance, in assessor's full and true value of home improvements for each dwelling unit primarily and directly affected by a home improvement in any dwelling more than 20 years old, as not increasing the value of such property for a period of 5 years, notwithstanding that the value of the dwelling to which such improvements are made is increased thereby, provided, however, that during said period, the assessment on such dwelling shall in no case, except that of damage through action of the elements sufficient to warrant a reduction, be less than the assessment thereon existing immediately prior to such home improvements."

N.J.S.A. 54:4-3.76 "Such amounts may be deducted from the amount determined by the assessor on October 1 of any year following the date of the completion of the improvement to be the true taxable value of the improvement, and shall continue to be so treated for each of the 5 tax years subsequent to the original determination by the assessor."

**Notification of Disallowance of Claim
for Exemption Under Chapter 104, Laws of 1975**

H.I.E. — 2 (1975)

Municipality _____ County _____

TO:

You are hereby informed that your application for exemption under Chapter 104, Laws of 1975 has been disallowed for inadequacy with respect to the requirements checked below:

- Improvements were not completed within the time prescribed in the law.
- Dwelling unit(s) with respect to which the exemption is claimed is/are not twenty years of age, or more.
- Dwelling unit(s) with respect to which the exemption is claimed is not located in a "qualified municipality."
- Dwelling unit is not a residential dwelling as required by law.
- Other: (specify) _____

An aggrieved taxpayer has the right to appeal an adverse ruling to the county board of taxation on or before August 15 of the tax year.

If you contemplate such appeal, it is suggested that you immediately obtain information regarding the proper procedure to be followed and the time in which to file the appeal by contacting the _____ County Board of Taxation, located at _____

Dated: _____ Assessor _____

This form has been promulgated by the Director, Division of Taxation, in the Department of the Treasury, as required by law, and may not be altered or amended without the approval of the Director.

STATE OF NEW JERSEY
APPLICATION FOR EXEMPTION AND/OR ABATEMENT
FOR REHABILITATION OF OR CONVERSION INTO MULTIPLE DWELLING
 PURSUANT TO P.L. 1979, c. 233 (N.J.S.A. 54:4-3.121 et seq.)

Municipality _____ County _____

This application must be filed with the Assessor within 30 days following completion of the improvement or conversion alteration. All required proof must be provided. (See reverse side for instructions.)

I. I/we, _____, residing/having offices at _____
(name of applicant)

(address)

in the municipality of _____ in the County of _____, hereby make claim for a 5-year tax exemption and/or abatement of taxes, pursuant to P.L. 1979, c. 233, N.J.A.C. 5:22-2.1 et seq. and the applicable ordinance of the municipality, for premises located at _____ which is further described as Block _____ Lot _____ on the Tax Map of the municipality (on Page _____ Line _____ on the 19 _____ Tax List).

