

# Title

## FREQUENTLY ASKED ^ QUESTIONS

November 2010

**The sellers in my transaction are anticipating a Homestead Rebate and are asking that we adjust the real property taxes at closing to reflect the rebate. How do we handle this?**

Our first observation is that this not a title insurance issue and but rather a settlement issue for the parties to the transaction.

This issue has been the subject of increased inquiries since the State of New Jersey modified the method used to “pay” the rebate in the State Budget for 2011. Rather than receiving a check representing their rebate amount in the summer or fall following the year for which the rebate applies, qualified homeowners will receive their homestead benefit in the form of a credit against their property tax bill. Specifically, the 2009 homestead benefit will be credited to the second quarter real property taxes for 2011.

The obvious problem here occurs where the qualified homeowner conveys title to the real estate before the credit is applied. In fact, on the State’s own website a “Frequently Asked Questions” on this topic states, “If you sell your home after you file your application, be sure to take the amount of the benefit into consideration at settlement as the homestead benefit stays with the property, not the owner.” Sellers will obviously expect that adjustment to be made.

While the State’s concern for the seller is admirable, in the real world it will be very difficult for a settlement agent to accomplish this goal. While municipal tax records may in the second quarter of the year reflect the credit as having been applied, there is otherwise no other way to confirm that the seller will be entitled to the rebate and what the amount of such rebate may actually be. The parties to the transaction may, of course, adjust this matter between themselves, however no insurance coverage may be given as to this issue nor should the title/settlement agent participate in that adjustment.

Those offices or agents who wish to include information about the Homestead Benefit in their commitments and policies may do so as a “Note for Information”. The following language is suggested:

NOTE FOR INFORMATION: New Jersey’s Homestead Benefit Program is beyond the scope of title insurance coverage afforded by the policy. No coverage is given against loss resulting from or related to New Jersey’s Homestead Benefit Program nor from adjustments made or not made at closing or settlement with respect to same.

For more information on the Homestead Benefit Program, visit Treasury’s website, [www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation).