

**Ellen Steinberg and Peter Humphreys  
Senior Citizens Council of Union County**

**Written Testimony for the Stay NJ Task Force  
April 7, 2024**

This testimony is submitted to the Stay NJ Task Force (the “Task Force”) on behalf of Senior Citizens Council of Union County (“Senior Council”) by Ellen Steinberg and Peter Humphreys. We appreciate the opportunity.

Senior Council is a non-profit corporation founded in 1971. Its mission is to assist older adults and their families and caregivers. It also publishes the Senior News as part of its outreach which is distributed throughout Union County as well as surrounding communities in Essex, Morris, Somerset and Middlesex Counties.

Ellen Steinberg is Chair of Senior Council. Ellen serves in a volunteer capacity. In her day job, she works as an attorney.

Peter Humphreys is also an attorney. He worked on Wall Street for 38 years, with an extensive background in finance. He is also a volunteer for Senior Council and Editor of Senior News.

In recent years, Ellen and Peter have given presentations throughout the state on property tax relief. They have also created a video which can be accessed through YouTube or through the Senior Council website at [njseniorcouncil.com](http://njseniorcouncil.com)

Senior Council welcomes any attempts to make the lives of seniors better. We feel strongly that property tax relief for seniors should be focused on enabling them to stay in the homes and communities in which they live.

**THE CURRENT TAX RELIEF PROGRAMS**

At present, there are five property tax relief programs in New Jersey. These are the Senior Freeze, Income Tax Relief, Veterans Credit, Senior Citizens Annual Property Tax Deduction and the Anchor Program, which replaced and expanded the old Homestead Benefit Program.

Each of these programs has different rules and qualification requirements. Income limits vary by program and income itself is not calculated in a consistent way. Residency requirements are also different. Each program has its own application and the deadlines for these applications are all different. Senior Freeze and Anchor are both retrospective, each providing a check as a rebate of previously paid property taxes, which for Anchor is a lookback to three years. Some are prospective, giving a credit for the following year’s property tax bill. And the Income Tax Relief Program provides a property tax deduction against income. Exhibit I has a summary of these differences as they exist in 2024.

As a consequence, applying for property tax relief in New Jersey has become extremely confusing. Now the state has introduced a sixth program, Stay NJ, to the mix. Our objections to the Stay NJ Program as originally proposed were noted in our testimony at the June 8, 2023 Stay NJ Hearing before the Assembly Aging and Senior Services Committee. We focused on income and residency requirements, and the shortfall in funding of the Stay NJ program. We also addressed the State's commitment to provide Anchor and Senior Freeze rebates for prior years and how these past promises appeared to be getting pushed aside with the introduction of Stay NJ.

## **THE STAY NJ PROGRAM**

We applaud the mission of Stay NJ to provide more property tax relief to seniors and to align the current property tax relief programs. However, we have many reservations as to the implementation of Stay NJ in its current statutory form. Most significant is the overall viability of the program.

### **Viability**

The Stay NJ statute provides that amounts under the Stay NJ program shall not be paid unless:

- "a. [Education Funding is paid in full]
- b. the full funding of the veterans' \$250 property tax deduction [is made];
- c. the full funding of the senior citizens' and disabled persons' \$250 property tax deduction [is made];
- d. the full payment of the contributions required by law to be made to the State-administered retirement systems [is made]; and
- e. [there is] a budgetary surplus of no less than 12 percent of total expenditures from the General Fund and the Property Tax Relief Fund in a given State fiscal year." (Section 17)

The Veterans deduction (b) and the property tax deduction (c) are not major budgetary items. The full funding of required education (a) and pension contributions (d), however, is in the billions. It has been decided to subordinate the Stay NJ program to these expenditures. These are political decisions that have been made about which programs are more important to the State.

It is the last pre-condition (e) that effectively renders the whole Stay NJ program moot. The surplus requirement means that the Stay NJ program would not be paid unless there was a surplus of 12% over expenditures on all Budget items including the funding of the Stay NJ program. This year's proposed FY25 Budget surplus is \$6.1 billion. This was after a set aside Stay NJ payment of \$200 million (The FY24 Budget had a set aside payment of \$100 million).

