

[Fourth Reprint]

SENATE, No. 3787

STATE OF NEW JERSEY
221st LEGISLATURE

INTRODUCED OCTOBER 10, 2024

Sponsored by:

Senator NICHOLAS P. SCUTARI

District 22 (Somerset and Union)

Senator M. TERESA RUIZ

District 29 (Essex and Hudson)

Assemblywoman ELIANA PINTOR MARIN

District 29 (Essex and Hudson)

Assemblywoman CARMEN THERESA MORALES

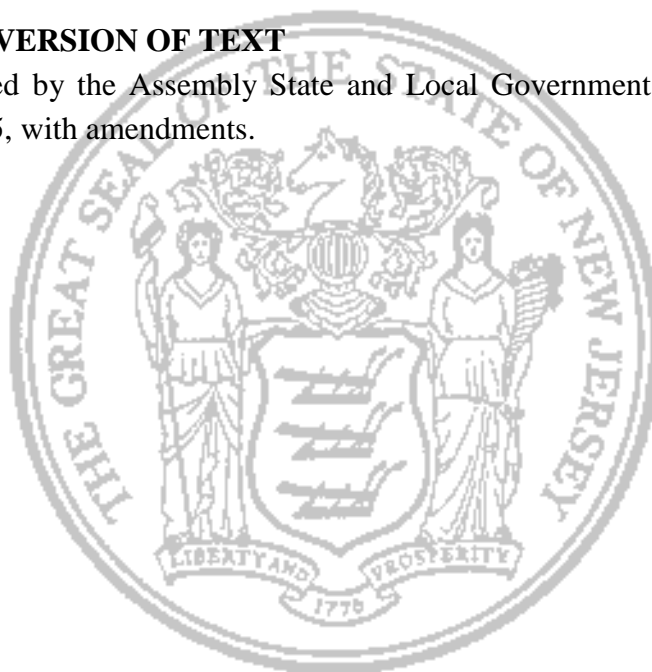
District 34 (Essex)

SYNOPSIS

Requires municipal tax collectors who obtain payments in lieu of taxes under "Long Term Tax Exemption Law" to transmit county portion directly to county.

CURRENT VERSION OF TEXT

As reported by the Assembly State and Local Government Committee on May 15, 2025, with amendments.



(Sponsorship Updated As Of: 5/22/2025)

1 AN ACT concerning certain payments in lieu of taxes under the
2 "Long Term Tax Exemption Law" and amending P.L.1991, c.431
3 ⁴and R.S.54:4-74⁴.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. Section 9 of P.L.1991, c.431 (C.40A:20-9) is amended to
9 read as follows:

10 9. Every approved project shall be evidenced by a financial
11 agreement between the municipality and the urban renewal entity.
12 The agreement shall be prepared by the entity and submitted as a
13 separate part of its application for project approval. The agreement
14 shall not take effect until approved by ordinance of the
15 municipality. The municipality shall notify the chief financial
16 officer of the county and the clerk to the board of county
17 commissioners of the county within which the municipality is
18 located of the date, time, and place of the public hearing required to
19 be held prior to the passage of the ordinance. Any amendments or
20 modifications of the agreement made thereafter shall be by mutual
21 consent of the municipality and the urban renewal entity, and shall
22 be subject to approval by ordinance of the municipal governing
23 body upon recommendation of the mayor or other chief executive
24 officer of the municipality prior to taking effect.

25 The financial agreement shall be in the form of a contract
26 requiring full performance within 30 years from the date of
27 completion of the project, and shall include the following:

28 a. That the profits of or dividends payable by the urban
29 renewal entity shall be limited according to terms appropriate for
30 the type of entity in conformance with the provisions of P.L.1991,
31 c.431 (C.40A:20-1 et seq.).

32 b. That all improvements and land, to the extent authorized
33 pursuant to section 12 of P.L.1991, c.431 (C.40A:20-12), in the
34 project to be constructed or acquired by the urban renewal entity
35 shall be exempt from taxation as provided in
36 P.L.1991, c.431 (C.40A:20-1 et seq.).

37 c. That the urban renewal entity shall make payments for
38 municipal services as provided in P.L.1991, c.431 (C.40A:20-1 et
39 seq.).

40 d. That the urban renewal entity shall submit annually, within
41 90 days after the close of its fiscal year, its auditor's reports to the
42 mayor and governing body of the municipality.

43 e. That the urban renewal entity shall, upon request, permit
44 inspection of property, equipment, buildings and other facilities of

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SCU committee amendments adopted December 5, 2024.

²Senate floor amendments adopted December 19, 2024.

