

State of New Jersey
Commission of Investigation



Immediate release
August 16, 2005

Contact: Lee Seglem
609-292-6767

**SCI FINDS SERVICE DELAYS
AND 'HIDDEN TAX'
IN DIVERSION OF
REAL ESTATE FEES**

TRENTON – Millions in fees collected for County Clerks to officially record and file real estate documents have been used instead to subsidize general state and county budgets through a process that causes significant recording delays and constitutes a form of hidden taxation, the State Commission of Investigation concludes in a report issued today.

Despite enormous growth in recording and filing fees amid the housing-market boom in recent years, little of the revenue generated actually reached its intended destination. As a result, many Clerks' offices have been unable to provide timely recording and proper disposition of mortgage and deed applications, as required by law.

“Use of fees to cover general budgetary obligations raises a number of troubling questions,” the Commission states in its report. “In the case of real estate recording and filing fees, the persistent diversion of revenue for general-fund purposes has become tantamount to a hidden tax that has little to do with the purpose for which these fees were established.

“The bottom line is that the public has paid a premium for poor and inefficient service.”

The Commission also found that the failure to provide timely disposition of deeds and other appropriate documents opens real estate transactions to fraud by unscrupulous individuals or entities that exploit delays in official recordation.

The Commission began its inquiry after receiving complaints of unreasonable and potentially serious delays in the recording process by various Clerks’ offices. Subsequent investigation, including an extensive review of documents and numerous interviews, not only confirmed such complaints but also identified serious systemic anomalies with respect to the funding of Clerks’ offices statewide.

In addition to detailing its findings, the Commission’s report calls for a number of systemic reforms, including legislation to require a budgetary mechanism at the county level to ensure that Clerks’ offices are adequately funded based upon changing needs and requirements. The Commission also recommends a comprehensive legislative study to determine the most practical, cost-effective approach toward achieving uniformity and efficiency in the document filing process.

* * *

The State Commission of Investigation is an independent fact-finding agency that examines organized crime; waste, fraud and abuse of tax dollars; and government corruption. In addition to the inquiry embodied by this report, investigations are under way across the entire scope of the Commission’s statutory purview.