

REAL ESTATE TAX APPEALS CLIENT ALERT

January 2016

Now is the time to review whether you should file a 2016 real estate tax appeal. Contrary to what many individuals and business owners assume, the right to appeal a real estate tax assessment in New Jersey is not limited merely to the owner of the assessed property. Rather, that right also generally extends to other “aggrieved taxpayers” such as tenants, mortgagees and tax sale certificate holders with substantial interests in the property and whose tax payments are adversely affected by the potentially improper assessment.

While many of New Jersey’s commercial, industrial and multi-occupancy property owners have seen signs of an economic rebound, many continue to face financial challenges caused by factors such as deteriorating property conditions, low rental income, and increased vacancy rates. While these problems have a negative impact on a property’s value, they may also support the position that the property has been over-assessed for real estate tax purposes.

If you believe your real property has been over-assessed for 2016, you must file an appeal to contest the assessment by April 1, 2016. If your taxing district has implemented a town-wide reassessment or revaluation, the filing deadline is May 1, 2016. If your property is located in Monmouth County, however, the appeal filing deadline is January 15, 2016.

By February 1, all property owners will have received a Notice of Assessment from the local tax assessor. The assessment on the Notice should reflect the fair market value of the property as of October 1 of the previous tax year -- in this case, October 1, 2015, for the 2016 year. The assessor must express the assessment of property on the Notice in terms of its taxable value. The term “taxable value” is defined as the percentage of true value established by each county board of taxation for all taxing districts within the county. The percentage of true value at which property is assessed varies among the taxing districts. For example, property assessed at \$1,000,000 in a municipality that has an average ratio of 80%, has an equalized fair market value of \$1,250,000 ($\$1,000,000 \div .80 = \$1,250,000$).

During an appeal, once the Tax Court or County Board of Taxation has determined the true market value of a property, it is required to automatically compare the true market value to the assessment. If the ratio of the assessment to the true value exceeds the average ratio by 15%, then the assessment is automatically reduced to the common level. However, if the assessment falls within the common level range, no adjustment will be made. If the ratio of the assessment to true value falls below the common level, the Tax Court or County Board of Taxation is obligated to increase the assessment to the common level.

In most cases, if the taxpayer prevails in securing a tax appeal judgment reducing its assessment, the “Freeze Act” binds the municipality for the years covered by the tax appeal plus two additional years.

McElroy, Deutsch, Mulvaney & Carpenter, LLP, has successfully filed tax appeals, negotiated settlements and litigated tax appeals on a variety of commercial, retail, industrial, hotel and vacant land properties. We can assist you in determining whether you should file a tax appeal. Please contact us if you would like to discuss real estate tax appeals.

For additional information concerning the property tax appeal process in New Jersey, or to schedule a consultation, please contact:

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