



**NEW JERSEY
REALTORS®**

LEGISLATIVE ISSUES

2016-2017 Legislative Voting Session



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The Voice for Real Estate in New Jersey	Page 2
Property Taxes	Page 3
Realty Transfer Fees	Page 4
State Budget	Page 5
Government Transparency	Page 6
Private Property Rights	Page 6
Energy Efficiency	Page 7
Flood Insurance	Page 8
Eminent Domain	Page 9
Risk Reduction	Page 10
NJ Realtors® Resources	Page 12

THE VOICE FOR REAL ESTATE IN NEW JERSEY


New Jersey Realtors® has been the voice for real estate in New Jersey since 1917 and serves as the leading advocate for the real estate industry, homeownership, and the rights of private property owners. We believe owning a home or business, coupled with responsible tax policies, is essential for strong families, financial stability, vibrant communities, and our state's economy.



The more than 43,000 New Jersey Realtors® are comprised of commercial and residential brokers and salespersons, property managers, appraisers, counselors, and professionals in all aspects of the real estate industry. Realtors® have a passionate interest in ensuring that New Jersey's real estate markets remain strong given their importance to our state and local economies. As such, New Jersey Realtors® plays an active role in the legislative and regulatory processes at all levels of government by promoting the extension and preservation of the right to own, transfer, and use real property.

New Jersey Realtors® has the distinct capability to offer our elected officials at the federal, state, county, and local levels of government unique insight on a host of issues from the points of view of a business, home, and land owner, as well as the real estate professionals who represent them. We are the source for the most up-to-date and accurate statistics on New Jersey's state and local housing markets. Our comprehensive data tracks the median sales price, pending home sales, inventory levels, and more key metrics throughout the state. These monthly and quarterly reports are broken down by state, county, and municipality, as well as state legislative district.

Our association can serve as an important tool when you are looking to introduce legislation or making policy decisions affecting New Jersey's homeowners and the real estate industry. In the following pages you will find information on the most important real estate issues facing our state. We look forward to working with you over the next two years and hope you will use this information as a roadmap when debating issues facing homeowners and private property owners.


Jarrod C. Grasso, RCE
Chief Executive Officer



PROPERTY TAXES

New Jersey's property taxes are the highest in the nation. While the state has made strides in stemming property tax increases over recent years through the 2 percent property tax cap and other reforms, there is still more work to be done. It is necessary to enact additional reforms so counties, municipalities, and school districts will be able to lower property taxes when adopting their budgets.

Following the enactment of the 2 percent property tax cap, municipalities began to search for ways to increase revenues. Unfortunately, this quickly became a burden to property taxpayers who had just begun to see relief. To get around the cap law, certain municipalities began adopting "user fees" for services already paid for in a homeowner's property tax bill, such as trash pickup. While legislation has been introduced and considered by at least one chamber of the State Legislature prohibiting user fees, it has yet to be adopted. We urge the State Legislature to consider adopting this previously introduced legislation to ban user fees at the local level.

New Jersey Realtors® has another resource, the Governmental Research Foundation, which can assist lawmakers in crafting measures that will lead to lower property taxes for New Jersey residents. In the past, the GRF has released reports showing the potential benefits consolidation of services at both the local and school district level can have in terms of a homeowner's property tax bill. These reports are available on the New Jersey Realtors® website at njrealtor.com/research/governmental-research-foundation. Policymakers can view the data in these reports to work on crafting new measures that will lead to lower property taxes and help families afford to stay in their homes and the Garden State.

True property tax reform, meaning measures that will ultimately lead to not just the stabilization, but actual decrease of property tax bills of our neighbors should continue to remain a top priority for all levels of government.

of all buyers
were first-time
buyers in NJ  44%

REALTY TRANSFER FEES



Following its enactment in the late 1960s, the realty transfer fee in New Jersey was a minimal fee with the sole purpose of recording real estate transactions. However, over the course of the last 12 years, the fee was increased on several occasions, nearly doubling, and as a result, it has become more burdensome for people to buy and sell properties in New Jersey. Sellers pay more, often losing the equity they built over the years and increasing the financial burden of purchasing their next home. On top of the sellers' fees, buyers must also pay a 1 percent fee for properties over \$1 million. These fees are not exclusive to residential, but also extend to commercial properties, making New Jersey a less desirable state to live and do business in.

