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Property Tax Appeals Can Save Money

One obvious reason for filing a real estate tax appeal is to obtain a lower assessment on your real property and thereby save significant tax dollars. Another important reason to lower your assessment and taxes is to help maintain the value of the property by making it more marketable to potential buyers.

The assessment on the property should be reviewed each and every year to see whether a tax appeal is warranted. The problem is that most owners of industrial, commercial, and apartment properties, as well as tenants under net leases, are not aware that they may be prime candidates for successful tax appeals even after looking at their new assessment. Although all municipalities in the state are supposed to assess real property at 100% of fair market value, studies show that only a handful, in fact, do.

Property owners often believe that their property is worth an amount equal to the assessment on the property. This misconception leads owners to overlook the different ratios of assessed value to true value applicable in each of the assessing districts of New Jersey and the fact that these ratios generally decline each year. For example, if a property worth one million dollars this year is located in a municipality with a 60 percent ratio, it should be assessed at \$600,000 this year. If that ratio drops to 54 percent next year, its assessment should be \$540,000. If the ratio drops, but the assessment remains high, it may be time for an appeal. The revaluation of all property within a municipality may increase the possibility of over-assessment on larger commercial and industrial parcels.

Another factor that may lead to an assessment error is environmental contamination of the property.

Taxpayers with assessments in excess of \$1,000,000 are allowed to file an appeal for direct review of their property's assessed valuation by the Tax Court of New Jersey, without first filing an appeal with the local county tax board. Tax appeals on assessments of less than \$1,000,000 must first be filed with the county tax board.

If the taxpayer prevails in securing a tax appeal judgment reducing its assessment, the so-called "Freeze Act" binds the municipality for the years covered by the tax appeal plus two additional years, subject to two exceptions. The first exception is a complete revaluation of all real property in the municipality. The second exception is proof by the municipality of a substantial increase in the property's value. These exceptions aside, the assessment is frozen at the reduced level, at the taxpayer's sole option. Thus, if a taxpayer wishes to appeal for a further reduction during the freeze period, he or she is free to do so.

These points are merely intended to scratch the surface of this area of the law. This should also help to explain why the sophisticated property owner should have his tax assessment reviewed by legal counsel every year to determine whether a tax appeal is warranted.

The filing deadline for tax appeals each year is April 1st, except that the filing deadline for properties in a revalued or reassessed taxing district is May 1st.



NORRIS McLAUGHLIN & MARCUS TAX APPEAL MEMBERS

NICHOLAS F. PELLITTA has litigated tax appeals before County Boards of Taxation and the New Jersey Tax Court. These appeals have involved various-sized industrial and commercial properties. Nick obtained his B.A. from Rutgers University in 1982 and his J.D. from New York Law School in 1985. Nick is admitted to the Bar in New Jersey and the U.S. District Court, District of New Jersey, and is a member of the Hunterdon County, New Jersey State and American Bar Associations. He is also a board member of the Trial Attorneys of New Jersey.

email: nfpellitta@nmmlaw.com

ANDREW D. LINDEN has prosecuted real property tax appeals in the New Jersey Tax Court and at the County Tax Board level where he recently won a significant reduction for the owner of a light industrial property. Andrew attended Seton Hall University School of Law, where he received his J.D., cum laude, in 2007. He earned a B.S., with honors, with a dual major in Accounting and Marketing, from Lehigh University in 2004. He has been selected to *New Jersey Super Lawyers Rising Stars* for the years 2013-2015.

email: adlinden@nmmlaw.com

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NJ: 721 Route 202-206, Suite 200, Bridgewater, NJ 08807 • P: (908) 722-0700 • F: (908) 722-0755
NY: 875 Third Avenue, 8th Floor, New York, NY 10022 • P: (212) 808-0700 • F: (212) 808-0844
PA: 515 West Hamilton Street, Suite 502, Allentown, PA 18101 • P: (610) 391-1800 • F: (610) 391-1805

www.nmmlaw.com E: info@nmmlaw.com