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1971

STATE OF NEW JERSEY



Supplement

to

Report of Commission to Study the Laws of  
New Jersey Exempting Real Property Held by  
Religious, Educational, Charitable, and  
Philanthropic Organizations and Cemeteries  
from Taxation (January 30, 1970)

JANUARY 12, 1971

**New Jersey State Library**



LETTER OF TRANSMITTAL

January 12, 1971

To the Honorable Members of the Senate and General Assembly of  
the State of New Jersey:

At the time of transmittal of the final report of the Commission to Study the Laws of New Jersey Exempting Real Property Held by Religious, Educational, Charitable, and Philanthropic Organizations and Cemeteries from Taxation (created by A.C.R.-42 (1968) and continued by P.L. 1969, c. 142), the results of a survey of tax-exempt property by the Division of Taxation undertaken at the request of the commission were not available. The commission agreed with the Division that the results of this survey would be appended to the commission's report when they became available (see p. 26 of the report).

The survey has been completed and the results are now available. At a public hearing of the Property Tax Task Force of the Tax Policy Committee on November 18, 1970, I submitted copies of the commission's report together with the results of the tax-exempt property survey to the committee for use in its study of the entire tax system of New Jersey. I respectfully



transmit herewith a copy of my testimony before the Tax Policy Committee and the results of the tax-exempt property survey furnished by the Division of Taxation as a supplement to the Report of Commission to Study the Laws of New Jersey Exempting Real Property Held by Religious, Educational, Charitable, and Philanthropic Organizations and Cemeteries from Taxation (January 30, 1970).

Respectfully yours,

/s/ Chester Apy  
Chester Apy, Chairman



STATEMENT OF CHESTER APY,  
CHAIRMAN  
TAX-EXEMPT PROPERTY STUDY  
COMMISSION

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PROPERTY TAX TASK FORCE  
TAX POLICY COMMITTEE  
NOVEMBER 18, 1970

Gentlemen:

I am Chester Apy of Little Silver, a former member of the General Assembly (1968-69), from Monmouth County, and chairman of the Tax-Exempt Property Study Commission. My purpose in testifying is not only to submit to you the specific recommendations of my Commission concerning tax-exempt property, but also to present factual information not heretofore available.

REPORT OF THE COMMISSION TO STUDY THE LAWS OF NEW JERSEY  
EXEMPTING REAL PROPERTY HELD BY RELIGIOUS, EDUCATIONAL,  
CHARITABLE AND PHILANTHROPIC ORGANIZATIONS AND CEMETERIES  
FROM TAXATION.

In March of this year the Tax-Exempt Property Study Commission submitted to the Legislature a detailed study of the status of tax-exempt real property in New Jersey, together with specific recommendations for changes in our existing statutes. Attached as a part of this presentation are 25 copies of the Report dated January 30th, 1970.

Needless to say, you will only be able to appreciate the Report's scope, findings and recommendations by studying it



thoroughly. Initially, I direct your attention to the membership of the Commission, for I feel that the quality of the men who composed it gives the Report greater weight than it might otherwise be entitled to.

The highlights of the factual findings and Commission Recommendations are as follows:

1 - We confirmed once again that it is the property owners in the older, urban areas which have the greatest need for tax relief. But we also pointed out for the first time that these are the areas with the largest concentration of exempt properties. Finally, our analysis disclosed that in many--if not most--instances, tax-exempt institutions serve people from outside the taxing district, e.g., hospitals, Y.M.C.A.'s.

As a result of these findings we recommend the redistribution of charitable, religious, educational and cemetery exemptions on a countywide basis as a fairer system than the present one (See pp. 31-35). Proposed legislation to accomplish this result is a part of the Report (Appendix II, pp. 58-63), as is an example of the effect of such a redistribution in one county (Appendix III, pp. 64-65). At our request, the Division of Taxation is presently undertaking an analysis of the remaining twenty counties so that we will know the precise effect of our proposal on them if and when it is implemented.