New Jersey Realtors® has long believed, especially in a state with such a high cost of living, we must do what we can to make it more affordable for families and businesses to live and prosper here. Coupled with the Garden State's exorbitant property taxes, the realty transfer fee serves only as an example of why New Jersey has the reputation as one of the costliest states to live in and as a state that is not conducive to doing business in.

Over the years there have been proposals that would allow municipalities to charge their own realty transfer fee when a home in their jurisdiction is sold. Considering the state fee has nearly doubled over the last decade, we strongly believe the state should begin rolling back the fee to its pre-2003 levels, not authorize a municipal one.



STATE BUDGET



As the state has continued to endure budget shortfalls over recent fiscal years, there are consistently conversations in Trenton about new sources of revenue that could fill these gaps. While real estate can often be a lucrative source of income for a budget with shortfalls, the long-term effects of enacting new fees or raising existing ones would devastate the state's economy, with homeowners and businesses going to other, less expensive states.

New Jersey Realtors® has repeatedly opposed new tax or fee proposals that would have a negative impact on homeownership, New Jersey's economy, and the real estate profession as a whole. Some of these past proposals have included:

Professional Services Tax: Recent proposals to extend the sales tax to commission payments for real estate agents could have led to double taxation for these licensees. Had the law been enacted, these double taxes would have been passed along to consumers. The cost of homeownership in New Jersey would have increased again, having a negative impact on the Garden State's economy and job market.

Property Tax Deduction: Over the past decade, the property tax deduction has been targeted to address ongoing revenue shortfalls. With the highest property taxes in the nation — on average, New Jersey homeowners pay \$8,161 in property taxes each year — this deduction is vital to help families afford to stay in their homes, as it currently allows for 100 percent of property tax payments, up to \$10,000, to be deducted from state tax filings. This program is essential for a strong housing market as well as a vibrant economy in general, and New Jersey Realtors® strongly believes it should remain in place.

Seasonal Rental Tax: Another proposal often considered to address revenue shortfalls is a 7 percent seasonal rental tax. With over 100,000 seasonal rental properties, a seasonal rental tax would have a negative impact on the state's tourism industry, as many families who currently rent homes in New Jersey could choose to visit a surrounding coastal state to avoid paying the additional tax. The New Jersey Realtors® Governmental Research Foundation has released a report on the negative impact a seasonal rental tax would have, including the potential loss of 933 jobs as a direct result. njrealtor.com/rental-report

Real Estate Commission Operating Funds: When revenue is collected by the New Jersey Real Estate Commission for license issuance/renewals or fines, it has too often been diverted to pay for other areas of the state budget. Since the REC is largely self-funded, the revenue it collects should remain within the commission to help fund operations so they may provide the best services possible to consumers and real estate agents.

GOVERNMENT TRANSPARENCY



Legislative measures have been introduced that would require all public information — meeting agendas, financial documents, ordinances, meeting minutes, etc. — to be available online. New Jersey Realtors® strongly supports this to aid in transparency and easy access for any citizen wishing to see this information.

By placing public records, meeting documents, and other public information online, government transparency will be enhanced so members of the public are aware of what their elected and appointed officials are doing and can truly become part of the decision-making process. This will lead to a more effective and responsive government at all levels, something for which New Jersey Realtors® has long advocated.

