



TOWNSHIP OF HOWELL

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From the Howell Township Governing Body:

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To the residents of Howell Township,

We have received inquiries from residents regarding the payment of property taxes during these uncertain times. In particular, people would like to know if the deadline for paying taxes without penalty can be extended or, if not, whether the interest charged on delinquent payments can be lowered for a set period of time. As explained below, the Township cannot extend the grace period for paying taxes. Additionally, it would be extremely reckless to set the interest rate at 0%. There are negative consequences to setting a low interest rate that would impact all taxpayers in Howell.

1. Can the Governing Body extend the deadline for paying taxes without penalty?

Under state statute (*N.J.S.A. 54:4-67*), municipalities are not only permitted to set interest rates for delinquent taxes, but also to establish a ten day grace period during which no interest is charged. The Governing Body of Howell did just this on January 7, 2020 in Resolution R-20-32, available [here](#).

Under the same statute, municipalities can sometimes extend the grace period up to 30 days. For the additional grace period to apply, the municipality must have experienced a flood, hurricane, superstorm, tornado, or other natural disaster, a state of emergency must have been declared by the Governor less than 30 days prior to the due date of the tax payment, and the Township must adopt a resolution extending the grace period. Here, a state of emergency was declared in New Jersey in early March, more than 30 days prior to the tax payment's due date. Therefore, we cannot extend the grace period until June 1. At this point, unless the state takes action, the Township must adhere to the May 1-May 10 grace period.

Please note that there is a bill pending in the legislature that would give the Director of the state Division of Local Government Services in the Department of Community Affairs the power to permit municipalities to institute an extended grace period for the payment of property taxes. It was passed by the assembly on March 25, then referred to the Senate on April 9, where it remains. We urge all of you to contact your legislators and urge them to help provide relief.

2. Even if the deadline can't be extended, can't the Governing Body just set the delinquent interest rate at 0%?

It is our understanding that several municipalities have recently taken action to lower their delinquency interest rate, due in part to an article published by the New Jersey League of Municipalities ("NJLOM") that suggested municipalities could to lower the interest rate for delinquent property taxes for a fixed period of time (the example used in the article is 0% interest for the period May 1 - May 20). The article is available [here](#).

In response, both the [New Jersey Division of Local Government Services](#) ("DLGS") and the [Tax Collectors and Treasurers Association of New Jersey](#) ("TCTANJ") have cautioned against taking such action, for the following reasons:

- After the resolution is passed, the municipality must provide notice to all taxpayers. This would appear to require the very expensive task of providing written notice to all taxpayers and mailing the same. Howell has numerous residents, and the cost of a mailing would be substantial.
- Any change to the rate of interest must be applied equally. A municipality may not establish thresholds for interest to begin (for example, only amounts in excess of \$10,000.00). What this means is that a municipality cannot favor individual residential property owners over large companies and the like.
- If a resolution was put into effect on May 1 with zero percent interest, those delinquencies will forever be at zero percent even after the interest rate is restored to the previous higher rate.
- Reducing the interest rate to 0% gives large commercial taxpayers an incentive not to pay their taxes.
- Parties who have purchased tax sale certificates in a municipality will most likely not pay their subsequent taxes until they are allowed to collect interest again on same.
- Lowering the rate of interest does not defer the tax levy payments due to counties or schools. It may therefore prove detrimental to the municipality's fiscal health.

So although it seems like a great idea to lower the interest rate, there are unanticipated consequences that would hurt Township taxpayers in the long run. If the Township creates an incentive not to pay taxes, it would have a major impact on the budget. Depending on the severity of the budgetary shortfall, it could mean loss of essential programs and services. Those impacts would ripple outward to our schools as well. So while the Township is sympathetic to each and every resident, we have to be extremely careful that any measure we take to help people does not unintentionally wind up hurting more people in the long run. As stated previously, we are monitoring this issue closely, and if there are any developments that we can use to help the taxpayers and residents of Howell, rest assured that we will take action immediately.