II. I/we make the following statements in support of this claim:

- (a) The subject property is in an area that has been designated by municipal ordinance as being "in need of rehabilitation" pursuant to P.L. 1979, c. 233 and is either a multiple dwelling which has been rehabilitated or an industrial or other nonresidential building or structure or hotel, motel, motor hotel or guesthouse which has been converted into a multiple dwelling.
- (b) Said structure was completed on or about _____ 19 _____.
- (c) The improvements or conversion alterations for which this claim is being made were completed on _____ 19 _____; total cost was \$ _____.
- (d) The improvement for which this application is made was not the result of fire or other damage to the property for which payment of a claim was received by any person from an insurance company at any time during the 3-year period immediately preceding the filing of this application.
- (e) If the structure was a multiple dwelling prior to rehabilitation, the size and use of the structure have not been changed due to the rehabilitation and the improvements affect three or more dwelling units or common areas or common elements. If the property is a horizontal property regime or condominium, no claim is being made hereby for any improvements other than those affecting (general) common elements.
- (f) There are no delinquent or unpaid property taxes or penalties for non-payment of taxes due for the property.
- (g) No exemption or abatement has ever been allowed for this property pursuant to P.L. 1979, c. 233; or An exemption or abatement was allowed for this property, pursuant to P.L. 1979, c. 233, for the period beginning January 1, 19 _____.
- (h) If the building was a multiple dwelling prior to rehabilitation, it either—
 contained substantial housing or health code violations in or affecting at least 25% of the dwelling units therein; or
 was at least 40 years old immediately prior to rehabilitation.
- (i) If the building was converted into a multiple dwelling, it either—
 contained substantial violations of applicable housing, health, building or safety codes in or affecting at least 25% of the units, in the case of a hotel, motel, motor hotel or guesthouse, or 25% of the area of the building, in the case of any industrial or other nonresidential structure; or
 was at least 40 years old immediately prior to rehabilitation; or
 could not feasibly be continued in its present use as a result of functional or economic obsolescence.
- (j) The building is neither a health care facility licensed or subject to licensure by the New Jersey Department of Health nor a facility licensed or subject to licensure by the New Jersey Department of Community Affairs pursuant to the Rooming and Boarding House Act of 1979, and was not either such facility prior to a conversion with respect to which a claim for exemption or abatement is being made. If exemption or abatement is being claimed for a building which, prior to conversion, was a building containing sleeping or dwelling accommodations for transient or permanent occupants, certification from the Department of Health and the Department of Community Affairs that the property was not licensed or subject to licensure by them as a health care facility or as a facility subject to the Rooming and Boarding House Act of 1979 is attached hereto.
- (k) If the building was converted into a multiple dwelling, either—
 the building was vacant from _____ 19 _____ until _____ 19 _____;
 all persons employed at the building, or who were employed at the building but who ceased to be so employed for any reason having to do with the desire of the owner to convert the building into a multiple dwelling, can be or have been readily re-employed in comparable jobs reasonably accessible to them without any reduction in wages or salary.
- (l) Attached hereto is a copy of the municipal ordinance authorizing the exemption and/or abatement for which this claim is made.
- (m) Attached hereto is proof of all matters set forth in statements (c), (f), (h), (i) and (k) above. I shall provide to the Assessor such additional proof as may be required in order to establish eligibility for the exemption and/or abatement claimed.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Date: _____ Signature: _____

Title (if any): _____

This form is prescribed by the Director, Division of Taxation, in the Department of the Treasury, as required by law and may be reproduced for distribution, but no alteration may be made therein without prior approval.

INSTRUCTIONS FOR FORM MD-EA-1-1980

1. File this application with your local tax assessor within 30 days after completion of the improvement or conversion.
2. The application must be completed in all respects, including the providing of all required proof.
3. (a) "Improvement" means a physical change in an existing multiple dwelling, other than ordinary painting, repairs and replacement of maintenance items, and other than the repair of fire or other damage to the property for which payment of a claim was received by any person from an insurance company at any time during the 3-year period immediately preceding the filing of an application pursuant to P.L. 1979, c. 233, which improves the safety, sanitation, decency or attractiveness of such multiple dwelling as a place for human habitation, which involves a renovation, restoration or modernization which affects common areas or elements or three or more dwelling units within such multiple dwelling and which does not change the size or permitted use of the multiple dwelling.

(b) "Conversion" means the alteration or renovation of a nonresidential building or structure, or hotel, motel, motor hotel or guesthouse, in such manner as to convert such building or structure from its previous use to use as a multiple dwelling.

(c) "Completion" means substantially ready for the use for which it was intended or converted.

(d) "Multiple dwelling" means any building or structure of one or more stories, and any land appurtenant thereto, and any portion thereof, in which three or more dwelling units are occupied, or are intended to be occupied, by three or more persons living independently of each other. This definition shall not include hotels, motels, motor hotels, guesthouses, properties subject to the Rooming and Boarding House Act of 1979, or dwelling units of any mutual housing corporation constructed under the Lanham Act (National Defense Housing) on or before June 1, 1941.
4. Proof of the cost of the improvement or conversion alteration must be provided. "Cost" means only the cost or fair market value of direct labor and materials used in improving a multiple dwelling, or in converting another building or structure to a multiple dwelling, including any associated architectural, engineering, and contractors' fees. Following completion of the project, the owner shall cause proof of the cost thereof to be certified to the governing body by an independent and qualified architect pursuant to the statute. A copy of such certification should be furnished to the assessor.
5. Proof of payment of property taxes may be obtained from the tax collector. Proof of the existence of code violations may be in the form of an inspection report from a State or local code enforcement agency.
6. The exemption/abatement under the provisions of P.L. 1979, c. 233 shall terminate immediately upon transfer of title of the property.

ASSESSOR'S USE ONLY

STATE OF NEW JERSEY
WORKSHEET FOR EXEMPTION AND/OR ABATEMENT
FOR REHABILITATION OF OR CONVERSION INTO MULTIPLE DWELLING
PURSUANT TO P.L. 1979, c. 233 (N.J.S.A. 54:4-3.121 et seq.)