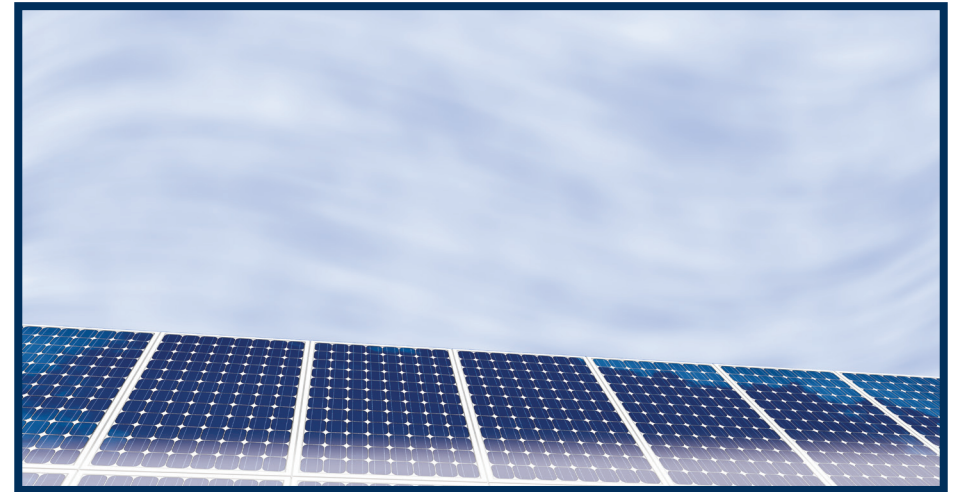
PRIVATE PROPERTY RIGHTS



As the voice for real estate in New Jersey, we fiercely advocate for home, land, and business owners to use their properties without excessive government mandates that often serve as hurdles when using or selling properties. Many times, government attempts to add new sanctions that limit how a property owner can use their home, land, or business or tie mandates in to real estate transactions.

New Jersey Realtors® is a resource for all elected officials when considering new policies that would impact private property owners. We strongly urge you to use us as a resource, as we can provide detailed statistics and background information. We are also well versed in policy and can highlight any unintended consequences of legislation and work with you to avoid them.

ENERGY EFFICIENCY



New Jersey Realtors® supports the many homebuyers who choose to upgrade their homes to make them more energy efficient, leading to energy conservation as well as lower utility bills. However, mandating energy efficiency disclosures or upgrades at the time of sale presents serious concerns for sellers and the real estate professionals representing them.

In the past, proposals have been suggested that would mandate a home receive an energy efficiency rating and mandatory upgrades when a home is sold. While this may seem like a positive step forward, in a state where well over 50 percent of the homes were built prior to 1970, it would place a stigma on these properties and make them almost impossible to sell because of the inhibitive cost of home upgrades.



While we don't support mandatory energy efficiency ratings and upgrades, we do believe each homeowner should make their own decisions when choosing to make energy efficient upgrades to their properties. For this reason, the New Jersey Realtors® Governmental Research Foundation has released a report detailing how much energy efficiency improvements can save homeowners, which can be viewed on our website, njrealtor.com/research/governmental-research-foundation.

FLOOD INSURANCE



Recent changes to federal laws have been made to create a long-term reauthorization of the National Flood Insurance Program. This program is an essential way to ensure that homebuyers can obtain flood insurance, which is necessary to hold a mortgage on a home located in a flood zone. Unfortunately, these changes had the unintended consequence of making flood insurance for both existing and new homeowners unaffordable.

Across the Garden State, New Jersey Realtors® is hearing the cost of flood insurance, which for many policies has increased by thousands of dollars a year, has become unaffordable. These same changes are also making it nearly impossible for these residents to sell their homes, as prospective buyers may not be able to obtain affordable flood insurance policies.



While this is an issue that must ultimately be addressed at the federal level, state officials should develop policies to assist New Jersey homeowners struggling under the weight of their new flood insurance policies. Whether it be through tax breaks, grants, or other measures, we must assist New Jerseyans who are being priced out of their homes not by mortgage payments or property taxes, but by their flood insurance rates.



EMINENT DOMAIN

While eminent domain can be a valuable tool for redevelopment and is often necessary when used for a public purpose, such as for a new street, economic development mustn't trump the rights of private property owners. In any case where eminent domain is used, private property owners who lose their homes, businesses, or land must be adequately compensated at a fair market value.



Recently, a dangerous new form of eminent domain has been debated in municipalities across the country, including here in New Jersey. In these cases the mortgage, rather than the property, is seized. Municipalities would use their eminent domain powers to seize underwater mortgages — those mortgages now worth less than they were when the home was purchased — for the purposes of principal reduction, or to lower the amount of the mortgage down to the current value of the home. Assuming the borrower is current on their payments, the monthly mortgage payments are lowered through the use of a third party. While this sounds like a constructive method of helping homeowners, the truth is, this could ultimately harm homeowners severely.

