

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

FREEZING REAL ESTATE TAXES FOR NJ SENIOR CITIZENS

It is no secret that New Jersey real estate taxes are among the most brutal in the entire United States. Most of us will mutter obscenities under our breath, but will pay the exorbitant bills because we have little choice. The state does have a program in place for eligible senior citizens or disabled individuals which reimburses these individuals for property tax increases.

The reimbursement is the difference between the property taxes paid in the taxpayer's base year (defined below) and the amount paid in the current year.

Eligibility Requirements

- You must be at least 65 years old or receiving Social Security disability benefits in order to determine your base year.
- You must have lived in New Jersey since before January 1, 2000.
- You must have owned and lived in your home since before January 1, 2007.
- You must have paid your property taxes for the base year and all years thereafter.
- You must meet certain income limitations for the base year and each succeeding year.

In order to meet the income limitations your income must have been below \$70,000 in 2009 and 2010. Income, for purposes of eligibility, differs from income for New Jersey income taxation purposes. Many items which are not taxed on an individual's return are considered income for the property freeze. Examples of such items include Social Security benefits, Unemployment benefits, NJ lottery winnings, Inheritances, Bequests and Death benefits.

How it Works

A taxpayer pays the amount of their current year real estate taxes in full. The taxpayer then files either form PTR-1 or PTR-2 to obtain a refund of the difference between the real estate taxes paid in the current year and the amount paid in their base year. Base year is defined as the first year the taxpayer meets all the eligibility requirements listed above.

Form PTR-1 is filed by taxpayers who are applying for this refund for the first time. In subsequent years a Form PTR-2 will be mailed to them. Form PTR-2 is a more

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personalized form in that it already lists the real estate taxes of your base year on the form.

When filing the return applicants are required to submit proof of the amount of property taxes paid. The state will accept copies of cancelled checks or copies of Forms 1098 from a mortgage company. In lieu of providing cancelled checks or a mortgage statement, an applicant may submit a "Verification of Property Tax" form. This is a form which the taxpayer takes to the tax collector's office. The tax collector fills in the amount of taxes paid and signs the form.

First time filers are also required to submit proof of age. Acceptable documentation includes a birth certificate, driver's license or church records. If the individual is disabled they must submit a copy of the social security award letter.

Applications must be filed by October 31, 2011.