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Alert

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Now Might Be The Time To Consider Filing a Property Tax Appeal

By Thomas J. Sateary, Esq.

On or before February 1st, property owners will be receiving a postcard from their local tax assessor informing them of their 2012 tax assessment and the amount they paid in real estate taxes for 2011. For the vast majority of property owners, this postcard will undoubtedly be a painful reminder of how expensive it was to live in the Garden State last year. Since real estate taxes are tied directly to a property's assessment, it is important to determine if a property's assessment accurately reflects a property's true market value. Understanding a little about the assessment process may help you determine whether your property is over-assessed.

A local tax assessor is required to assess the true market value of a property each year. By statute, the assessing date is October 1 of the preceding year. For example, the assessing date applicable to a 2012 assessment is October 1, 2011. In theory, properties are to be valued at 100% of their true market value. This is usually done by a municipal-wide revaluation or reassessment. If your municipality has completed a revaluation or reassessment, your assessment should reflect 100% of the property's true market value.

It is rare, however, for municipalities to complete revaluations or reassessments on a yearly basis. Instead, each year the Division of Taxation analyzes yearly property sales data, compares the data to the municipal assessments and determines an average level of assessment in the municipality for that year. This is referred to as an "equalization ratio."

The equalization ratio represents the percentage of the true market value of a property. For example, if your property is assessed at \$300,000 and the 2012 equalization ratio for your municipality is 50%, the municipality considers the true market value of your property, as of October 1, 2011, to be \$600,000. The tax assessor, however, is given a 15% margin in determining true market values referred to as the "common level range."

Taxpayers may be able to reduce their assessments if they can show that the market value of their properties exceeds the upper value of the common level range. Using the example above, the common level range for an equalization ratio of 50% is 57.5% (the upper limit) to 42.5% (the lower limit). Dividing the assessment of \$300,000 by the upper limit ratio of 57.5% means that a taxpayer would have to show that his property's true market value is less than \$522,000 to be successful on a tax appeal. A taxpayer should also be aware that the assessor has the discretion (*cont'd* ➔)

to raise an assessment if it is discovered on an appeal that the property's true market value exceeds the lower limit, or in this example, \$706,000 which is the assessment of \$300,000 divided by the lower limit ratio of 42.5%.

The deadline to file a tax appeal is April 1. In municipalities that implemented a municipal-wide revaluation or reassessment, the filing deadline is May 1. These deadlines are strictly enforced and failure to file by that deadline will foreclose a taxpayer's ability to appeal his 2012 assessment. The assessment is presumed to be correct; it is the taxpayer's burden to prove their assessment exceeds the common level range. This is usually done by presenting evidence of comparable sales of other properties or an appraisal done by a certified appraiser.

If you are thinking about filing a tax

appeal, you should ask yourself the following:

1. Did the municipality perform a revaluation or reassessment for 2012? If so, you will need to prove that the true market value of your property on October 1, 2011, is less than your assessment.

2. If your municipality did not perform a revaluation or reassessment for 2012, does the ratio of the assessment to the fair market value exceed the equalization ratio by 15%?

If you can answer yes to either of these questions, you should consider filing a tax appeal.

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The information provided here is necessarily general and is not intended as legal advice or a substitute for legal advice. If you have any questions regarding this Alert, please contact Thomas J. Sateary at tsateary@lindabury.com.



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Before making your choice of attorney, you should give this matter careful thought. The selection of an attorney is an important decision.

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