The annual cost to fully fund Stay NJ will be about \$1.5 billion to \$2 billion. If the full funding of Stay NJ was included in the Governor's proposed FY25 Budget of \$56 billion that would mean the FY25 Budget would have to be increased to \$58 billion and excess revenues of over \$8 billion would be needed to fund Stay NJ AND deliver

the required Budget surplus. And, as the State Budget grows in size each year (it has grown well over 50% in the last seven years), the Budget surplus requirement would continue to increase. In the past, New Jersey has never had a surplus that would meet the pre-condition of 12%. We do not believe there is much likelihood of it happening in the future. In consequence, we do not believe the Stay NJ program will ever happen in its current form.

## **Funding**

Stay NJ is supposed to be implemented in FY26. In order to have enough money to start the program, set asides were put forth in the statute, but they are woefully inadequate. \$100 million was set aside in FY24, \$200 million is to be set aside for FY25, and \$300 million is to be set aside for FY26. This makes a total set aside amount of \$600 million. The statute, however, says the program starts providing property tax credits in calendar year 2026 (the first two quarters of calendar year 2026 are in FY26). To fund a half year of the program would require up to \$1 billion, which is \$400 million more than the amount that will have been set aside. Going forward the cost will continue to be at least \$1.5 to \$2 billion a year (actually it will be even higher, since the statute has a provision to pay the cost of increased property taxes each year). But there are no additional set asides after FY26 for this program. The State is going to need to find an additional \$1.5 to \$2 billion in the Budget each year to fund the Stay NJ program.

The surplus pre-condition needs to be rethought. The proposed funding needs to be reexamined. There is no point producing an application form and agonizing over issues such as income and residency if the Stay NJ program is never going to happen. Until it is shown to be viable with sustainable funding, there is no point trying to fit it in to the existing programs.

There is an even bigger issue. Let's assume Stay NJ does get implemented in 2026. If property tax credits are issued in 2026, seniors will start to make life decisions based on the expectation that half their property taxes will be credited going forward. But if the following year, or the year after that, tax revenues do not meet expectations, and the surplus pre-condition is not met, the Stay NJ program would automatically fail. No legislative decision would be needed. But many people would be left high and dry with an effective doubling of their property taxes going forward.

Therefore, our main comment is that the Stay NJ program should not go forward until there is a firm commitment made by the State to honor it on a long term basis. Certainty of expectations is much more important than a credit for a year or two, followed by nothing.

## **The Mission of the Task Force**

We think that the Task Force has been handed an extremely difficult, almost impossible assignment. You are instructed ‘...to provide recommendations about how to restructure and consolidate the various property tax relief program into one...’

The complexities of doing this are enormous. The inconsistencies over income (both amounts and definitions) and residency qualifications cannot be squared without amendments to existing legislation. Senior Freeze currently has automatic annual increases to its income limits. Other programs do not. If you simply try to glue together the existing programs in one application, you will only succeed in adding another layer of bureaucracy to the New Jersey State Government, which already cannot handle the calls and questions about the existing property tax relief programs.

You also have a massive handicap because of the opaque way the Stay NJ statute is drafted. The statute is unclear as to residency requirements, it provides a different benefit for different years and it is impossible to determine how Stay NJ interacts with Senior Freeze and the Anchor Program to determine the maximum benefit payable to participants. Exhibit II provides more details of these issues. Legislative guidance is needed.

We think the starting point for your recommendations should be to decide what each property tax relief program is trying to achieve. For seniors who own a home and generally live on a fixed income, we think that this purpose should be to help seniors of modest means to remain in the homes and communities they have lived in.