³Senate floor amendments adopted January 14, 2025.

⁴Assembly ASL committee amendments adopted May 15, 2025.

1 the entity, and also permit examination and audit of its books,
2 contracts, records, documents and papers by authorized
3 representatives of the municipality or the State.

4 f. That in the event of any dispute between the parties matters
5 in controversy shall be resolved by arbitration in the manner
6 provided in the financial agreement.

7 g. That operation under the financial agreement shall be
8 terminable by the urban renewal entity in the manner provided by
9 P.L.1991, c.431 (C.40A:20-1 et seq.).

10 h. That the urban renewal entity shall at all times prior to the
11 expiration or other termination of the financial agreement remain
12 bound by the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.).

13 The financial agreement shall contain detailed representations
14 and covenants by the urban renewal entity as to the manner in
15 which it proposes to use, manage or operate the project. The
16 financial agreement shall further set forth the method for computing
17 gross revenue for the urban renewal entity, the method of
18 determining insurance, operating and maintenance expenses paid by
19 a tenant which are ordinarily paid by a landlord, the plans for
20 financing the project, including the estimated total project cost, the
21 amortization rate on the total project cost, the source of funds, the
22 interest rates to be paid on the construction financing, the source
23 and amount of paid-in capital, the terms of mortgage amortization
24 or payment of principal on any mortgage, a good faith projection of
25 initial sales prices of any condominium units and expenses to be
26 incurred in promoting and consummating such sales, and the rental
27 schedules and lease terms to be used in the project. Any financial
28 agreement may allow the municipality to levy an annual
29 administrative fee, not to exceed two percent of the annual service
30 charge.

31 (cf: P.L.2015, c.95, s.28)

32
33 2. Section 12 of P.L.1991, c.431 (C.40A:20-12) is amended to
34 read as follows:

35 12. The rehabilitation or improvements made in the development
36 or redevelopment of a redevelopment area or area appurtenant
37 thereto or for a redevelopment relocation housing project, pursuant
38 to P.L.1991, c.431 (C.40A:20-1 et seq.), shall be exempt from
39 taxation for a limited period as hereinafter provided. When housing
40 is to be constructed, acquired or rehabilitated by an urban renewal
41 entity, the land upon which that housing is situated shall be exempt
42 from taxation for a limited period as hereinafter provided. The
43 exemption shall be allowed when the clerk of the municipality
44 wherein the property is situated shall certify to the municipal tax
45 assessor that a financial agreement with an urban renewal entity for
46 the development or the redevelopment of the property, or the
47 provision of a redevelopment relocation housing project, or the
48 provision of a low and moderate income housing project has been

1 entered into and is in effect as required by P.L.1991, c.431
2 (C.40A:20-1 et seq.).

3 Delivery by the municipal clerk to the municipal tax assessor of
4 a certified copy of the ordinance of the governing body approving
5 the tax exemption and financial agreement with the urban renewal
6 entity shall constitute the required certification. For each
7 exemption granted pursuant to P.L.2003, c.125 (C.40A:12A-4.1 et
8 al.), upon certification as required hereunder, the tax assessor shall
9 implement the exemption and continue to enforce that exemption
10 without further certification by the clerk until the expiration of the
11 entitlement to exemption by the terms of the financial agreement or
12 until the tax assessor has been duly notified by the clerk that the
13 exemption has been terminated.

14 Within 10 calendar days following the later of the effective date
15 of an ordinance following its final adoption by the governing body
16 approving the tax exemption or the execution of the financial
17 agreement by the urban renewal entity, the municipal clerk shall
18 transmit a certified copy of the ordinance and financial agreement
19 to the chief financial officer of the county and to the county counsel
20 for informational purposes.

21 Whenever an exemption status changes during a tax year, the
22 procedure for the apportionment of the taxes for the year shall be
23 the same as in the case of other changes in tax exemption status
24 during the tax year. Tax exemptions granted pursuant to P.L.2003,
25 c.125 (C.40A:12A-4.1 et al.) represent long term financial
26 agreements between the municipality and the urban renewal entity
27 and as such constitute a single continuing exemption from local
28 property taxation for the duration of the financial agreement. The
29 validity of a financial agreement or any exemption granted pursuant
30 thereto may be challenged only by filing an action in lieu of
31 prerogative writ within 20 days from the publication of a notice of
32 the adoption of an ordinance by the governing body granting the
33 exemption and approving the financial agreement. Such notice
34 shall be published in a newspaper of general circulation in the
35 municipality and in a newspaper of general circulation in the county
36 if different from the municipal newspaper.