Federal laws prohibit many federal funds from being used to back mortgages on properties where this type of eminent domain has been used. The Federal Housing Finance Agency has also indicated they will not back mortgages in a municipality employing this method of eminent domain. This presents a great concern, as nearly 90 percent of mortgages in this country are backed by the federal government, meaning it would potentially be impossible to buy or sell homes in municipalities using this form of eminent domain. This could devastate New Jersey communities, and we strongly oppose this type of eminent domain.

RISK REDUCTION



New Jersey Realtors® has closely monitored proceedings around the country surrounding the ability for Realtors® to continue to be classified as independent contractors. New Jersey Realtors® strongly supports the ability for real estate licensees to retain their status as independent contractors so that both real estate brokers and the agents they oversee have the flexibility to represent their clients to their fullest potential and ability within the confines of existing real estate law and regulations. In addition, we support the preservation of the independent contractor status for those in the real estate profession because of possible tax implications associated with a potential loss in this status. We also believe that real estate licensees should be considered professionals as defined in the Affidavit of Merit statutes in New Jersey and that the New Jersey Real Estate Commission should continue to be the main agency that regulates the real estate profession and protects the public.

Because of the nature of the real estate profession, the ability for brokers to classify the real estate agents they supervise as independent contractors is vital for several reasons. First and foremost is the distinction between an employee and an independent contractor. In the employer-employee relationship, employers traditionally dictate how their employees do their jobs — from the hours they work to their job responsibilities and the tasks they must perform. In an independent contractor relationship, real estate brokers do supervise their agents, but typically give them latitude in how they represent their clients, not dictating specific hours they work or assigning them tasks.

An independent contractor agreement outlining the terms of the relationship between a real estate broker and a real estate agent must be signed. Additionally, in an independent contractor relationship, there are tax implications at the federal level regarding federal income taxes not being withheld from an independent contractor's earnings, so long as certain criteria are met.

Real estate licensees are among the most professional, educated, and regulated individuals with licenses issued by a regulatory body in the State of New Jersey. In other regulated professions, Affidavits of Merit are required when a licensed professional is sued affirming that the licensee's conduct did not meet certain standards. Currently, real estate licensees are not among the professionals who this affidavit must be filed against if civil litigation occurs; however, they should be.



In addition, the NJREC currently provides great protections for the public on the occasions when a real estate licensee does not abide by the current real estate statutes and regulations. The REC should be the first place members of the public go to in these situations, as they can take action against licensees and ensure the public is adequately compensated if they lose personal funds due to the action of a licensee, which is why the Consumer Fraud Act should be amended creating an exemption for real estate licensees from treble damages and the counsel fee period.

New Jersey Realtors® believes that the independent contractor status for real estate licensees must be preserved in its current form due to the nature of the real estate industry, existing federal tax law, and because changes from an independent contractor status to an employee-employer status may make it more difficult and expensive, especially for smaller real estate offices, to continue in the real estate brokerage profession in New Jersey. Furthermore, we believe changes are needed to the Affidavit of Merit statute and Consumer Fraud Act in situations when there is litigation or complaints filed against a real estate licensee.



RESOURCES



Housing Market Data: New Jersey Realtors® releases monthly housing market reports at the state, county, and local levels, which examine key metrics like median sales prices, pending home sales, new listings, and months supply of inventory in three vital categories of the housing market – single family, townhouse/condo, and adult community properties. In addition, all state legislators receive a monthly report on their district, and any local officials may request their town information as well. Coupled with historical data, this is the most powerful tool available to provide a true picture of the health of the real estate market in New Jersey. To view the latest reports, visit njrealtor.com/10k.



Issues Mobilization Political Action Committee: IMPAC's purpose is to finance public awareness campaigns regarding housing and property issues using a variety of methods, such as mass mailings, public opinion polls, and websites. IMPAC funds have also been used to advocate on behalf of communities with regards to rental restrictions, excessive parking fees, sign ordinances, and more.