Senior Freeze, as currently constituted, is aimed at that purpose but is based on the amount of property taxes paid. The Anchor Program, which has no age limit, also provides benefits to seniors, but its focus is on income. Although Anchor allows a higher income eligibility level than Senior Freeze, its rebate payout is for a set amount (\$1,500 for income under \$150,000 and \$1,000 for income over \$150,000 but under \$250,000, plus a \$250 bonus for those 65 and over). Thus, it gives similar benefits to people with similar incomes and clearly provides greater help on a comparative basis to those with lower incomes. On the other hand, the proposed Stay NJ program is skewed to upper middle-class homeowners and higher income retirees.

Many lower-income retirees already have more than half their property taxes refunded to them through the Senior Freeze and Anchor programs. A significant number even have all their property taxes refunded. These people will obtain no benefit from the Stay NJ program.

We suggest the Task Force obtains the actual information as to those seniors who would benefit from Stay NJ. Detailed information is needed on the amount of property taxes seniors are currently paying compared to the income they are making. This information will also reveal those senior homeowners who already get over half of their property taxes refunded by the State. This data should be obtainable from

Treasury. A starting point would be the income tax statistics but we have not seen any information that provides the comparison we think is helpful. The Stay NJ Task Force should be looking at real data as it relates to income and property tax payments of those over 65, rather than focusing on average property tax numbers for the whole population.

## **Stay NJ Conclusion**

With all due respect to the mission of the Task Force to align property tax relief programs, we do not believe that adding Stay NJ in its current form is a viable solution. We realize that the Stay NJ statute could be amended to resolve the concerns we have stated but we do not know how it will be amended or when this will happen. Accordingly, we are not going to try to try to make sense of how Stay NJ might work hypothetically. Rather, we are going to focus on establishing a Senior Freeze (a “Real Senior Freeze”) to truly “help seniors of modest means to remain in the homes and communities they have lived in.”

## **A REAL SENIOR FREEZE**

The Real Senior Freeze we are proposing is a permanent Senior Freeze, one that provides consistency and viability. We believe a Real Senior Freeze can be structured as a prospective credit that seniors can depend on as long as they choose to remain in their homes. Our proposal is also for a program that is not mired in complicated forms and unnecessary bureaucracy.

Beginning in 1998, New Jersey has provided a homestead property tax reimbursement, colloquially referred to as the “senior freeze” program, to eligible senior citizens (and disabled persons), for property tax increases that occur after the year in which they become eligible for the program. In FY24, there were approximately 153,000 participants in the Senior Freeze program of which 26,000 were new applicants. The average annual benefit for those already in the program in FY24 was \$1,200, with new participants receiving \$234 each. In FY24, approximately \$185 million was paid out in Senior Freeze rebates.

Eligibility for Senior Freeze is based on age, income, residency and home ownership. The current Senior Freeze requires an annual application accompanied by a certification from the local municipal tax collector that property taxes have been paid. The “blue booklet” containing the annual application, local municipal tax office certification form, and instructions is 32 pages long.

Those who qualify for Senior Freeze receive a rebate check for the difference of what they paid in property taxes in their “Base Year” (the first year they became eligible) and in the year they were currently applying for. Thus, it is not really a freeze at all but, rather, a rebate program. And, it is retrospective.

We propose making Senior Freeze a true freeze program. Existing participants would be grandfathered into the Real Senior Freeze with their current Base Year. New applicants would file an application (similar in format to the Anchor application) in the

year they first meet the qualifications – they turned 65, met the income test, a three year requirement to own and live in their house, and be current on their property taxes.

Upon approval by the State, the local municipal tax office would be advised. The local municipal tax office would then apply a credit on the participant's property taxes for each year going forward equal to the difference between property taxes assessed during the current year and property taxes paid during the person's Base Year. (If property taxes were not current, the application would be red flagged and sent back to the State). The local municipal tax office would notify the State of the aggregate amounts credited under the Real Senior Freeze and the State would reimburse these amounts to the municipality on a quarterly basis

For the Real Senior Freeze, there would only be a one-time program application with no need to requalify for the program. For the following years, a participant would only need to submit an annual certification attesting to continued residency in the home and the current payment of property taxes.