37 a. The financial agreement shall specify the duration of the
38 exemption for urban renewal entities in accordance with the
39 parameters of either paragraph (1) or paragraph (2) of this
40 subsection:

41 (1) the financial agreement may specify a duration of not more
42 than 30 years from the completion of the entire project, or unit of
43 the project if the project is undertaken in units, or not more than 35
44 years from the execution of the financial agreement between the
45 municipality and the urban renewal entity; or

46 (2) for each project undertaken pursuant to a redevelopment
47 agreement which allows the redeveloper to undertake two or more
48 projects sequentially, the financial agreement may specify a

1 duration of not more than 30 years from the completion of a project,
2 or unit of the project if the project is undertaken in units, or not
3 more than 50 years from the execution of the first financial
4 agreement implementing a project under the redevelopment
5 agreement. As used in this subsection, "redevelopment agreement"
6 means an agreement entered into pursuant to subsection f. of section
7 8 of P.L.1992, c.79 (C.40A:12A-8) between a municipality or
8 redevelopment entity and a redeveloper.

9 A financial agreement may provide for an exemption period of
10 less than 30 years from the completion of the entire project, less
11 than 35 years from the execution of the financial agreement, or less
12 than 50 years from the execution of the first financial agreement
13 implementing a project under the redevelopment agreement.
14 Nothing in this subsection shall be construed as requiring a
15 financial agreement for a project undertaken pursuant to a
16 redevelopment agreement which allows the redeveloper to
17 undertake two or more projects sequentially to specify a duration
18 within the parameters of paragraph (2) of this subsection.

19 b. During the term of any exemption, in lieu of any taxes to be
20 paid on the buildings and improvements of the project and, to the
21 extent authorized pursuant to this section, on the land, the urban
22 renewal entity shall make payment to the municipality of an annual
23 service charge, which shall remit a portion of that revenue to the
24 county as provided hereinafter. In addition, the municipality may
25 assess an administrative fee, not to exceed two percent of the annual
26 service charge, for the processing of the application. The annual
27 service charge for municipal services supplied to the project to be
28 paid by the urban renewal entity for any period of exemption, shall
29 be determined as follows:

30 (1) An annual amount equal to a percentage determined
31 pursuant to this subsection and section 11 of P.L.1991, c.431
32 (C.40A:20-11), of the annual gross revenue from each unit of the
33 project, if the project is undertaken in units, or from the total
34 project, if the project is not undertaken in units. The percentage of
35 the annual gross revenue shall not be more than 15 **[%]** percent in
36 the case of a low and moderate income housing project, nor less
37 than 10 **[%]** percent in the case of all other projects.

38 At the option of the municipality, or where because of the nature
39 of the development, ownership, use or occupancy of the project or
40 any unit thereof, if the project is to be undertaken in units, the total
41 annual gross rental or gross shelter rent or annual gross revenue
42 cannot be reasonably ascertained, the governing body shall provide
43 in the financial agreement that the annual service charge shall be a
44 sum equal to a percentage determined pursuant to this subsection
45 and section 11 of P.L.1991, c.431 (C.40A:20-11), of the total
46 project cost or total project unit cost determined pursuant to
47 P.L.1991, c.431 (C.40A:20-1 et seq.) calculated from the first day
48 of the month following the substantial completion of the project or

1 any unit thereof, if the project is undertaken in units. The
2 percentage of the total project cost or total project unit cost shall not
3 be more than **【2%】** two percent in the case of a low and moderate
4 income housing project, and shall not be less than **【2%】** two
5 percent in the case of all other projects.

6 (2) In either case, the financial agreement shall establish a
7 schedule of annual service charges to be paid over the term of the
8 exemption period, which shall be in stages as follows:

9 (a) For the first stage of the exemption period, which shall
10 commence with the date of completion of the unit or of the project,
11 as the case may be, and continue for a time of not less than six years
12 nor more than 15 years, as specified in the financial agreement, the
13 urban renewal entity shall pay the municipality an annual service
14 charge for municipal services supplied to the project in an annual
15 amount equal to the amount determined pursuant to paragraph (1) of
16 this subsection and section 11 of P.L.1991, c.431 (C.40A:20-11).
17 For the remainder of the period of the exemption, if any, the annual
18 service charge shall be determined as follows:

19 (b) For the second stage of the exemption period, which shall
20 not be less than one year nor more than six years, as specified in the
21 financial agreement, an amount equal to either the amount
22 determined pursuant to paragraph (1) of this subsection and section
23 11 of P.L.1991, c.431 (C.40A:20-11), or 20 **【%】** percent of the
24 amount of taxes otherwise due on the value of the land and
25 improvements, whichever shall be greater;

