

THE REVALUATION OF OUR COMMUNITY

QUESTIONS THAT ARE OFTEN ASKED WHEN A MUNICIPALITY IS UNDERTAKING A REVALUATION

WHAT IS A REVALUATION?

WHAT IS MEANT BY “FULL AND FAIR VALUE?”

WHY REVALUE NOW?

WHO WILL CONDUCT THE REVALUATION?

WHAT OCCURS DURING THE REVALUATION PROCESS?

WHAT IS EXPECTED OF PROPERTY OWNERS?

WHAT WILL INSPECTORS LOOK FOR?

WHAT IF I'M NOT HOME?

WILL MY TAXES GO UP?

WILL TAXPAYERS BE INFORMED OF THEIR PROPOSED ASSESSMENT?

WHAT IF A TAXPAYER IS DISSATISFIED WITH THE PROPOSED ASSESSMENT?

WHAT CAN A TAXPAYER DO IF HE IS UNSUCCESSFUL IN HAVING THE VALUATION OF HIS PROPERTY REVISED AT THE INFORMAL HEARING?

WHAT IS A REVALUATION?

A revaluation is a program undertaken by a municipality to appraise all real property inside its borders according to its “full and fair value.”

The goal of a revaluation program is to spread the tax burden equitably throughout a municipality. Real property must be assessed at the same value standard to ensure that every property owner is paying his or her fair share of the property tax. For example, two properties having essentially the same market value should be paying essentially the same amount in property taxes.

WHAT IS MEANT BY “FULL AND FAIR VALUE?”

“Full and fair value” is the price at which the municipal assessor believes a property would sell for at a fair and bona fide sale by a private contract on October 1 of the pretax year. The sale must be between a willing buyer and a willing seller where the buyer is not obligated to buy and the seller is not obligated to sell. New Jersey courts have held “full and fair value”, “true value” and “market value” to be the same.

WHY REVALUE NOW?

Revaluation may be needed when properties in a taxing district are not being assessed at the same rate of true market value and/or are being assessed substantially below or above true market value. Inequitable assessments may result from the following situations:

- **changes in a neighborhood or area’s characteristics and changes in individual properties’ characteristics;**
- **changes in the economy such as inflation or recession;**
- **changes in architectural style and custom, size of home;**
- **changes in zoning which can either positively or negatively affect value;**
- **delays in processing building permits, which hinder tax assessments on new construction.**

When deciding whether to revalue, some factors that would be considered are:

- **A taxing district’s Average Assessed Value to True (Sales) Value Ratio**
- **Coefficients of Deviation**
- **Year of the Last Revaluation**
- **Neighborhood and Zoning Changes**
- **Accuracy of Property Records**
- **Number of Tax Appeals.**

The Assessment-Sales Ratio: A property assessed for tax purposes at \$200,000 sells on the open market at a bona fide sale for \$250,000. Its individual assessment to sales ratio is 80%, i.e., is assessed at 80% of its true market value. The assumption is that the assessed values of sold properties are representative of the assessment practice in the taxing district. That is, if the assessed values of the properties sold average 80% of the sales prices, it's assumed that all similar properties in the taxing district are assessed at 80% of their true market value. An Average Assessment-Sales Ratio (also known as the Director's Ratio) is developed for each of the 566 taxing districts in the State. A Director's Ratio of 85% or less denotes noncompliance. A continual decline of Assessment-Sales Ratios in a district from the 100% level established by New Jersey's 21 County Tax Boards may indicate a need for revaluation.

A low ratio means that property is underassessed. But it doesn't necessarily mean the tax burden is unevenly distributed. It may be that all properties are underassessed at about the same level.

The Coefficient of Deviation: The Coefficient of Deviation is a measure of the level of uniformity or of variation of assessments within a municipality. It is the average deviation of individual assessment-sales ratios from the overall Average Assessment-Sales Ratio of all sales in a taxing district expressed as a percent. A coefficient of deviation greater than 15 percent generally indicates a need for a revaluation.

WHO WILL CONDUCT THE REVALUATION?

A municipality retains an approved private professional firm to inspect and revalue all property in a taxing district. The firm will work under the supervision of the municipal assessor's office. All determinations made by the firm will be submitted to the assessor.

WHAT OCCURS DURING THE REVALUATION PROCESS?

During a revaluation, both the interiors and exteriors of each property are physically inspected and building dimensions are noted. The exterior of the property may also be photographed by the inspector.

In addition, recent sales of comparable properties are analyzed and may be adjusted to estimate the value of property that has not been sold. Property, typically purchased for investment purposes, is studied in terms of its income-producing capability.

The Real Property Appraisal Manual for New Jersey Assessors, prepared by the New Jersey Division of Taxation, is used in estimating replacement cost values, especially for residential properties.

All information believed to influence value will be gathered, reviewed and analyzed in order to make a proper determination of each property's full and fair value.

A word of caution: Each property inspector should have a photo identification visibly displayed. It should show the company's name and address as well as the individual's name and capacity with the company. The inspector should provide a Letter of Introduction on municipal letterhead that contains a telephone number for questions or concerns. Ask to see the credentials of anyone seeking to enter your home and do not admit anyone who cannot produce this identification.