The reason the existing Senior Freeze application seems so complex is because of how it defines income. Unlike the current Anchor Program which is based on income tax Line 29 income, the current Senior Freeze application requires a listing of all income including social security and pensions. Using a Line 29 income measure for the Real Senior Freeze will help facilitate the initial application process. If so, some reduction in the Line 29 dollar amount may be necessary because social security and pensions are not included in Line 29 income.

And, there should be no requirement to have applicants obtain certified forms from the local municipal tax office that they have paid their property taxes. For the NJ State Income Tax Form NJ1040, only a statement by the taxpayer is required with their return. A certification by those applying for the Real Senior Freeze should be sufficient.

The expense of making these changes to create a Real Senior Freeze would be a one-time cost of roughly \$181 million during the first year. That is due to the overlap between the old and new systems for one year, because existing participants would receive a rebate for the prior year and a credit for the current year during that period. The money from the Stay NJ set asides could be used to pay it. Thereafter, the cost of the Real Senior Freeze would be similar to that of the current Senior Freeze.

We think these changes make sense. It would be a real freeze. Seniors would no longer have to go out of pocket to pay excess property taxes and then have to wait for a refund. They would no longer have to find excess cash to pay the increase in property taxes in a given year. In addition, there would be no need to apply annually and no need for the bureaucracy and complication currently associated with the Senior Freeze program. The program would be simple and straightforward and would give seniors the certainty they need about property taxes when staying in their homes.

## **THE OTHER EXISTING PROPERTY TAX RELIEF PROGRAMS**

### **Anchor Program**

The application process has been streamlined considerably for the Anchor Program since inception with most participants now simply being sent a confirmation letter and thereafter receiving a check. We see no need for seniors to apply in a different way from other New Jersey residents, so we suggest leaving the application process for this program alone.

Last year seniors received an added bonus of \$250 in their Anchor rebate. The advantage of Anchor is that it is a fixed amount rebate that can be increased (or decreased) subject to the NJ State Budget. For most recipients it is extra money - like a tax refund when you file your income taxes.

The Anchor program is running three years behind, a legacy of the failure of the State to pay the old homestead benefit payment on a timely basis. We think an effort should be made to catch up, so that the program is more current. For renters, it would make sense to move straight to the most recent year. Renters need help with their current rent. For homeowners, even if the full amount could not be funded because of Budgetary constraints, a partial payment for catch-up years would enable the program to become more current.

The original stated purpose of the Anchor program was to help New Jerseyans stay in their homes. In this regard, perhaps the State should stop making payments to people who have already moved out of the state or to the estates of those who have unfortunately died. This requires a minor adjustment to the application, requiring that those who are filing for a rebate for two or three years ago must be currently living in their home.

### **Veterans Credit**

This program is administered prospectively by local municipal tax offices. Homeowners apply just once and then receive the credit in all future property tax bills. It is a simple application which is easy for a veteran to complete. We see no need to change the way it is run.

### **Income Tax Relief**

This program costs the State almost \$1 billion. While we assume that income tax relief will continue to be dealt with through the income tax form, we think the need for the program should be re-examined. The benefits of income tax relief for property taxes range from \$50 for low-income tax payers to over \$1,600 for the highest earners. Thus, it is heavily weighted away from those who can least afford property taxes towards those with higher incomes. The rationale for providing this relief has been rendered moot for many middle-class New Jerseyans since they already receive a higher benefit

under the Anchor Program. The stark reality is that most people have no idea that they are receiving property tax relief when they file their NJ State income taxes.

One last note is about the separate filing under Form NJ-1040-HW for people who wish to obtain a \$50 property tax credit available in the income tax form but are not required to file an income tax return. Perhaps this form just gets eliminated?

### **Senior Citizens Annual Property Tax Deduction**

This program at present applies only to people with annual incomes less than \$10,000 not including social security (or certain other retirement benefits in certain circumstances). It is administered prospectively by local municipal tax offices as a credit on their property taxes. It is a simple application that only requires a certification in future years. Although a different income test is used from either Senior Freeze or Anchor, we would not change the way it is run. This program is for very low-income seniors and serves as a supplement to those who would already be getting the property tax credit of a Real Senior Freeze and the cash rebate from the Anchor Program.

