

## Local Finance Notice

**LFN 2025-12**

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### Update on Long-Term PILOTs & Affordable Housing PILOTs

This Notice explains recently enacted legislation pertaining to Payments-in-Lieu-of-Taxes (PILOTs) awarded under the Long-Term Tax Exemption Law along with PILOTs for affordable housing projects.

#### **P.L. 2025, c.91 Amends Long-Term Tax Exemption Law**

For any financial agreement under the Long-Term Tax Exemption Law (N.J.S.A. 40A:20-1 et seq.) that was entered into on or after July 9, 2003, which was the effective date of L. 2003, c.125, N.J.S.A. 40A:20-12 requires municipalities to remit to the county five percent (5%) of the annual service charge for the PILOT established by a financial agreement (hereinafter “Long-Term PILOT”). The annual service charge of a Long-Term PILOT shall be paid to the municipality on a quarterly basis in a manner consistent with the municipality’s tax collection schedule. N.J.S.A. 54:4-74 requires municipalities to remit the 5% share of the annual service charge for all such Long-Term PILOT Agreements to the county as part of the quarterly installment of county tax due.

[P.L. 2025, c.91](#), signed by Governor Murphy on July 8, 2025, amends the Long-Term Tax Exemption Law to strengthen counties’ ability to collect their 5% share of a Long-Term PILOT annual service charge (hereinafter referred to as the “5% county portion”). The law takes effect on October 1, 2025 and applies to Long-Term PILOT annual service charges received on or after said date.

The 5% county portion only applies to post-July 9, 2003 Long-Term PILOT Agreements. PILOT agreements executed pursuant to a law other than the Long-Term Tax Exemption Law are not subject to the provisions of P.L. 2025, c.91.

#### New Quarterly Reporting Requirement

One key change is the requirement that a chief municipal finance officer (CMFO) provides, with each quarterly county tax installment paid to the county treasurer, the following information for each Long-Term PILOT entered into after July 9, 2003:

1. Project name, address, and block/lot/qualifier;
2. Date on which the municipality entered into the agreement;
3. Expiration date of the agreement;
4. The quarterly installment of the annual service charge collected by the municipality;
5. The portion of the quarterly service charge installment due to the county [i.e. 5% of the quarterly annual service charge installment collected by the municipality] and confirming that said amount is included in the amount of county tax due; and
6. A description of the method specified in the financial agreement for determining the annual service charge for the calendar year. If the annual service charge for the calendar year is a known dollar amount pursuant to the financial agreement, the total amount of the annual service charge is to be listed along with the total portion of the annual service charge due to the county.

The CMFO will be required to verify that the entire portion of the quarterly service charge installment due to the county is included in the quarterly county tax installment.

The above-referenced reporting becomes mandatory starting with the county tax installment due on November 15, 2025. A model [quarterly report template](#) has been created by the Division of Local Government Services (Division) to standardize the reporting process. The project name and address, along with the PILOT agreement start and end dates, must be identical to the information listed in the municipal User-Friendly Budget for the same project. If the chief county finance officer (CCFO) and county treasurer positions are held by different individuals, the CCFO should also receive a copy of the report.

#### Enforcement Measures

If the municipality fails to pay the 5% county portion for a Long-Term PILOT when due, P.L. 2025, c.91 amends N.J.S.A. 40A:20-12 such that the county may now sue the municipality for the unpaid balance thereof and interest, at the rate of one percent (1%) per month accrued thereon, together with attorneys' fees and court costs. As with other laws relating to municipal finance, the municipal finance officer certificate of a CMFO who willfully or intentionally fails, neglects, or refuses to comply with the 5% county portion requirement may be subject to revocation or suspension pursuant to N.J.S.A. 40A:9-140.12.

#### Other Requirements for Long-Term PILOT Agreements

Currently, a certified copy of an ordinance approving the tax exemption and financial agreement, along with the fully executed Long-Term PILOT Agreement, must be submitted to the CCFO and to the county counsel within 10 calendar days following the later of 1) the effective date of the ordinance; or 2) the execution of the financial agreement by the urban renewal entity. N.J.S.A. 40A:12-12. P.L. 2025, c.91 further amended N.J.S.A. 40A:20-9 to require a municipality to notify the CCFO and clerk to the board of county commissioners of the date, time, and place of the public hearing required to adopt the ordinance and approve the financial agreement. Although no minimum period of advance notice is specified, the Division recommends providing notice to the county parallel to when the public hearing is first advertised.

Municipalities should review their existing PILOT agreements and ensure that the annual service charges being remitted to the municipality are in the correct amount. Subsection d. of N.J.S.A. 40A:20-9 requires an urban renewal entity to submit its annual audit to the mayor and governing body of the municipality within 90 days of the close of the urban renewal entity's fiscal year. Municipalities should also be reviewing these audits as part of their continual monitoring of the financial and operational health of any urban renewal entity and, by extension, the development that is subject to the PILOT.