WHAT IS EXPECTED OF PROPERTY OWNERS?

Equitable revaluation depends on the cooperation of property owners.

Interior inspections, especially, require that residents cooperate with the property inspectors.

The validity of a market value depends on the collection of accurate data.

Property owners have a stake in the outcome of the revaluation program.

Any assistance a taxpayer can provide will aid in the total data collection process. If there is information you believe should be considered in the valuation, tell the inspector. Better yet, write it down and give the inspector a copy. The municipality and the company assisting in the program will make every effort to cause property owners the least possible inconvenience.

Remember, the property inspectors are not necessarily responsible for developing the market value estimate. Their job is usually to collect pertinent information to be used later to develop the property's value.

WHAT WILL INSPECTORS LOOK FOR?

Inspectors will record such items as the type of interior wall construction, the number of bathrooms, type of heat, central air conditioning, size, and the percentage of finished attic and/or basement areas, in ground pools and number of fireplaces. The exterior inspection includes measurements of each structure, such as garages or other accessory buildings, determination of story height, roof structure, and type of foundation and exterior wall construction. The physical condition of the structure is noted to establish depreciation factors. All factors relative to market value are considered.

Examples of items that are generally not noted would be interior decorations, fences, window air conditioners, gas grills, and lawn furniture.

WHAT IF I'M NOT HOME?

If you're not home on the inspector's first visit, a notice will be left asking you to call for an appointment or indicating the second intended inspection date. A phone number will also be left so that you may call if you have a scheduling conflict. If the representative is unable to inspect your home or if you refuse entry, the interior value will be estimated at the highest level for your property type.

WILL MY TAXES GO UP?

Although a revaluation usually results in a change of nearly every individual assessment, it does not mean that all property taxes will increase. Assessments are the base used to apportion the tax burden. The tax burden is the amount that your municipality must raise for the operation of county and local government and the support of the school system.

To illustrate, assume that a municipality must raise \$10 million from property taxes and that all assessments in the municipality total \$200 million. The municipality's tax rate would be .05 or \$5.00 for each hundred dollars of assessed value.

If the total \$200 million assessment represents one half of the true value of all real property in the municipality, the ratio of aggregate assessments to the aggregate true value of all real property is 50%. Property owners assessed above this level would be paying an unfair share of the tax burden. In our example, a property with a true value of \$80,000 should be assessed at \$40,000 with a property tax payment of \$2000. A property with a true value of \$80,000 and assessment of \$48,000 paying \$2,400 in taxes is overassessed although the assessment is \$32,000 less than the property's true value. The ratio of aggregate assessments to the aggregate true value of all real property is 50%. The ratio of our individual property is 60% (\$48,000 divided by \$80,000).

In this same tax year a revaluation is put into effect and the total assessed value of the municipality is now \$400 million. Although the ratable base (total assessments) would have doubled, the revaluation does not mean an increase in total taxes to be collected by the municipality since the tax rate would decline proportionately.

Applying the tax rate of \$.025 (\$2.50 per hundred of assessed value) to our property's true value of \$80,000, would mean the taxes would decrease to \$2000. True value assessments, obtained through a revaluation program, would have decreased the taxes for the property owner in our example by \$400.

Generally, taxpayers whose properties are underassessed before a revaluation will pay a greater share of the tax burden after a revaluation. This means that their property taxes will increase even if operating costs remain the same. Conversely, taxpayers whose properties are overassessed will pay a smaller share of the tax burden after the revaluation. This means their property taxes will decrease if the total amount to be raised from taxes remains the same.

WILL TAXPAYERS BE INFORMED OF THEIR PROPOSED ASSESSMENT?

When the appraisals are complete, the revaluation firm is required to mail a notice advising each taxpayer of the new appraised value.

WHAT IF A TAXPAYER IS DISSATISFIED WITH THE PROPOSED ASSESSMENT?

The notice of the new appraised value should explain how to arrange for a personal informal hearing with a representative from the revaluation firm to review the proposed assessment. Taxpayers attending the review should be prepared to support any disagreement regarding the appraised value of their property. For example, recent sales of similar or comparable properties are an indication of value. A recent purchase of the property may also help to support a view as to value. Also, the cost of recently constructed comparable buildings could support a belief of fair market value.

WHAT CAN A TAXPAYER DO IF HE IS UNSUCCESSFUL IN HAVING THE VALUATION OF HIS PROPERTY REVISED AT THE INFORMAL HEARING?

If the valuation dispute is not resolved prior to the filing and certification of the tax list on January 10, a formal appeal may be filed with the Ocean County Board of Taxation on or before April 1 of the tax year. The county board of taxation may be reached at:

Ocean County Board of Taxation
118 Washington Street
PO Box 2191
Toms River, New Jersey 08754-2191

Voice – 732.929.2008
Fax – 732.506.5197
Web – www.ocnjtax.com

This information was assembled as a collaborative effort of the Ocean County Board of Taxation, Association of Municipal Assessors of Ocean County and the Local Property Branch of the New Jersey Division of Taxation.