### **Application Deadlines**

One additional suggestion might be to make all the application deadlines the same, perhaps May 15. There needs to be enough time for local municipal tax departments to add the credits for new participants to property tax bills. Existing participants would have them added from year to year automatically.

### **CONCLUSION**

We think these suggestions will make life easier for applicants and administrators alike. With the exception of Anchor, all property tax relief would be handled as a credit and all such relief would be administered prospectively. Such property tax relief would be consistent, could be committed to by the State and would be an amount that the homeowner could rely on.

Regardless of how Stay NJ will ultimately be restructured, if at all, we think that the simplification of the other programs is well overdue. We hope our suggestions will be helpful in this regard.

We would be pleased to answer any questions or respond to any comments you may have. Thank you once again for letting us participate in the process.

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## EXHIBIT I: APPLYING FOR PROPERTY TAX RELIEF IN 2024

<u>Program Name</u>	<u>Filing Deadline</u>	<u>Applicable Time Period</u>	<u>Benefit</u>	<u>Amount of Benefit</u>	<u>Income Eligibility</u>	<u>Basis for Income</u>	<u>NJ Residency Eligibility</u>	<u>Age Requirement</u>
<b>Anchor Program</b>	12/31/24 (based on last year)	2021	Check	Up to \$1,750	\$250,000	NJ 1040 Line 29; excludes social security and pensions	Oct 1, 2021	None
<b>Senior Freeze</b>	10/31/24	2023	Check	Property tax difference between 2023 and Base Year	\$163,050 in 2023 AND \$150,000 in 2022	All income including social sec, pension, IRA dist.	12/31/19 owned home 12/31/23 still residing In home -	65 as of 12/31/22 (67 in 2024)
<b>NJ State Income Tax</b>	4/15/24	2023	Income Tax Deduction Or Credit	Deduction up to \$15,000 or \$50 credit	None	N/A	2023	None
<b>Senior Citizens Property Tax Deduction</b> Oct 1, 2023	12/31/24	2025 (prospective program)	Property Tax Credit	\$250	\$10,000	Excludes social security	Oct 1, 2024: owned home  Living in NJ	65 as of 12/31/24
<b>Veterans</b>	12/31/24	2025 and going forward	Property Tax Credit*	\$250	None	N/A	Oct 1, 2024	None

*\*Veterans who are 100% disabled are exempt from paying property taxes*

*Prepared by Ellen Steinberg/Peter Humphreys: April 7, 2024*

## **EXHIBIT II: STATUTORY ISSUES**

### **The Calculation of the Benefit**

The purpose of the Stay NJ program was originally stated to be to give homeowners a credit of 50% of the amount they were currently being billed. But during the legislative process last summer, the original language was amended to provide that an eligible claimant shall receive “a property tax credit in the amount of 50 percent of the property tax paid for the eligible claimant’s principal residence in the prior tax year.” (Section 3) Thus, in the first year of the program the credit will not be 50% of the current year’s property tax bill but 50% of the prior year’s tax bill. We believe that the intent was to maintain the level of this credit on an ongoing basis. Unfortunately, the statutory language does not work properly as a drafting matter and after year one (2026), the payments under Stay NJ will no longer be equal to 50% of the last year’s tax bill. Instead, payments will become increasingly random.

Consider the following example:

Assume an eligible claimant lives in a house on which he paid \$10,000 in property taxes in 2025 and property taxes increase by \$200 a year thereafter. Based on the language of the statute, this is how the Stay NJ credit would work

Year	Tax Assessed	Credit (50% of prior year payment)	Current year payment by eligible claimant
2025	\$10,000	\$ 0	\$10,000
2026	\$10,200	\$5,000	\$ 5,200
2027	\$10,400	\$2,600	\$ 7,800
2028	\$10,600	\$3,900	\$ 6,700
2029	\$10,800	\$3,350	\$ 7,450
2030	\$11,000	\$3,725	\$ 7,275

Thus, other than the first year (2026) the credit is nowhere near the stated goal of the program to provide a credit of half of the property taxes.