### **Affordable Housing PILOTs**

Signed into law by Governor Murphy on March 20, 2024, [L. 2024, c.6](#) amends N.J.S.A. 52:27D-320 and 52:27D-329.2, respectively, to authorize a municipality to grant a PILOT to the housing sponsor of an affordable housing project for affordable housing unit development or preservation that is wholly or partially supported by State or municipal affordable housing trust funds. The tax exemptions authorized by L. 2024, c.6 are not the same as the Long-Term PILOTs discussed above; however, as with a Long-Term PILOT, the municipal governing body must adopt an ordinance to grant the tax exemption and authorize entering into the underlying financial agreement.

The financial agreement for an affordable housing PILOT authorized by L. 2024, c.6 may require the housing sponsor to pay the municipality an amount up to 20 percent of the annual gross revenue from the housing project for each year of operation of the financial agreement following the substantial completion of the project, but not less than the greater of:

- four percent (4%) of the annual gross revenue; or
- the amount of taxes attributable to the land value component of the property comprising the project site for the year preceding the recording of the mortgage.

The term "annual gross revenue" means the total annual gross rental or carrying charge and other income of a housing sponsor from a housing project.

In the case of a property assessed under the "Farmland Assessment Act of 1964," (N.J.S.A. 54:4-23.1 et seq.), the minimum amount the housing sponsor shall be required to pay to the municipality shall be four percent (4%) of the annual gross revenue.

If the financial agreement will be effective during the period from the date of recording the mortgage on the project to the date of substantial project completion, the annual amount payable to the municipality as taxes or as PILOT payments in respect of the project site shall not exceed the amount of taxes on the project site for the year preceding the recording of the mortgage. The duration of an affordable housing PILOT for a project supported by an affordable housing trust fund shall not extend beyond the date on which an eligible loan made for the project has been fully paid. However, the law does permit a municipal governing body to continue an existing tax exemption, or grant a new tax exemption, for a State, federally, or municipally subsidized housing project for any period the project remains subject to affordability controls pursuant to:

- project-based federal rental assistance, authorized pursuant to [section 8](#) of the United States Housing Act of 1937 (42 U.S.C. s.1437f), or other federal or State project-based assistance;

- the [Uniform Housing Affordability Controls \(UHAC\)](#) promulgated by the New Jersey Housing and Mortgage Finance Agency (HMFA); or
- the rent and income limits established by the federal [Low Income Housing Tax Credit](#) program pursuant to section 42 of the Internal Revenue Code (26 U.S.C. s.42).

Within 30 calendar days following the effective date of an ordinance adopted by a municipal governing body approving a tax exemption under L. 2024, c.6 or the execution of the underlying financial agreement between a housing sponsor and a municipality, whichever is later, the municipal clerk shall electronically transmit a certified copy of the ordinance and the agreement to the Division at [DLGS@dca.nj.gov](mailto:DLGS@dca.nj.gov) with the heading “Affordable Housing PILOT”.

L. 2024, c.6 is substantially patterned after N.J.S.A. 55:14K-37, a law which authorizes municipalities to grant PILOTs to affordable housing projects with an HMFA financing component. HMFA must approve any proposed PILOT agreement under N.J.S.A. 55:14K-37. Although the HMFA PILOT statute does not establish a minimum annual service charge, HMFA’s underwriting standards suggest an annual service charge based on a percentage of annual gross revenue of 6.28%. A [sample non-mandatory template](#) for an HMFA PILOT agreement can be found on the Division’s [Municipal Tax Abatement Toolkit](#) webpage.

As with L. 2024, c.6, [L. 2019, c. 297](#) similarly allows a municipal governing body to continue an affordable housing PILOT granted under the N.J.S.A. 55:14K-37 or the Long-Term Tax Exemption Law beyond the date which the HMFA loan or existing first mortgage financing, respectively, is fully paid so long as the above-referenced affordability controls remain in place.

N.J.S.A. 40A:20-13.1 allows a qualified subsidized housing project receiving a Long-Term PILOT to continue its tax exemption for such period as the federal agency subsidizing the project may require as a condition of the subsidy. A “qualified subsidized housing project” under the Long-Term Tax Exemption Law means a low and moderate income housing project owned by a New Jersey-based nonprofit corporation for the purpose of developing, constructing and operating rental housing for senior citizens under [12 U.S.C. 1701q](#) or rental housing for persons with disabilities under [42 U.S.C. 8013](#).

### **Additional Resources**

The Division’s [Municipal Tax Abatement Toolkit](#) contains a [Handbook, PILOT Financial Agreement Forecasting Model \(PFAF model\)](#), and a [database](#) of municipal PILOT information reported from municipal User-Friendly Budgets. These tools provide critical information to municipalities considering PILOTs as part of their economic development or affordable housing strategies.

