

ASSOCIATED APPRAISAL GROUP

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Assessor

As per our discussion, I have summarized several key benefits of conducting an annual or “rolling” reassessment program. The assessing community has been fighting an uphill battle recently with respect to maintaining accurate assessments from year to year due to the tumultuous real estate market. Unfortunately, the battle is being lost on the tax appeal front and the result is a huge financial burden on the municipalities. Rather than continuing to be reactive to these problems as they occur we can proactively solve them before they occur. The following are key reasons why such a program can be a solution for your town:

ELIMINATE PROPERTY TAX SHIFTS

- Assessments are set each year at their true market value on October 1. This insures that no property owner pays more or less than their fair share of property taxes EVERY year not just the year immediately following an occasional reassessment or revaluation. In a constantly changing marketplace, large property tax inequities grow between the numerous varieties of property types as each year passes since a revaluation was completed. After many years of inaction these “tax shifts” will grow so large that when a revaluation is ultimately ordered the correction of these shifts can cause a tax hardship on those properties that see large value increases. Yearly reassessment will eliminate the growth of such shifts.

MAINTAIN 100% TRUE MARKET VALUE AT ALL TIMES

- Directors Ratio (Chapter 123) is maintained at 100% EVERY year for purposes of State Tax and County Tax Appeals. Every year after a revaluation the ratio is dictated by the averaging of the current year sales/assessment plus the previous years sales/assessment. Many times this average can be misleading because only certain types of properties may sell in a given sampling year. For example, in a municipality that has primarily residential sales and few or no commercial sales, the ratio is driven by the residential market only but the implied ratio will be applied and assumed to be indicative of the commercial market as well. This puts pressure on the Tax Assessor to defend commercial assessments that now have to be equalized with a “residential sales driven ratio” Several large commercial properties under appeal in a municipally where the “residential driven ratio” drops 10-20% may cause the Assessor to refund hundreds of thousands of dollars for no other reason other than this ratio. Example:

Commercial property A is assessed at \$15,000,000 at time of revaluation.

The year following the revaluation the residential sales cause the ratio to drop to 90%.

Assessor cannot defend new equalized assessment of \$16,666,700 ($\$15,000,000 / 0.90$)

New assessment must be set to \$13,500,000 ($\$15,000,000 \times 0.90$)

\$1,500,000 reduction x 2.25 tax rate (say) = **\$33,750.00**

This is an example of one appeal only. Maintaining the ratio at 100% will eliminate this scenario. The same example can be made in towns made up of different residential property types (high end vs. low end OR condo vs. single family) where one property type may be driving the ratio but must be applied town-wide.

AVOID COSTLY TAX APPEAL LOSSES

- Setting new assessments each year enables the assessor to identify a property, property types or certain neighborhoods, which have lost value to make an adjustment BEFORE it becomes an appeal the following year. Conversely, it enables the assessor to identify a property, property type or certain neighborhoods, which have gained value to make an adjustment at the start of each year. Chapter 91 requests for Income and Expenses can be sent out every year to help identify such cases in Commercial properties. **Currently, the Division of Taxation does not allow an assessor to raise or lower any values unless they fall under a specified reason (i.e. added assessment, subdivision, demolition, etc..)** Changing assessments due solely to market fluctuations can only be done by a County and State approved plan. Many towns see their valuable tax base reduced each year by numerous successful tax appeals that cannot be offset by added assessments. A yearly maintenance plan could offset tax appeal loss and could possible increase the total ratable base. This effect could cause a more stable tax rate year after year.

ELIMINATE COSTLY TAX REVALUATIONS

- The annual cost of a yearly or “rolling” reassessment will be less expensive than doing the periodic reassessment and/or revaluation. A proactive plan can eliminate the need for a County Board of taxation to order revaluation. The yearly cost of this plan is almost always recouped by the elimination of “high exposure” or “ratio” appeals ALONE.
- A yearly reassessment will insure a town’s County Tax liability is accurate as well as those town’s that have a shared school district.
- Taxpayers will have the ability to discuss their assessments every year prior to the finalization of the tax list and if adjustments are warranted they will be made without the filing of an appeal. This can only be done when an approved plan is in place.
- A yearly plan will help an Assessor stay ahead of potential value issues as opposed to merely reacting to them when they can become financially cumbersome as is the case with high exposure appeals that have numerous back years involved.

The Assessor today seems to be coming under increased pressure to maintain accurate assessments; however, the only viable means under which this can be accomplished is by an approved compliance, reassessment or revaluation plan.

I would be more than happy to meet and discuss your specific towns’ needs in the coming years.

Sincerely,

Rick Del Guercio
CTA, SCGRE