I would also point out to you, as does our Report, that the



formula suggested would be equally applicable to county-owned property, and would redistribute that burden of tax exemption on a fairer basis. The ramifications of so doing can be ascertained from the Table annexed hereto and discussed later.

2 - The people of New Jersey do not want, and we do not recommend, any major changes in the basic constitutionally protected principle of tax exemption for exclusively religious, educational and charitable institutions. But we found that a century of case law decisions, legislative enactments, and county tax board rulings has resulted in glaring inconsistencies and omissions in the treatment of tax-exempt property. Accordingly, we have recommended specific statutory changes (pp. 35-42, Appendix II, pp. 52-58), designed to "tighten up" the law, and by so doing assure more equal treatment of all, consistent with the historical purpose of exemptions.

Included in our recommendations are some which represent a departure from the past. We make them, however, because we concluded that whatever their merit might have been, they cannot be justified today to meet the needs of tomorrow. We will never extricate ourselves from two centuries of dependence on real property taxes with inconsistent and unequal exemptions without some outcry and protest. You know that as well as I, but if you are not prepared to make hard decisions and withstand the resulting pressures, you might just as well adjourn now.



## THE VALUE OF TAX-EXEMPT PROPERTY IN NEW JERSEY.

When our Commission began its study, we found we had to go back to 1938 to find any comparable review (pp. 21-22, Table I). Although we checked the county abstracts of ratables (Table II, p. 23), the figures were so highly questionable they had little value. The Division of Taxation, however, was just beginning a comprehensive survey of exempt properties, and its initial report was made available to us (Table III, pp. 24-25). But even these figures were unsatisfactory to us and to the Division. As a result we requested and the Local Property Tax Bureau of the Division of Taxation undertook a comprehensive resurvey of the state based on the 1970 tax lists. Every assessor was requested to revise his exempt property figures, many of which had been untouched for years, and report to the Division. These results were then keypunched on 350,000 cards and stored on 40 reels of magnetic tape. Today, for the first time in New Jersey history, we can begin to appreciate the scope and extent of the impact of tax exemptions.

We are therefore now supplementing our Commission Report, as we said we would do (p. 26), by the inclusion of the Division of Taxation Summary, dated September 23, 1970, a copy of which is attached hereto, along with the letter of transmittal from Mr. Sidney Glaser, Acting Director of the Division.

The subject matter of our Commission's work is shown in only



four lines of the Summary (codes 20-23), but these alone represent 15,739 parcels of land having a value of about two billion, two hundred sixty-four million dollars. Most of the 2,585 miscellaneous exempt properties having a value of \$555,412,022 are also probably non-governmental, so we can fairly conclude that our Report applies to approximately eighteen thousand parcels conservatively valued at about 2.8 billion dollars.

Mr. Glaser cautions us not to accept these figures at face value, and I agree. We know that despite the efforts of the Division over the past two years, many assessors have not yet supplied realistic and accurate valuations for exempt property. We do not say this by way of criticism, for most have cooperated fully, but only to point out the difficulty of a task which, though interesting, may not necessarily produce more revenue for a municipality.

The magnitude of religious, educational, charitable and cemetery tax exemptions can be ascertained from the Summary. These exemptions represent approximately 27% of the exempt property in the state. In this one area alone, therefore, great and significant results can be accomplished if the recommendations contained in the Report of our Tax-Exempt Property Study Commission are endorsed by this Committee and implemented by our Legislature.

#### CONCLUSION.

When all is said and done, our Commission's work was an effort



to suggest a fairer, more equitable distribution of the cost of government among our citizens. Your task is the same. Like ours, it is a thankless one, and what many will find "fair," "just" and "good," an equal number will find "unfair," "unjust" and "bad." Yet all are agreed that something must be done. I hope that our Commission's work will make your task a little easier, and that you will find in our Report much that you can use. If there is any more which we can do, we are at your service.



