FREQUENTLY ASKED QUESTIONS

**Question**: What is a Reassessment?

**Answer**: A reassessment is program undertaken by a municipality to appraise all real property within the taxing district according to its market value as of October 1st of the pre-tax year. In this case, your property will be reassessed as of October 1st, 2027.

**Question**: Is there a difference between a Reassessment and a Revaluation?

**Answer**: The most obvious difference is that a Revaluation is performed by an outside vendor, whereas a Reassessment may be performed in-house. While both programs have various technical differences, both result in a re-appraisal of all real property within a taxing district.

**Question**: What is meant by Market Value?

**Answer**: Market value, which has been determined by the New Jersey Tax Court as synonymous with "full and fair value" and "true value", is defined as:

> "The highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
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> 1) Buyer and seller are typically motivated.
> 2) Both parties are well informed or well advised, each acting in what they consider their own best interest.
> 3) A reasonable time is allowed for exposure in the open market.
> 4) Payment is made in cash or its equivalent.
> 5) Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
> 6) The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction."

**Question**: How is my property valued?

**Answer**: Various methods are available for appraising or valuing property. Selection of the proper method depends on the nature of the property and purpose for which the appraisal is made. In appraising real property for taxation, the appraisal must be made in accordance with the basis of real property value recognized by State law, as interpreted by the courts.

Numerous judicial decisions recognize the validity of three (3) methods for estimating property value for tax purposes. The cost of replacement, the market data or sales comparison, and the income approaches to value are used to estimate property value and are given their appropriate weight.

1) The **Replacement Cost Approach** is employed for special use properties, where market data sales are insufficient to establish market value, or for new construction where there is little depreciation. This approach estimates the cost of creating a building with the same or equivalent utility as a similarly developed property, as nearly as current prices and standards of material and design allow. An amount is deducted for wear and tear and age (depreciation). This approach is based on cost per square foot as related to the quality of building materials and workmanship. Land value is then added to the depreciate cost of improvements to get a total property value.
2) The **Sales Comparison Approach** is employed for property types where there is sufficient sales data to arrive at a market value. This is the favored approach for valuation where data can credibly support value. Value is found through a comparison of the subject property with similar properties which have been sold for a known sum of money. The number and size of rooms, quality of materials and workmanship, the property's physical condition and location, and time of the sale are all considered with this approach.
3) The **Income Approach** analyzes the income stream produced by a property to estimate the sum which might be invested to purchase the property in order to receive the benefits of the income stream. New Jersey Courts have held that this approach is the most credible for income producing properties, or those properties generally expected to produce income if such properties are owner-occupied.

**Question**: Why is there a need for a reassessment?

**Answer**: A reassessment program seeks to apportion the tax burden equitably within a municipality. Real property must be assessed at the same standard of value (market value) to ensure that every property owner is paying their fair share of property tax. For example, two properties having essentially the same market value should be paying essentially the same amount in property taxes. Inequitable assessments result from various influences, including but not limited to the following situations:

a. Changes in characteristics in areas or neighborhoods within the municipality and within individual properties that impact the market value of such areas or neighborhoods;
b. Fluctuations in the economy (boom, bust, inflation, recession);
c. Changes in style and custom (desirability of architecture, size, and amenities); and
d. Changes in zoning which can either enhance or adversely affect value.

**Question**: What Is done during a Reassessment program?

**Answer**: Both the interior and exterior of each property are generally physically inspected, and building dimensions are recorded or confirmed during the process. In addition, recent sales of properties are studied and may be adjusted to estimate the value of property that has not been sold. Properties typically purchased for income production are analyzed in terms of income production capability.

**Question**: Will a Reassessment increase taxes?

**Answer**: Although a reassessment will result in an increase of nearly every individual **property valuation (assessment)**, it does **not** mean that all property taxes will increase. Assessments are merely a base used to apportion the tax burden. The tax burden is the amount that the municipality must raise for the operation of County and Local government as well as the school system.