New Jersey Realtors® Governmental Research Foundation: This non-profit organization is tasked with conducting research on policy issues impacting the real estate market. Since 1999, the GRF has tackled pressing issues, offering insight on matters that impact New Jersey's property owners and real estate industry. Most recently, the GRF studied government consolidation, green building practices, transit villages, and the impact of a proposed seasonal rental tax. The foundation's reports can be viewed at njrealtor.com/research/governmental-research-foundation.

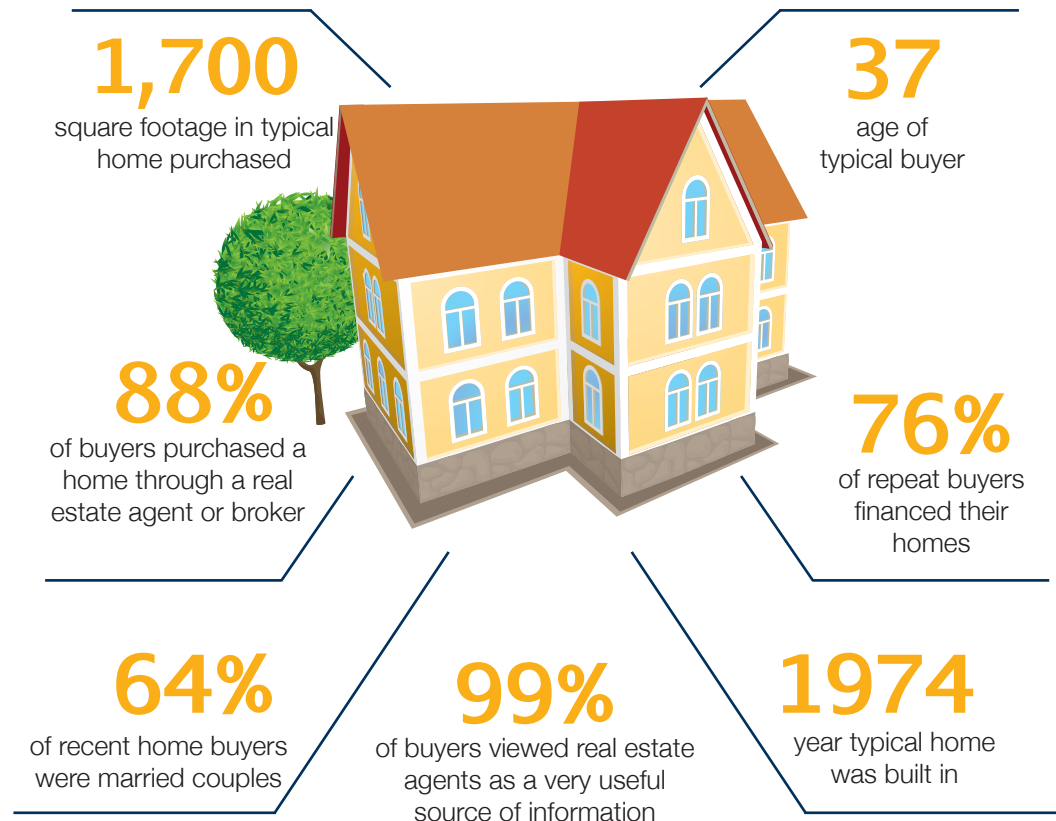


New Jersey Realtors® Housing Opportunity Foundation, Inc.: Another non-profit, this 501(c)(3) charitable organization seeks to create homeownership opportunities for New Jersey residents. From supporting affordable housing programs, coordinating volunteer builds with other charitable organizations or hosting REALTORS® Care Days to help homeowners with repairs they cannot perform themselves, the Housing Opportunity Foundation is a vital community partner.



New Jersey Realtors® Educational Foundation: New Jersey Realtors® believes in the power of education, so in 1969, the association established its own 501(c)(3) dedicated to foster education, promote knowledge, conduct research, and assist in the education of students pursuing higher education. Annually, the Educational Foundation proudly presents deserving students with scholarships to help them with their pursuit of knowledge. njaref.com

BUYERS & SELLERS IN NEW JERSEY





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