STATE SUMMARY  
1970 NEW JERSEY EXEMPT PROPERTY

Code & Name of Owner	No. of Parcels	Land 100% Value	Improvement 100% Value	Total 100% Value	Land Assmt. Value	Improvement Assmt. Value	Total Assmt. Value
01 - Federal Government	1,722	\$1,138,366,863	\$ 629,658,965	\$ 1,768,025,828	\$1,123,117,008	\$ 524,283,981	\$1,647,400,989
02 - State Government	7,302	427,095,016	559,285,826	986,380,842	331,385,175	361,581,955	692,967,130
03 - County Government	2,251	333,354,684	323,512,025	656,866,709	247,962,869	255,455,546	503,418,415
04 - Municipal Government	52,926	905,157,309	2,886,693,523	3,791,850,832	724,349,260	2,270,290,894	2,994,640,154
05 - Del. River & Bay Authority	6	91,550	1,000,000	1,091,550	91,550	1,000,000	1,091,550
06 - Del. River Basin Com.	2	60,900	179,200	240,100	57,400	164,600	222,000
07 - Del. River Joint Toll Bridge Com.	94	160,310	1,799,260	1,959,570	112,555	1,645,130	1,757,685
08 - Del. River Port Authority	122	4,828,493	12,134,507	16,963,000	2,409,884	6,032,720	8,442,604
09 - Del. Valley Regional Planning Com.	1	2,850	5,550	8,400	1,425	2,775	4,200
10 - New Jersey Turnpike Authority	461	20,114,130	14,548,770	34,662,900	12,368,718	8,312,685	20,681,403
11 - Garden State Pkwy. Com.	43	4,398,150	7,778,400	12,176,550	4,378,500	7,778,400	12,156,900
12 - Interstate Sanitation Com.	13	763,100	29,650	792,750	400,940	29,650	430,590
13 - Mid. Atl. States Air Pol. Cont. Com.	--	--	--	--	--	--	--
14 - New York-New Jersey Transp. Agency	7	93,950	25,000	118,950	93,575	12,500	106,075
15 - Palisades Interstate Park Com.	53	121,376,400	872,150	122,248,550	121,376,400	872,150	122,248,550
16 - Port of New York Authority	143	132,199,820	112,114,550	244,314,370	124,935,681	106,676,125	231,611,806
17 - Tri-State Transp. Com.	9	28,150	--	28,150	25,060	--	25,060
18 - South Jersey Port Com.	4	1,061,030	1,499,870	2,560,900	530,515	749,935	1,280,450
19 - Waterfront Commission of New York	1	205,900	--	205,900	205,900	--	205,900
20 - Char. & Non-Profit Organizations	2,735	95,861,036	573,998,380	669,859,416	77,304,371	412,244,200	489,548,571
21 - Fraternal Organizations	398	5,825,102	21,219,519	27,044,621	4,724,077	16,126,986	20,851,063
22 - Veterans Organizations	627	7,660,457	14,618,105	22,278,562	6,519,853	10,958,283	17,478,136
23 - Religious Organizations	11,979	254,631,826	1,290,034,431	1,544,666,257	203,379,426	1,009,520,187	1,212,899,613
24 - Other	2,585	127,219,941	428,192,081	555,412,022	89,804,402	307,952,177	397,756,579
<b>TOTALS</b>	<b>83,484</b>	<b>\$3,580,556,967</b>	<b>\$6,879,199,762</b>	<b>\$10,459,756,729</b>	<b>\$3,075,534,544</b>	<b>\$5,301,690,879</b>	<b>\$8,377,225,423</b>

PREPARED BY  
DIVISION OF TAXATION  
LOCAL PROPERTY TAX BUREAU  
REVISED SEPTEMBER 23, 1970





State of New Jersey  
DEPARTMENT OF THE TREASURY

OFFICE OF THE DIRECTOR  
DIVISION OF TAXATION

WEST STATE AND WILLOW STREETS  
TRENTON, NEW JERSEY 08625

PHONE (609) 292-5185

August 7, 1970

Honorable Chester Apy, Chairman  
Legislative Committee for Exempt Property Study  
State House  
Trenton, New Jersey 08625