26 (c) For the third stage of the exemption period, which shall not
27 be less than one year nor more than six years, as specified in the
28 financial agreement, an amount equal to either the amount
29 determined pursuant to paragraph (1) of this subsection and section
30 11 of P.L.1991, c.431 (C.40A:20-11), or 40 **【%】** percent of the
31 amount of taxes otherwise due on the value of the land and
32 improvements, whichever shall be greater;

33 (d) For the fourth stage of the exemption period, which shall not
34 be less than one year nor more than six years, as specified in the
35 financial agreement, an amount equal to either the amount
36 determined pursuant to paragraph (1) of this subsection and section
37 11 of P.L.1991, c.431 (C.40A:20-11), or 60 **【%】** percent of the
38 amount of taxes otherwise due on the value of the land and
39 improvements, whichever shall be greater; and

40 (e) For the final stage of the exemption period, the duration of
41 which shall not be less than one year and shall be specified in the
42 financial agreement, an amount equal to either the amount
43 determined pursuant to paragraph (1) of this subsection and section
44 11 of P.L.1991, c.431 (C.40A:20-11), or 80 **【%】** percent of the
45 amount of taxes otherwise due on the value of the land and
46 improvements, whichever shall be greater.

1 If the financial agreement provides for an exemption period of
2 less than 30 years from the completion of the entire project, less
3 than 35 years from the execution of the financial agreement, or less
4 than 50 years from the execution of the first financial agreement
5 implementing a project under the redevelopment agreement, the
6 financial agreement shall set forth a schedule of annual service
7 charges for the exemption period which shall be based upon the
8 minimum service charges and staged adjustments set forth in this
9 section.

10 The annual service charge shall be paid to the municipality on a
11 quarterly basis in a manner consistent with the municipality's tax
12 collection schedule.

13 Each municipality which enters into a financial agreement on or
14 after the effective date of P.L.2003, c.125 (C.40A:12A-4.1 et al.)
15 shall remit five percent of the annual service charge collected by the
16 municipality ⁴~~directly~~⁴ to the county ~~in accordance with the~~
17 ~~provisions of R.S.54:4-74~~ ⁴~~in accordance with the provisions of~~
18 ~~R.S.54:4-74~~⁴. ²~~Upon receipt of the annual service charge, the~~
19 ~~municipal tax collector~~ ¹~~or financial officer~~¹ shall immediately
20 ~~notify the municipality and the chief financial officer of the county~~
21 ~~within which the municipality is located. Within seven days of the~~
22 ~~notification, the municipal tax collector~~ ¹~~or financial officer~~¹ shall
23 ~~directly transmit the five percent remittance to the chief financial~~
24 ~~officer of the county~~ ⁴~~On~~ ³~~a quarterly basis~~ the dates specified
25 pursuant to R.S.54:4-66 concerning the payment of municipal
26 taxes³, the municipal tax collector or finance officer in a
27 municipality that receives an annual service charge shall notify the
28 chief financial officer of the county within which the municipality
29 is located that the municipality received an annual service charge
30 and ³, pursuant to R.S.54:4-74, on the fifteenth day of the month in
31 which each installment of taxes shall become payable,³ shall
32 directly transmit the five percent remittance to the chief financial
33 officer of the county.]⁴ If the five percent remittance due to the
34 county is not paid when due ⁴~~[³.] :³]~~ ⁴ the unpaid balance thereof
35 and interest, at the rate of one percent per month accrued thereon,
36 together with attorneys' fees and court costs, may be recovered by
37 the county from the municipality in an action filed in a court of
38 competent jurisdiction² ⁴~~[³; and the]~~ . A⁴ municipal ⁴~~tax~~
39 ~~collector or~~⁴ finance officer ⁴~~shall~~ certificate may⁴ be subject to
40 revocation or suspension ⁴~~of their certificate~~⁴ pursuant to
41 ⁴~~section 5 of P.L.1979, c.384 (C.40A:9-145.5) or~~⁴ section 7 of
42 P.L.1988, c.110 (C.40A:9-140.12) ⁴~~[, respectively³]~~ for willful or
43 intentional failure, neglect, or refusal to comply with this section⁴. If
44 the municipality enters into a contract with a board of education
45 pursuant to section 7 of P.L.2023, c.311 (C.18A:7G-15.1a), the

1 municipality shall also remit to the board of education such
2 amounts as may be required under the contract.

3 Against the annual service charge the urban renewal entity shall
4 be entitled to credit for the amount, without interest, of the real
5 estate taxes on land paid by it in the last four preceding quarterly
6 installments.