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Approved: Michael F. Rogers, Director

Document	Internet Address
P.L. 2025, c.91	<a href="https://pub.njleg.state.nj.us/Bills/2024/S4000/3787_R4.PDF">https://pub.njleg.state.nj.us/Bills/2024/S4000/3787_R4.PDF</a>
Long-Term PILOT Quarterly Report Template	<a href="https://www.nj.gov/dca/dlgs/misc_docs/2025/Standard%20Template%20-%20County%20PILOT%20Share%20Quarterly%20Report.xlsx">https://www.nj.gov/dca/dlgs/misc_docs/2025/Standard%20Template%20-%20County%20PILOT%20Share%20Quarterly%20Report.xlsx</a>
L. 2024, c.6	<a href="https://pub.njleg.state.nj.us/Bills/2024/PL24/6_.PDF">https://pub.njleg.state.nj.us/Bills/2024/PL24/6_.PDF</a>
Section 8 (HUD)	<a href="https://www.hud.gov/helping-americans/housing-choice-vouchers-tenants">https://www.hud.gov/helping-americans/housing-choice-vouchers-tenants</a>
Uniform Housing Affordability Controls	<a href="https://www.nj.gov/dca/dlps/hss/uhac.shtml">https://www.nj.gov/dca/dlps/hss/uhac.shtml</a>
Low Income Housing Tax Credit (LIHTC)	<a href="https://www.nj.gov/dca/hmfa/developers/lihtc/">https://www.nj.gov/dca/hmfa/developers/lihtc/</a>
Sample HMFA PILOT Template	<a href="https://www.nj.gov/dca/dlgs/misc_docs/2025/Sample%20Template%20-%20HMFA%20PILOT%20Agreement.docx">https://www.nj.gov/dca/dlgs/misc_docs/2025/Sample%20Template%20-%20HMFA%20PILOT%20Agreement.docx</a>
L. 2019, c.297	<a href="https://pub.njleg.state.nj.us/Bills/2018/PL19/297_.PDF">https://pub.njleg.state.nj.us/Bills/2018/PL19/297_.PDF</a>
DLGS Municipal Tax Abatement Toolkit	<a href="https://www.nj.gov/dca/dlgs/taxabatmentkit.shtml">https://www.nj.gov/dca/dlgs/taxabatmentkit.shtml</a>
DLGS Tax Abatement Handbook	<a href="https://www.nj.gov/dca/divisions/dlgs/resources/misc_docs/Municipal Tax Abatement Handbook - For municipal use - (FINAL 11.13.2020).pdf">https://www.nj.gov/dca/divisions/dlgs/resources/misc_docs/Municipal Tax Abatement Handbook - For municipal use - (FINAL 11.13.2020).pdf</a>
PFAF Model	<a href="https://www.nj.gov/dca/dlgs/misc_docs/2025/PFAF Model 2025.xlsm">https://www.nj.gov/dca/dlgs/misc_docs/2025/PFAF Model 2025.xlsm</a>
PILOT Database	<a href="https://www.nj.gov/dca/dlgs/misc_docs/2025/PILOT Database and Viewer 2025.xlsx">https://www.nj.gov/dca/dlgs/misc_docs/2025/PILOT Database and Viewer 2025.xlsx</a>

## Appendix

### 55:14K-37 Intent relative to enforcement [HMFA PILOT]

37. a. It is the intent of the Legislature that in the event of any conflict or inconsistency in the provisions of this act and any other acts concerning housing sponsors or any rules and regulations adopted thereunder, to the extent of such conflict or inconsistency, the provisions of this act shall be enforced and the provisions of such other acts and rules and regulations adopted thereunder shall be of no effect.

b. The governing body of any municipality in which a housing project financed or to be financed by the agency is or is to be located may by ordinance or resolution, as appropriate, provide that such project shall be exempt from real property taxation, if the housing sponsor enters into an agreement with the municipality for payments to the municipality in lieu of taxes for municipal services. Any such agreement may require the housing sponsor to pay to the municipality an amount up to 20 percent of the annual gross revenue from each housing project situated on such real property for each year of operation thereof following the substantial completion thereof. For the purpose of this section, "annual gross revenue" means the total annual gross rental or carrying charge and other income of a housing sponsor from a housing project. If any such agreement is entered into from the date of recording the mortgage on the project to the date of substantial completion of the project, the annual amount payable to the municipality as taxes or as payments in lieu of taxes in respect of the project site shall not be in excess of the amount of taxes on the project site for the year preceding the recording of the mortgage. Any agreement between any housing sponsor and a municipality pursuant to this subsection shall be submitted to the agency for review in order to avoid duplicating, overlapping or inconsistent regulations or provisions. Any exemption from taxation pursuant to the provisions of this section shall not extend beyond the date on which the eligible loan made by the agency on the project is paid in full.

c. Notwithstanding the provisions of subsection b. of this section to the contrary, the governing body of a municipality may agree to continue a tax exemption for a State or federally subsidized housing project, beyond the date on which the eligible loan made by the agency on the project is fully paid, so long as the project remains subject to affordability controls pursuant to:

(1) project-based federal rental assistance, authorized pursuant to section 8 of the United States Housing Act of 1937 (42 U.S.C. s.1437f), or other federal or State project-based assistance;

(2) the Uniform Housing Affordability Controls promulgated by the New Jersey Housing and Mortgage Finance Agency; or

(3) the rent and income limits established by the federal Low Income Housing Tax Credit program pursuant to section 42 of the Internal Revenue Code (26 U.S.C. s.42).

L.1983, c.530, s.37; amended 2019, c.297, s.2.