Municipality _____ County _____

Name of Owner _____ Address of Owner _____

Block _____ Lot _____

1. Claim for exemption is _____ approved _____ disapproved.

2. Determination of Exemption

This exemption may be granted only on the improvement or conversion alteration.

- (a) Assessed value of buildings or structures immediately prior to the improvement or conversion alteration \$ _____
(b) Assessed value of buildings or structures including the improvements or conversion alteration \$ _____
(c) Assessed value of improvement or conversion alteration only (line 2(b) - line 2(a)) \$ _____
(d) Amount of assessed value of improvement or conversion alteration exempted by ordinance \$ _____
(e) Taxable portion of assessed value of improvement or conversion alteration not allowed an exemption (line 2(c) - line 2(d)) \$ _____

3. Claim for abatement is _____ approved _____ disapproved.

4. Calculation of Abatement:

This abatement may be granted only on the assessed value of the property as it existed immediately prior to the improvement or conversion alteration.

- (a) Assessed value of the property immediately prior to improvement or conversion alteration \$ _____
(b) Total cost of improvement or conversion alteration (See application Section 11(c)) \$ _____
(c) Abatement as prescribed by ordinance
i. First Year _____ % X line 4(b) = \$ _____
ii. Second Year _____ % X line 4(b) = \$ _____
iii. Third Year _____ % X line 4(b) = \$ _____
iv. Fourth Year _____ % X line 4(b) = \$ _____
v. Fifth Year _____ % X line 4(b) = \$ _____
(d) Taxable portion of assessed value of improvement or conversion alteration not allowed an exemption (line 2(e)) \$ _____
(e) Taxable Value of Property
First Year: line 4(a) + line 4(d) - line 4(c) i \$ _____
Second Year: line 4(a) + line 4(d) - line 4(c)ii \$ _____
Third Year: line 4(a) + line 4(d) - line 4(c)iii \$ _____
Fourth Year: line 4(a) + line 4(d) - line 4(c)iv \$ _____
Fifth Year: line 4(a) + line 4(d) - line 4(c) v \$ _____

_____ Date _____ Assessor's Signature _____

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Excerpts from the Law (P.L. 1979, c. 233) Provide as Follows:

N.J.S.A. 54:4-3.124.

a. Any municipality making a determination as set forth in section 3 of this act may enact an ordinance providing for exemptions from taxation of improvements to multiple dwellings or for other buildings or structures converted to multiple dwelling use, or both. In granting such exemptions, the municipality may, in determining the value of real property for the purposes of taxation, regard up to the assessor's full and true value of such improvements or conversion alterations as not increasing the value of such property for a period of 5 years, notwithstanding that the value of the property to which such improvements or conversion alterations are made is increased thereby; provided, however, that during said period, the assessment on such property shall in no case, except that of an abatement as provided in subsection b. of this section, or damage through action of the elements sufficient to warrant a reduction, be less than the assessments thereon existing immediately prior to such improvements or conversion alterations.

b. Any such ordinance granting such exemptions may also provide for the abatement of some portion of the assessed value of property receiving such an exemption as it existed immediately prior to the improvement or conversion alteration. Any such abatement for any single such property may be granted with respect to any such property for a total of up to 5 years, but the total amount of abatements granted to any single such property shall not exceed the total cost of the improvement or conversion alteration. The amount of abatement to be granted in each year of the abatement period shall be specified in the adopting ordinance and shall not exceed the following:

- (1) For the first year for which an abatement is granted, up to 30% of the cost of the improvement or conversion alteration;
- (2) For the second year for which an abatement is granted, up to 25% of the cost of the improvement or conversion alteration;
- (3) For the third year for which an abatement is granted, up to 20% of the cost of the improvement or conversion alteration;
- (4) For the fourth year for which an abatement is granted, up to 15% of the cost of the improvement or conversion alteration; and
- (5) For the fifth year for which an abatement is granted, up to 10% of the cost of the improvement or conversion alteration.

Any exemption or abatement granted pursuant to an ordinance adopted in conformity with the provisions of this act shall terminate immediately upon the transfer of title of the property with respect to which such exemption or abatement was provided.

N.J.S.A. 54:4-3.125.