7 Notwithstanding the provisions of this section or of the financial
8 agreement, the minimum annual service charge shall be the amount
9 of the total taxes levied against all real property in the area covered
10 by the project in the last full tax year in which the area was subject
11 to taxation, and the minimum annual service charge shall be paid in
12 each year in which the annual service charge calculated pursuant to
13 this section or the financial agreement would be less than the
14 minimum annual service charge.

15 c. All exemptions granted pursuant to the provisions of
16 P.L.1991, c.431 (C.40A:20-1 et seq.) shall terminate at the time
17 prescribed in the financial agreement.

18 Upon the termination of the exemption granted pursuant to the
19 provisions of P.L.1991, c.431 (C.40A:20-1 et seq.), the project, all
20 affected parcels, land and all improvements made thereto shall be
21 assessed and subject to taxation as are other taxable properties in
22 the municipality. After the date of termination, all restrictions and
23 limitations upon the urban renewal entity shall terminate and be at
24 an end upon the entity's rendering its final accounting to and with
25 the municipality.

26 (cf: P.L.2023, c.311, s.26)

27

28 ⁴3. R.S.54:4-74 is amended to read as follows:

29 54:4-74. For the purpose of this section:

30 "County tax due" or "tax due" means the amount so assessed less
31 the county's proportionate share of the property taxes no longer owed
32 by the municipality pursuant to the blue acres property tax exemption
33 established by subsection b. of section 1 of P.L.2013, c.261 (C.54:4-
34 3.3g) and less any applicable credit established by subsection e. of
35 section 1 of P.L.2013, c.261 (C.54:4-3.3g), but shall include all
36 amounts collected by the county under agreements entered into by
37 municipalities pursuant to the "Long Term Tax Exemption Law,"
38 P.L.1991, c.431 (C.40A:20-1 et seq.).

39 The governing body of each municipality shall cause to be paid to
40 the treasurer of the county, in four installments, the amount of county
41 tax due, and the other county taxes required to be assessed and raised
42 in such municipality, on the fifteenth day of the month in which each
43 installment of taxes shall become payable, except, that in those years
44 when the third installment has been determined by the tax collector to
45 be due after August 10, the installment shall be due no later than five
46 days after the twenty-fifth day from when the tax bill was mailed or
47 otherwise delivered pursuant to subsection a. of R.S.54:4-64, but no
48 later than September 15. The amount to be payable as each of the first

1 two installments shall be one-quarter of the total county tax due and
 2 one-quarter of the other total county taxes finally levied against the
 3 municipality for the preceding year, and the amount to be payable for
 4 the third and fourth installments shall be the county tax due, and for
 5 the other county taxes the full tax as levied, for the current year, less
 6 the amount charged as the first and second installments. The total
 7 amount thus found to be payable as the last two installments shall be
 8 divided equally for and as each installment. The governing body of
 9 each municipality shall cause to be paid to the county treasurer on
 10 December fifteenth of each year all of the taxes required to be assessed
 11 and raised by taxation in such taxing district for State school and other
 12 State purposes.

13 With each installment required to be paid pursuant to this section,
 14 the chief municipal finance officer shall provide the following
 15 information for each agreement entered into by the municipality,
 16 pursuant to the "Long Term Tax Exemption Law," P.L.1991, c.431
 17 (C.40A:20-1 et seq.), on after the effective date of P.L.2003, c.125
 18 (C.40A:12A-4.1 et seq.):

- 19 a. the project name and address;
- 20 b. the date on which the municipality entered into the agreement;
- 21 c. the expiration date of the agreement;
- 22 d. the amount of the annual service charge to be paid to the
 23 municipality;
- 24 e. the annual amount due to the county;
- 25 f. the portion of the quarterly service charge installment due to
 26 the county;
- 27 g. the quarterly installment amount collected by the municipality;
 28 and
- 29 h. the amount attributable to the agreement that is included in the
 30 installment of county tax due.⁴

31 (cf: P.L.2015, c.247, s.2)

32

33 .., m ⁴[3.] 4.⁴ This act shall take effect on the first day of the
 34 third month next following the date of enactment, and ⁴, for a financial
 35 agreement subject to the provisions of "Long Term Tax Exemption
 36 Law," P.L.1991, c.431 (C.40A:20-1 et seq.) that was entered into on or
 37 after the effective date of P.L.2003, c.125 (C.40A:12A-4.1 et seq.).⁴
 38 shall apply to each annual service charge received ⁴[by the tax
 39 collector]⁴ beginning on or after ⁴[that] the first day of the third
 40 month next following the⁴ date ⁴of enactment⁴.