

Genova, Burns & Vernoia

NEWS ALERT
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Real Property Tax Assessment Alert

This alert is designed to educate you on the basis for real estate tax assessments and the tax appeal process to make an informed decision whether it is time to file your tax appeal and start saving money.

If you are like most property owners, one of the biggest complaints you have with regard to your property is that the property taxes are too high. This is why it is of vital importance that you review the assessment of your property each and every year to ensure that you are not paying more taxes than you should be.

Every year all real property in the State of New Jersey is valued for the purposes of taxation. The value placed on the property is known as the "assessment." Your tax assessor is required to notify you of the current assessment on your property and of the proceeding year's taxes by mail prior to February 1st of each year.

In order to determine if your property is assessed properly, it is necessary to verify that the assessment satisfies one of two standards. In a revaluation or reassessment year, the True Market Value Standard applies to your property. In a non revaluation or non reassessment year, the Common Level Range Standard applies to your property.

True Market Value Standard

A revaluation or reassessment year is a year in which the municipality assesses all properties individually within the municipality to arrive at the true market value of the property. The true market value of property is the price for which the property would sell in an arm's length transaction between a willing buyer and willing seller.

In a revaluation or reassessment year, your property must be assessed at 100% of true market value. In other words, the assessment must be 100% accurate. If the assessment exceeds the true value of the property, you are entitled to a reduction of the assessment and a tax appeal is warranted. A reduction in the assessment will, in turn, reduce the taxes that you will ultimately pay on the property.

When a revaluation or reassessment has occurred in your municipality, there may be a greater likelihood that your property has not been assessed accurately. This is because an assessment is merely the opinion of a licensed professional, usually an appraiser, as to what the true market value of your property is. Another licensed professional may have a different opinion as to what the true market value is. Therefore, in the event that your property assessment rises as a result of a

revaluation or reassessment, you should be careful to ensure that the assessment does not exceed the true value of the property causing you to pay more in taxes.

Common Level Range Standard

In general, municipalities do not reassess each property annually. As a result, in order to take into consideration factors such as inflation, recession, appreciation or depreciation that may cause property assessments to deviate from 100% of true value, the Director of the Division of Taxation determines a ratio that applies to each municipality. The ratio is derived from an analysis of all arm's length property sales within the municipality to determine the level of assessed value to true value of property.

Not knowing your municipality's assessment/true value ratio may be causing you to lose valuable tax dollars. You may feel that the assessed value of your property represents the true value of the property but unless you know what your municipality's ratio is and how it is applied to your property, you will not know if your property has been assessed fairly.

For example, if your municipality has a ratio of 70% this year, and the true value of your property is \$1,000,000.00, the assessed value of the property should be \$700,000.00 or within a 15% range of the 70% ratio. In this example, even if the municipality assessed your property at \$850,000, which is lower than true value, this would not be considered a fair assessment and you would be entitled to a reduction based on the municipal ratio.

This is how the above example would play out in a tax appeal:

The reviewing authority, either the County Tax Board or Tax Court, would determine the true market value of your property (\$1,000,000). Then it would compare the assessed value (\$850,000) to the true value (\$1,000,000) and would apply your municipal ratio (70%) to see if it falls within the common level range of assessments. The common level range of assessments is a 15% deviation in the assessment of your property from the municipal ratio, which is considered to be a fair assessment of property.

In the above example, the property assessment exceeds the municipal assessment/true value ratio by more than 15%, which is an unfair assessment. Therefore, you would be entitled to a reduction to the common level.

Your municipal assessment/true value ratio	70%
Common level range	59.50% - 80.5% (\$595,000 - \$805,000)
True value	\$1,000,000
Municipal assessment	\$850,000
Ratio actually applied to your property	85% (\$850,000 ÷ \$1,000,000)
Judgment	REDUCTION IN ASSESSED VALUE

New assessment	\$700,000
Total reduction in your assessed property value	\$150,000

Result of Tax Appeal Judgment

If you are successful in securing a tax appeal judgment to reduce your property assessment, when either the True Market Value Standard or the Common Level Range Standard is applied, the Freeze Act will apply to your property at your option. This means that your municipality will be bound by the new assessment and cannot increase your property assessment for the year covered by the tax appeal plus two additional years, subject to two exceptions. The first exception is if your municipality conducts a complete revaluation of all properties in the municipality. The second exception is if the municipality proves that there has been a substantial increase in your property value, such as an addition or expansion to the structures located on the property, a subdivision or zone change.

If you feel that you may be a prime candidate for a tax appeal, we encourage you to seek professional assistance. By law it is assumed that your current assessment is correct and it will be your burden to overcome this presumption in order to obtain an assessment change.

THE FILING DEADLINES FOR TAX APPEALS EACH YEAR IS APRIL 1ST.

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