To illustrate, let us assume that the amount a municipality must raise from property taxes is $15 million. The total of all assessments in that municipality is $600 million. In this example, a municipality would have a tax rate of $2.50 per each $100 of assessed value, or 2.5%.

| Amount to be Raised | | Total of Assessments | | Tax Rate |
|---|---|---|---|---|
| $15 Million | ÷ | $600 Million | = | 0.025 or 2.5% |

If the $600 million total of all assessments, as noted above, represents 50% of the true value of all real property in the municipality (representing a Ratio of 50%), property owners assessed above this level would be paying an higher proportional share of the tax burden. For example, a property with a true value of $396,800 and an assessment of $277,800 would have its taxes calculated as follows:

| Assessed Value | | Tax Rate | | Property Taxes |
|---|---|---|---|---|
| $277,800 | × | 2.5% | = | $6,945 |

The property in the above example is over-assessed although the assessment is $119,000 less than the property's true value. The ratio of aggregate assessments to the aggregate true value of all real property in the municipality is 50%. The ratio of our individual property is 70%. ($277,800 ÷ $396,800).

Now assume that in this same tax year a reassessment was put into effect and the aggregate assessed value is now $1.2 Billion. Although the ratable base (aggregate assessments) would have doubled, the reassessment would not have meant an increase in total taxes to be collected by the municipality since the tax rate would have declined proportionately, as is illustrated by the calculation below:

| Amount to be Raised | | Total of Assessments | | Tax Rate |
|---|---|---|---|---|
| $15 Million | ÷ | $1.2 Billion | = | 0.0125 or 1.25% |

Applying the 0.0125 ($1.25 per $100 assessed or 1.25%) tax rate to our example property, which would not be assessed at its true value of $396,800, would mean a decrease in taxes as a result of all assessments based on the true value standard.

| Assessed Value | | Tax Rate | | Property Taxes |
|---|---|---|---|---|
| $396,800 | × | 1.25% | = | $4,960 |

True value assessments (or market value assessments), the goal of a reassessment program, would have decreased the taxes for the property owner in our example. This is based on assumptions within the same tax year. An actual tax rate, however, cannot be determined with any certainty until the new assessments are filed and operating budgets for schools, County and Local government are fixed. Budgets are not completed until several months after the date for filing a tax list.

**Question**: What is expected of Property Owners?

**Answer**: An equitable reassessment depends on the cooperation of taxpayers. Property owners have a stake in the outcome of the reassessment program. Interior inspections, especially, require that residents cooperate with property inspectors. The accuracy of the market value estimate depends on the collection of pertinent data. Any assistance a taxpayer can provide will aid greatly in the total data collection process. The municipality and the persons assisting in the program will make every effort to cause taxpayers the lease possible inconvenience.

Remember, the people making inspections are not responsible for developing the market value estimate. Their job at the time of inspection is not to make a valuation judgment but rather to collect pertinent information to be used in the valuation process. Examples include the number of bathrooms, verifying measurements, interior finishes, and the observed condition of the property to determine effective age.

**Question**: Will Taxpayers be informed of their proposed assessment?

**Answer**: Yes, every taxpayer will receive a mailed notice advising them of a new appraised value prior to the new value being officially listed on the tax rolls. This usually occurs after November 10th and prior to December 31st.

**Question**: What if a Taxpayer is dissatisfied with the proposed assessment?

**Answer**: The notice of a new appraised value will include instructions on how to arrange for a personal informal hearing to review the proposed assessment. A taxpayer planning to attend the review should be prepared to support any disagreement regarding the appraised value of their property and **not** the resulting tax. For example, recent sales of similar or comparable properties are an indication of value. A recent purchase price of the subject property is also a strong indicator of market value. The taxpayer will also want to verify such details as square footage, number of bathrooms, and other amenities of the subject property as well as any comparable sales.

**Question**: What can a Taxpayer do if they are not satisfied after an informal review?

**Answer**: The assessor will file the new reassessment tax list with the County Board of Taxation on January 10th of the tax year (2028). If the matter of valuation is not resolved prior to filing and certification of the tax list, an appeal of a reassessment year valuation may be filed with the County Board of Taxation on or before May 1st, or 45 days after Notice of Assessments are mailed, whichever is later.

While information provided in an informal review may result in an adjustment of theoretically any size, once a matter is filed with the County Tax Board of New Jersey Tax Court, a taxpayer will have to prove a value of their property that is outside of the Chapter 123 (Laws of 1973) corridor. This corridor provides a 15% buffer to assessments before legal action is authorized. Therefore, a taxpayer must prove that their property is worth less than 85% of the reassessment value in order to obtain any relief.