

Property Tax Circuit Breaker FAQ

Why do we need a property tax circuit breaker?

- NJ's highest-in-the-nation property taxes are the leading reason so many of our neighbors and friends are choosing to leave our state and move to places like Pennsylvania, Texas and North Carolina.
- High property taxes are hurting young families and businesses looking to retain the best talent because it is simply too expensive to live, raise a family and enjoy a high quality of life here. It is also suffocating seniors who are struggling to retire and stay in their homes.
- Even with the 2% cap, property taxes increased by \$700 million in 2016, raising the average property tax bill to \$8,549. Middle class families simply cannot afford it anymore. They need tax relief now and certainty they'll be able to afford to pay property taxes in the future in order to stay here.

How does it work?

- Just like a circuit breaker for electricity, which automatically stops the flow of electricity after exceeding a safe capacity, the property tax circuit breaker serves as a safety lifeline for middle class families by ensuring that they aren't forced to pay school taxes in excess of 5% of their combined household income.
- This program would cap the school portion of a homeowner's property tax bill to 5% of their household income, ensuring no NJ family would have to leave our state due to untenable property taxes.
- The program will apply to primary residences only and the benefit to the taxpayer is capped at \$3,000.
- **Example:** If a household makes \$100,000 in income annually, they would not pay more than 5%, or \$5,000, towards the school portion of their property tax. Any amount owed in excess of the 5% circuit breaker threshold will be applied directly to the homeowner's property tax bill as a credit. So if the same family making \$100,000 a year has school property tax bill of \$6,000 annually, they would receive a \$1,000 credit. The school district would then receive increased state aid to cover the amount.

Who benefits from this plan?

- The program is designed to benefit working middle class families, seniors and those struggling to make ends meet. Their income tax dollars are sent to other school districts, while their districts usually receive relatively little in state aid.
- While this program is open to all New Jerseyans, relief will also vary across the state depending on school district and income since school taxes and household income levels differ district to district.

- The way the program is designed, relief is targeted to those who need it most: families whose property taxes are taking up a large portion of their household income.
- This plan will benefit retirees, seniors and families on fixed incomes because you are guaranteed not to pay more than 5% of your household income towards school taxes even if property taxes increase.
- Even if your household income does not yield large savings today, the 5% circuit breaker will protect your wallet from future excessive property tax increases.
- In 2016, the average school levy for property taxes was \$4,477. Under this program, a family making NJ's median household income of \$72,000 could save an average of \$895 on their property taxes annually.

Will schools suffer under this plan?

- No. This program is designed to provide immediate relief to the property tax payers who need it most, but will replace lost revenue by increasing state aid so schools do not lose funding.
- Kim also recognizes that some school districts need to lower costs and be better stewards of taxpayer dollars. That's why she will independently audit every school district to ensure money is being spent wisely to improve student achievement.

What happens to other property tax relief programs?

- The Homestead benefit and senior freeze programs will remain intact, but homeowners will only be able to choose one property tax relief program. They can choose the program under which they would save the most.

How much will it cost/how will you pay for it?

- By setting the circuit breaker threshold at 5% of household income, the program is estimated to cost the state \$1.5 billion.
- This program will be funded through a combination of savings from a comprehensive audit of state government, excess adjustment aid from overfunded districts, increased state tax revenue growth, and savings from decreased participation other property tax relief programs.

Will taxes go up drastically for others who don't directly benefit from the circuit breaker?

- No. Towns and cities will still need to abide by the 2% property tax cap.
- Because the state would pick up the cost of the program, municipalities will not need to raise taxes to make up the difference.

Sample Savings Under Kim's Property Tax 'Circuit Breaker' Plan

Fair Lawn Township (Bergen)

<i>2016 Average School Tax</i>		<i>\$6,412</i>
	Household Income	Savings
Family A	\$50,000	\$3,000
Family B	\$75,000	\$2,662
Family C	\$100,000	\$1,412
Family D	\$120,000	\$412
Family E	\$140,000	\$0

Mount Olive Township (Morris)

<i>2016 Average School Tax</i>		<i>\$6,912</i>
	Household Income	Savings
Family A	\$80,000	\$2,912
Family C	\$100,000	\$1,912
Family D	\$120,000	\$912
Family E	\$140,000	\$0

Egg Harbor Township (Atlantic)

<i>2016 Average School Tax</i>		<i>\$2,408</i>
	Household Income	Savings
Family A	\$30,000	\$908
Family B	\$40,000	\$408
Family C	\$50,000	\$0

Westfield (Union)

<i>2016 Average School Tax</i>		<i>\$9,441</i>
	Household Income	Savings
Family A	\$130,000	\$2,941
Family B	\$150,000	\$1,941
Family C	\$170,000	\$941

Flemington Borough (Hunterdon)

<i>2016 Average School Tax</i>		<i>\$4,704</i>
	Household Income	Savings
Family A	\$30,000	\$3,000
Family B	\$40,000	\$2,704
Family C	\$50,000	\$2,204
Family D	\$60,000	\$1,704
Family E	\$70,000	\$1,204
Family F	\$80,000	\$704
Family G	\$90,000	\$204
Family H	\$100,000	\$0

Green Brook Township (Somerset)

<i>2016 Average School Tax</i>		<i>\$7,560</i>
	Household Income	Savings
Family A	\$80,000	\$3,000
Family B	\$100,000	\$2,560
Family C	\$120,000	\$1,560
Family D	\$140,000	\$560
Family E	\$160,000	\$0

Matawan (Monmouth)

<i>2016 Average School Tax</i>		<i>\$5,138</i>
	Household Income	Savings
Family A	\$40,000	\$3,000
Family B	\$60,000	\$2,138
Family C	\$80,000	\$1,138
Family D	\$100,000	\$138
Family E	\$120,000	\$0