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New Jersey offers tremendous tax incentives for businesses.

Tax Abatements

Municipalities may grant tax exemptions/abatements to promote the construction and rehabilitation of residential, commercial and industrial structures. Abatements are only available if the municipality has determined the property to be an “area in need of rehabilitation” for five-year tax abatements or an “area in need of redevelopment” for long-term tax abatements

5-Year Tax Abatements

Developers may qualify for this abatement on rehabilitation or new construction improvements. In lieu of taxes on full assessed value, the developer can chose to pay:

- 2% of the project’s annual costs for 5 years;
- 15% of the project’s gross revenues; or
- 20% phase-in over 5 years.

The developer must provide the following information:

- A general description of a project for which exemption and abatement is sought;
- A legal description of all real estate necessary for the project;
- Plans, drawings and other documents as may be required by the governing body to demonstrate the structure and design of the project;
- A description of the number, classes and type of employees to be employed at the project site within two years of completion of the project;
- A statement of the reasons for seeking tax exemption and abatement on the project, and a description of the benefits to be realized by the applicant if a tax agreement is granted;
- Estimates of the cost of completing such project;
- A statement showing (1) the real property taxes currently being assessed at the project site; (2) estimated tax payments that would be made annually by the applicant on the project during the period of the agreement, and (3) estimated tax payments that would be made by the applicant on the project during the first full year following the termination of the tax agreement; and
- A description of any lease agreements between the applicant and proposed tenants of the project, and a history and description of the tenants’ businesses.

Long-Term Tax Abatements

Developers may also qualify for long-term tax abatements, up to 30 years under some circumstances, and instead make payments in lieu of taxes (PILOT).

Requirements:

- Project site must be designated as an “Area in Need of Redevelopment”
- In order to determine a project site to be an “Area in Need of Redevelopment,” the municipality has determined that:
 - all or a portion of the project will result in the redevelopment of the municipality; and
 - the financial agreement with the developer is a necessary or important inducement to the undertaking of the project or the redevelopment of the municipality that makes this financing feasible.
- An entity will be named as the “redeveloper” for the Project by the municipality.
- Adoption of an ordinance to approve a PILOT.
- The developer and the municipality negotiate a financial agreement.

Redevelopment Area Bonds (RABs)

For redevelopment projects experiencing difficulties with traditional funding sources (e.g., equity and conventional debt), RABs allow a municipality to securitize the stream of “payments in lieu of taxes” (PILOT) through a redevelopment agreement with the developer. All or a portion of the PILOT can be pledged to the repayment of the RABs. RABs can be used to help with infrastructure improvements or for the project itself.