### **Residency requirement**

In legislative discussions, a residency requirement was said not to be required. But Section 3 throws up drafting anomalies relating to residency.

We do not know how to interpret the words “paid for the eligible claimant’s principal residence in the prior tax year”. Paid by who? The eligible claimant or some other person?

Does the eligible claimant have to have been resident in the house in the prior year?

What happens if the eligible claimant moves in to the house during the prior year? Presumably, he does not get credit for taxes paid on his previous residence but the issue is unclear.

What happens if the house was new construction not subject to taxes in the prior year?

Section 3 is the section of the statute that defines the way in which the Stay NJ credit is calculated. It should be clear and needs to be amended.

### **The Maximum Credit Under Stay NJ**

Section 3 also provides that “an applicant shall only be entitled to the greater of:

- (1) the amount of the Stay NJ property tax credit; or
- (2) the combined amount of the ANCHOR property tax rebate and the [Senior Freeze] reimbursement.”

The statute is silent on the issue of which years to look at to make the comparison, but we assume that in trying to calculate which would give the greater benefit, the intention would be to focus on the same year, initially 2026. This seems a common sense starting point. In other words, the statute should be read as follows:

“an applicant shall only be entitled to the greater of:

- (1) the amount of the Stay NJ property tax credit with respect to 2026; or
- (2) the combined amount of the ANCHOR property tax rebate with respect to 2026 and the [Senior Freeze] reimbursement with respect to 2026.” (underlined words added)

Unfortunately, the way the Anchor and Senior Freeze programs work makes it impossible to determine these amounts until after 2026 has ended and they certainly cannot be known in 2025 when an application would be prepared. Senior Freeze is a retrospective program running one year behind. Qualification for a payment for 2026 would depend on residency at the end of 2026 and total income received in 2026. There is no way of knowing this in 2025. The Anchor Program is running three years behind. Applications for Anchor payments with respect to 2026 won't go out until 2029 and payments will not be made until that year. Qualification for Anchor would depend on residency on October 1, 2026 and New Jersey Gross Income for 2026, as shown on the applicants 2026 income tax return. There is no way to know either of these things with certainty in 2025.

One “solution” we have heard discussed for these timing problems would be to look at the amounts that would be paid under the various programs in 2026. This means interpreting the statute to read as follows:

“an applicant shall only be entitled to the greater of:

- (1) the amount of the Stay NJ property tax credit with respect to 2026; or

(2) the combined amount of the ANCHOR property tax rebate paid in 2026 with respect to 2023 and the [Senior Freeze] reimbursement paid in 2026 with respect to 2025. (underlined words added)

As a practical matter, this doesn't work either. The amount of the Senior Freeze payment made in 2026 with respect to 2025 can't be determined until after 2025 has ended, so can't be included in the application.

This interpretation also makes no sense on its face. It even looks strange. Why would the legislature pick three different years to measure benefits? What would happen if, as happened in 2023, the legislature made two years of Anchor payments in a twelve-month period? And, this interpretation also does not accord with the purposes of the various programs.

The Senior Freeze and Anchor programs are rebate programs for prior years, one of the conditions of which is payment of that year's property taxes and qualification for which relates to events in those prior years. Property taxes were paid by homeowners in those years with the expectation that they would receive rebates of part of those payments in the future. On the other hand, Stay NJ, as proposed, is a credit program for the current year and requires claimants to be eligible based on their circumstances in 2026.

There is no evidence that the legislature intended to remove the Senior Freeze or Anchor payments due to homeowners for prior years. If the idea was to remove rebates from homeowners for prior years it should have been expressly stated in the statute. The statute cannot be interpreted as taking away benefits without clear language.

We realize that the net result of this is that Stay NJ participants would continue to receive a Senior Freeze payment for 2025 and Anchor payments for 2023, 2024 and 2025. But we think this is the correct result. These payments are rebates of taxes paid with respect to those years and have nothing to do with 2026.