

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.

For all counties, other than Monmouth, the deadline to file a tax appeal in 2018 is April 2nd. For all towns subject to a revaluation or reassessment (other than those towns in Monmouth County), the deadline is extended to May 1st.



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