

**ASSEMBLY CONCURRENT
RESOLUTION No. 131**

**STATE OF NEW JERSEY
214th LEGISLATURE**

INTRODUCED MAY 20, 2010

Sponsored by:

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

SYNOPSIS

Proposes constitutional amendment to impose strict 2.5 percent cap on tax levy increases by local units of government.

CURRENT VERSION OF TEXT

As introduced.



1 A **CONCURRENT RESOLUTION** proposing to amend Article VIII,
2 Section I of the New Jersey Constitution by adding a new
3 paragraph 8.

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5 **BE IT RESOLVED** by the General Assembly of the State of New
6 Jersey (the Senate concurring):

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8 1. The following proposed amendment to the Constitution of the
9 State of New Jersey is hereby agreed to:

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11 PROPOSED AMENDMENT

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13 Amend Article VIII, Section I by adding a new paragraph 8, to
14 read as follows:

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16 8. a. A county or other local taxing district with a local
17 purposes tax rate of more than \$0.10 per \$100 of assessed value for
18 the previous tax year shall not adopt a budget in which the amount
19 to be raised by taxation for real property is increased by more than
20 2.5 percent over its previous year's local purposes tax levy amount,
21 plus the product of the taxable value of any new construction,
22 improvements, and other property added to the tax rolls during the
23 tax year, times the previous year's tax rate.

24 b. This 2.5 percent increase limit shall not apply to amounts
25 required to be raised by taxation for debt service and capital
26 expenditures as those terms may be defined by law.

27 c. This 2.5 percent limit may be exceeded in any local budget
28 year by approval, at a public referendum, to be held at such a time
29 and manner as determined by the Legislature, of a question
30 specifying a higher percent increase by at least 60 percent of the
31 number of registered voters of the county or other local taxing
32 district, as applicable, participating in the referendum election.

33 d. The Legislature may provide for a process where unused
34 capacity under the tax levy increase limit in any local budget year
35 may be carried forward and used in any one of the next three
36 succeeding local budget years.

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

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.

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

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

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

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

12 b. In every municipality the following question:

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	YES	<p style="text-align: center;">2.5% CONSTITUTIONAL LIMIT ON PROPERTY TAX LEVY INCREASES BY LOCAL UNITS</p> <p>Do you approve of the proposed amendment to the State Constitution prohibiting most counties and other local taxing districts from increasing their property tax levy on real property, that is not new construction or improvements, added to the tax rolls since the previous year, by more than 2.5 percent over the previous year's tax levy, except when authorized by public referendum approved by at least 60 percent of the participating voters?</p>
	NO	<p style="text-align: center;">INTERPRETIVE STATEMENT</p> <p>This amendment to the State Constitution will establish a cap of 2.5 percent on the permitted increases of county, municipal, school district, and other local taxing district property tax levies over each entity's previous year's levy. It would apply to those local taxing districts with a local purposes tax rate in the preceding year of more than \$0.10 per \$100 of assessed value. The value of new construction, improvements, and other property added to the tax rolls during the tax year, would be subject to the previous year's tax rate. The only automatic exclusions from the cap would be for debt service payments and capital expenditures. Local units may use the amount of any budget year's unused tax levy increase in any of the three subsequent local budget years. Otherwise, a public referendum, approved by at least 60 percent of the participating voters, would be required to exceed the 2.5 percent cap for a particular local budget year.</p>

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STATEMENT

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This proposed amendment to the State Constitution would impose a cap of 2.5 percent on permitted increases to the property tax levies of counties, municipalities, school districts, fire districts, and other local taxing districts, over their levies for the previous tax

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1 year. This constitutionally required cap, similar to the statutory 2.5
2 percent cap in Massachusetts, was recommended by the Governor
3 as part of his FY 2011 budget address, in a document entitled "FY
4 2011 Budget Solutions: Foundation for Long Term Reform
5 *Protecting Taxpayers and Enforcing Fiscal Discipline.*" Currently,
6 statutory law imposes a 4 percent cap on levy increases by those
7 entities, with about a half-dozen exclusions and opportunities for
8 waivers granted by the Local Finance Board. Under the proposed
9 constitutional amendment, the 2.5 percent levy cap would be a more
10 "honest" cap than the levy cap imposed by current law because the
11 only permitted automatic exclusions from the cap would be for
12 taxes need to be raised for debt service payments and for capital
13 expenditures. The assessed value of new construction,
14 improvements, and other property that was added to the tax rolls
15 during the tax year would be multiplied by the previous year's tax
16 rate and then added to the amount subject to the 2.5 percent cap (the
17 previous year's levy) to determine each local unit's total
18 permissible levy tax increase. The unused portion of a local unit's
19 allowable tax levy increase could be carried forward and added to
20 the permitted increase in any of the subsequent three local budget
21 years. Otherwise, a local unit could exceed the 2.5 percent cap in a
22 tax year only through approval, by at least 60 percent of the
23 participating voters, of a public question specifying the higher
24 increase.