

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1893

STATE OF NEW JERSEY

DATED: FEBRUARY 15, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1893.

This bill permits a local unit, consisting of a municipality, county or school district, to establish one or more charitable funds, each for a specific public purpose, and permits property tax credits in association with certain donations.

Once a charitable fund is established, the bill would allow anyone to donate to it. However, if a donation is made on behalf of a real property within the jurisdiction of the local unit, the property could be entitled to a property tax credit on the next property tax bill assessed after the donation is processed.

A local unit that intends to establish a charitable fund would do so by ordinance or resolution of the governing body, as appropriate. A charitable fund ordinance or resolution would designate a fund administrator to assume responsibility for the collection and distribution of donations to the fund. The ordinance or resolution also would establish an annual limit on tax credit funding that may be made available as a result of local charitable donations, and an annual donation cap, which would be updated prior to the beginning of each fiscal year. The limit on tax credit funding would equal 90 percent of the annual donation cap, or a different percentage as determined appropriate by the Director of the Division of Local Government Services (“DLGS”) in the Department of Community Affairs. The annual donation cap would not limit all donations, only donations that could be creditable in relation to property tax payments. A charitable fund ordinance could also limit the extent to which a large charitable donation on behalf of an individual property owner could count against the annual donation cap.

Under the bill, a donation to a charitable fund could be made by or on behalf of a local property owner by directing the payment to the appropriate fund administrator. If the donor intends to obtain a property tax credit in association with the donation, the donor would indicate to which parcel of property the donation should apply. A donation could be credited across more than one parcel.

Following receipt of a local charitable donation, the fund administrator would issue a receipt to the donor. The fund administrator would also notify the donor in the event that the annual donation cap has been reached, in order to provide notice

that the donation is either being moved to the spillover fund or is otherwise held by the local unit, awaiting the donor's direction. Following this notification, the fund administrator would provide the donor with at least 60 days to direct the fund administrator to instead allocate the donation to another charitable fund or to rescind the donation. Following donation receipt, the fund administrator also would notify the appropriate tax collector within five business days of the amount of the donation and the size of the credit made available as a result of the donation.

Under the bill, charitable fund donations could be used for the payment of fees that may be required by a tax collector for their responsibilities under the bill, and the payment of administrative costs associated with the establishment of the fund. Charitable funds also would be used for purposes consistent with the specified charitable purpose, as designated in the ordinance or resolution establishing the fund.

The bill directs municipal tax collectors to allow a local property owner a credit to be applied to property taxes in association with certain charitable donations. A credit would be equal to 90 percent of the amount of donations contributed on behalf of the owner's specified parcel of property to a charitable fund within the local unit, or a different percentage as determined appropriate by DLGS.

The tax collector would apply the credit against the first property tax bill with respect to the specified parcel of property that is assessed on or after the fifth business day following receipt of the notification sent by the fund administrator. If the total amount of all tax credits on a property exceed the amount of tax owed for the property to the local unit associated with a charitable fund, and the tax collector is unable to apply a full credit against the bill, then the tax collector would carry the remaining portion of the credit forward to one or more future bills. However, no tax credit would be carried forward for more than five years. The tax collector would indicate on a tax bill the value of the tax credits that apply to the bill and the value that would be applied to future bills. In association with each credit, the bill permits the tax collector to require a fee from the fund administrator to be allocated towards the tax collector's administrative expenses.

Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the bill directs the State Treasurer and DLGS to adopt immediately such rules and regulations as the State Treasurer or the Director of DLGS determine to be necessary to effectuate the purposes of the bill.

FISCAL IMPACT:

This bill is permissive in nature, so unless a county, municipality or school district (local unit) chooses to adopt an ordinance or resolution to implement the bill's provisions, no local government

fiscal impact will result from the bill. To the extent that a local unit establishes charitable funds and receives charitable donations as authorized by the bill, the local unit may realize an increase in revenue because of the bill's limitation on property tax credits to 90% of any charitable donations received, or whatever lower percentage is determined by the Director of the Division of Local Government Services. In any local unit adopting the bill's provisions, the amount by which revenue might increase, i.e., charitable donations in excess of the sum of property tax credits, tax collector fees and fund administration costs, will be a function of charitable funds donation limits set by the local unit, actual donations received by local unit and the property tax liabilities of the donors, and costs that will be assessed against donations. The Office of Legislative Services (OLS) has no information upon which to base a forecast of any of those factors.

A local unit that establishes one or more charitable funds under the bill will incur costs of fund administration in indeterminate amounts. The tax collector of any municipality that creates a charitable fund, or is a taxing district for any county or school district that creates a charitable fund, will incur a marginal increase in costs of tax bill and tax payment processing, also in indeterminate amounts. Tax collectors may charge fees to charitable fund administrators, to be paid from fund contributions, and fund administrators may also charge costs to fund contributions. These fees and charges should be equal, or nearly so, to actual costs incurred.

The OLS has insufficient information from which to conclude whether the Division of Local Government Services will incur marginal costs to promulgate rules and regulations as required by the bill, or can instead discharge that duty without a marginal increase in its current expenditure level.