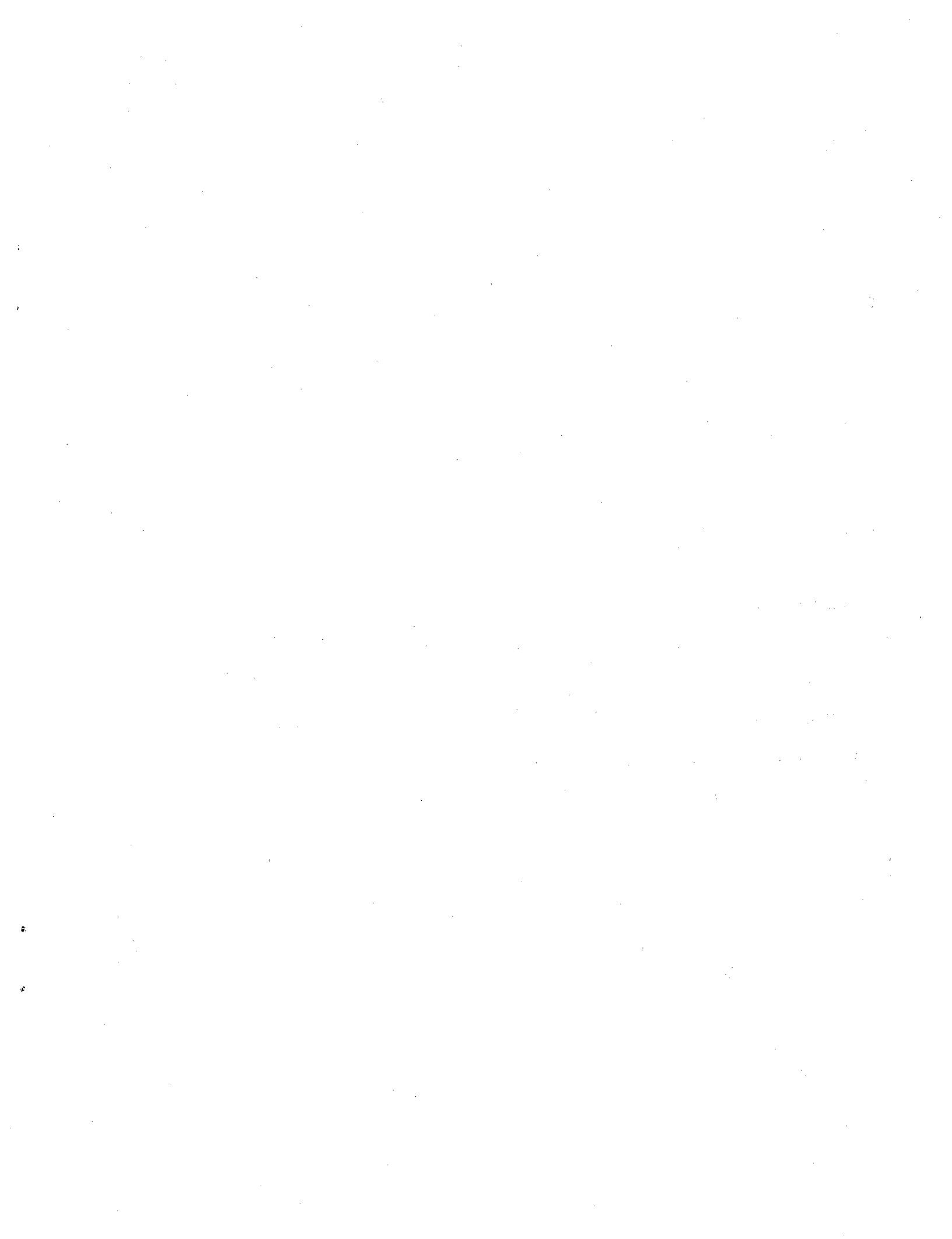
Dear Sir:

Transmitted herewith is the Exempt Property Study requested by your Committee relative to the exempt properties on the assessors' exempt tax rolls for the tax year 1970. The study consists of 26 volumes embracing the 21 counties and the 567 taxing districts in the State.

In this study 80,551 parcels of exempt property having total true valuations of \$10,380,371,329 were processed by the use of the Electronic Data Processing Program developed by the Division of Taxation for the conversion of the local tax rolls and currently being utilized in 12 of the 21 counties.

