

## **NJ Long Term Tax Abatement/PILOT Fact Sheet**

- Long Term Tax Abatements are authorized by New Jersey State Law N.J.S.A. 40A:20
- The tax abatement law was created to help NJ municipalities efficiently and responsibly improve their ratable base and redevelop underutilized and dilapidated properties.
- Long Term tax abatements are only permitted in areas that have already be determined to be an Area in Need of Redevelopment.
- The Statute allows municipalities to enter into agreements with redevelopers whereby they make annual service charge payments in lieu of taxes (PILOT) instead of a conventional tax payment.
- The statue allows PILOT agreements for a maximum term of 30 years and include payment bump ups over the term to full taxation.
- The PILOT payments can be calculated as a percentage of revenue or a percentage of construction costs.
- The redeveloper must be an Urban Renewal Entity which is a limited dividend entity or non-profit subject to profit restrictions (12% project costs)
- A tax abatement is not as of right, the project must evidence the need to make the project feasible.
- Upon expiration of the tax abatement the project returns to conventional taxation.
- Redevelopers who receive PILOTS continue to pay regular taxes on the real estate on which the project sits. The revenue generated to the county, schools and town from the property before the project was built is not reduced.
- The PILOT payments are only on the improvements, not the land.
- PILOT agreements have a provision prohibiting excess profits. The developers must submit audited financial statements every year to show that.
- PILOTS are shown to encourage private investment, promote balanced growth and create economic development opportunities that are essential to long term financial health.
- Municipalities retain much more of the annual payment than they would under a conventional tax.
- Tax abatements are often needed to offset extraordinary site or development costs or obstacles that threaten feasibility of the project such as environmental clean-ups, high acquisition costs or infrastructure needs.