The assessor of the local taxing district in which an ordinance adopted pursuant to this act is in force shall determine on October 1 of the year following the date of the completion of the improvement or conversion alteration the true taxable value of the improvement or conversion alteration. The amount of tax to be paid for the first tax year following the completion of the improvement or conversion alteration shall be based on the assessed valuation of the property for the previous tax year, plus any portion of the assessed valuation of the improvement or conversion alteration not allowed an exemption pursuant to subsection a. of section 4 of this act, minus the amount of the abatement, if any, allowed pursuant to subsection b. of section 4 of this act. Subject to the restrictions and amounts set forth in section 4 of this act, such property may continue to be so treated for each of the 5 tax years subsequent to the original determination by the assessor.

N.J.S.A. 54:4-3.126.

Any ordinance adopting the provisions of this act may also provide that an additional improvement, completed on a property granted a previous exemption or abatement pursuant to this act during the period in which such previous exemption or abatement is in effect, shall be qualified for an exemption, or exemption and abatement, just as if such property had not received a previous exemption or abatement. In such case, any such additional improvement shall be considered as a separate improvement for the purposes of calculating exemptions and abatements pursuant to this act, except that the assessed value of any previous improvements shall be added to the assessed valuation as it was prior to such previous improvements or conversion alterations for the purpose of determining the assessed valuation of the property from which any additional abatement is to be subtracted. Unless provided by ordinance, no such additional improvement exemption or abatement shall be allowed.

N.J.S.A. 54:4-3.127.

Horizontal property regimes and condominiums shall be eligible for exemptions and abatements authorized pursuant to this act, but only with respect to improvements to "general common elements" and "common elements" as defined pursuant to the "Horizontal Property Act," P.L. 1963, c. 168 (C. 46:8A-1 et seq.), and the "Condominium Act," P.L. 1969, c. 257 (C. 46:8B-1 et seq.).

N.J.S.A. 54:4-3.128.

No exemption or abatement shall be granted pursuant to this act with respect to any property for which property taxes are delinquent or remain unpaid, or for which penalties for nonpayment of taxes are due.

N.J.S.A. 54:4-3.129.

No exemption or abatement shall be granted pursuant to this act except upon written application therefor filed with and approved by the assessor of the taxing district wherein such improvement or conversion alteration is made. Every such application shall be on a form prescribed by the Director of the Division of Taxation in the Department of the Treasury, and provided for the use of claimants by the governing body of the municipality constituting the taxing district, and shall be filed with the assessor within 30 days, including Saturdays and Sundays, following the completion of the improvement or conversion alteration. Every such application for exemption, or exemption and abatement, within a municipality adopting the provisions of this act which is filed within the time specified, shall be approved and allowed by the assessor to the degree that such application is consistent with the provisions of such adopting ordinance, provided that the improvement or conversion alteration for which such application is made qualifies as an improvement or a conversion alteration pursuant to the provisions of this act. The granting of any such exemption, or exemption and abatement, shall be recorded and made a permanent part of the official tax records of the taxing district, which record shall contain a notice of the termination date of the exemption and the consequences of transfer of title.

STATE OF NEW JERSEY
NOTIFICATION OF DISALLOWANCE OF CLAIM FOR
EXEMPTION AND/OR ABATEMENT FOR REHABILITATION OF OR
CONVERSION INTO MULTIPLE DWELLING

Pursuant to P.L. 1979, c.233 (N.J.S.A. 54:4-3.121 et seq.)

Municipality _____ County _____

TO:

You are hereby informed that your application for exemption abatement under Chapter 233, Laws of 1979 has been disallowed for inadequacy with respect to the requirements checked below:

- Property taxes or penalties for non-payment are delinquent or remain unpaid.
- Improvements were not completed within the time prescribed in the law.
- Building is not in an area designated by ordinance as "in need of rehabilitation".
- Building was not, prior to improvement, a multiple dwelling "in need of rehabilitation" for the following reason(s): _____

Building was not, prior to conversion, capable of being "advantageously converted into a multiple dwelling" for the following reason(s): _____

Ordinance does not allow
 exemption abatement
for improvements to multiple dwellings.
 conversion of non-residential buildings to multiple dwelling use.

Ordinance does not allow
 exemption abatement
for additional improvements to properties already receiving exemption or abatement pursuant to P.L. 1979, c. 233.

Other: (specify) _____

An aggrieved taxpayer has the right to appeal an adverse ruling to the county board of taxation on or before August 15 of the tax year.

If you contemplate such appeal, it is suggested that you immediately obtain information regarding the proper procedure to be followed and the time in which to file the appeal by contacting the _____ County Board of Taxation, located at _____.

Dated: _____ Assessor

This form has been promulgated by the Director, Division of Taxation, in the Department of the Treasury, as required by law, and may not be altered or amended without the approval of the Director.