This report includes a computerized display of each line item of exempt property in all taxing districts. An alphabetical ownership index and individual page totals are included. This report also includes a summary by taxing district, by county and by state of the individual line items as to ownership, purpose or use and specific description. The district summary shows summations of the exempt properties as to ownership, general purpose and specific use; ownership and general purpose and finally the number of parcels in the taxing districts as to ownership such as federal, county, state and for the remaining 21 ownership codes. Summaries for the counties and for the state contain this same type of informational data.

Over the years, there has never been a prescribed format for the Exempt Property



Lists except those which were prescribed by the several county boards of taxation. On July 23, 1969, however, a letter with instructions and a sample of an Exempt Property List were mailed to all assessors, county tax board commissioners and secretaries outlining the requirements of the Director deemed necessary for him to provide the Legislative Committee with relevant data on the State exempt properties.

The Exempt Property Lists were received by the Local Property Tax Bureau on various types of forms and many were simply typewritten lists not containing the data in total as required by the Director. Many of these lists were not timely received and in every case a limited review of the source documents was made. After the source documents were reviewed, they were delivered for keypunching and approximately 350,000 keypunched cards were required to establish the exempt property file and to make the necessary corrections before a final printout. The exempt property data is now stored on 40 reels of magnetic tape at one central location.

For the first time the State of New Jersey now has on magnetic tape information with regard to the 80,551 parcels of exempt property, which information was extracted from the 1970 assessors' rolls as submitted to the Local Property Tax Bureau. At this point and time there should be no claim made that these listings reflect perfection because the assessors were using codings for the first time that were new to them and quite possibly miscoded some data. (Exempt Property Identification Code Books enclosed). It is possible that the assessors may have overlooked submitting certain types of exempt property such as foreclosed property. While the letter of July 23, 1969 requested that the assessors update the assessed valuations of the exempt properties before submitting them to the Local Property Tax Bureau, it should be noted that over the years it appears that the exempt property rolls had little significance to a taxing district other than a place to record the ownership of the exempt property. The valuation of these exempt properties was of no great concern because they had little effect on the taxing district.



Taxing districts undergoing revaluations in pursuit of intra-municipal equalization for the taxpayers of their districts rarely, if ever, required the revaluation firm, by contract, to include the valuation of exempt properties. Here again, it is quite possible that there may be some valuations in the study which would not be regarded as realistic when compared with today's market value.

Whatever imperfections do exist in this present study, the Division of Taxation's EDP Program has the capability through maintenance procedures to add, revise or delete any of the data existing on the 40 reels of magnetic tape. As noted before, the State now has data on the exempt properties of the State and the maintenance and updating of this data would appear to be of prime importance. From an administrative standpoint, the 21 county boards of taxation should be asked to join with the Division of Taxation and the Legislative Committee in a concerted effort to have the 859 assessors of the State refine and update this information. Through the county boards of taxation, the assessors should be instructed to review these lists thoroughly. At the same time specific instructions as to the insertion of the required data, the changing of data or the deletion of data by means of the EDP maintenance procedure should be explained in detail to the assessors throughout the State.

There are some interesting facts gleaned from this study. For example, municipal government is indicated as owning 50,644 parcels of property with a true valuation of \$3,752,058,892; the State is indicated as owning 7,027 parcels of property with a true valuation of \$981,871,082; fraternal organizations are indicated as owning 396 parcels of property with a true valuation of \$26,585,721; federal government is indicated as owning 1,720 parcels of property with a true valuation of \$1,766,580,728.

From the foregoing, you may well understand the reason why the study was not made available at an earlier date.

Particular commendation for gathering the data and its processing must go to



Robert S. Johnston and his EDP Staff of the Local Property Tax Bureau.

Please do not hesitate to call upon us if we may be of further assistance.

Very truly yours,

A handwritten signature in cursive script that reads "Sidney Glaser".

Sidney Glaser  
Acting Director  
Division of Taxation

SG/dmd

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