NJ (Harvey Cedars)

Property Assessment Appeal Primer

If you're thinking about going to see The Tax Man, then just like a road trip, it's important to know *before* you go. Be aware that there are 3 possible outcomes when you appeal your property assessment <u>and</u> one of them you won't like. The three outcomes are:

1. Your assessment is reduced (Yes!)
2. Your assessment is increased (Bad news!)
3. There is no change (Waste of time/money.)

It is important to note here, before you read any further, that this document is intended explicitly as a primer ONLY, offering simply an explanation of the process and illustrative examples. This document is NOT intended to provide or offer legal advice, or take any position with respect to the appropriateness of any particular tax assessment. The information on this website should not be used in any actual transaction without the advice and guidance of a professional tax adviser or attorney who is familiar with all the relevant facts.

CURRENT ASSESSMENT

It is also important to know that your current assessment is, by law, deemed fair and correct by the **State of New Jersey**. The burden of proving that it is incorrect (i.e., higher than it should be) is on the property owner / taxpayer. So how do you do that? For Harvey Cedars residents, thanks to our tax assessor, Bernie Haney, there are <u>two</u> ways – a formal process and another more informal process. Because it's easier and money-saving we will review the informal method first.

In either case, the only way to appeal your assessment is through the presentation of creditable, and therefore cogent, evidence.

MARKET VALUE

If this were a recipe the most important ingredient in your appeal would be the actual market value or true value of your property. In the case of a formal appeal this can be determined by a (local) professional real estate appraiser who must be certified by the State of New Jersey. For both the informal and formal process **YOU** can elect to be your own 'expert' in demonstrating your property's 'true value' by using <u>recent</u> CLOSED sales prices of <u>comparable</u> properties.

Regarding true value, here's what the Ocean County Tax Board states:

"The Board will not accept as evidence of (true) value the following:

1. *Third party analysis obtained via the Internet without the qualified expert being available to testify.*
2. *News articles, statements of television personalities, or any published real estate market statements and opinions.*
3. *Testimony as to (true) value from realtors, attorneys or third parties that are not New Jersey State Certified or Licensed Real Estate Appraisers."*

For both the formal and informal process, recent sale prices of comparable properties (aka 'comps') are the *sine qua non* of your appeal. Comparable properties are those in which the similarities include:

- Type of home, e.g., cottage, colonial, single-family, duplex, etc.
- Square footage
- General condition, age
- Lot size
- Location – comps should be in your general neighborhood. For example, and specific to HC, consider the proximity to the boulevard, the ocean, or the bay, i.e., are you ocean front, ocean side, on the boulevard, bay side, bay front or lagoon front?
- Any special conditions, e.g., easements, deed or zoning restrictions, which would reduce or increase the property value.

In an interview with HC Tax Assessor, Bernie Haney, he suggested that recent sales should include comps sold <u>within 1 year of your appeal</u>. So, if you are appealing during the summer of 2014, your comps should have sold (closed) during the summer of 2013, or later. You can search recent sale prices in Harvey Cedars, on-line, through the Ocean County Board of Taxation web site using their *SR1a* search engine: http://www.tax.co.ocean.nj.us/TaxBoardSr1aSearch.aspx. Sale prices can be searched by 'All' sales in Harvey Cedars within certain dates and/or by specific Block and Lot numbers, or by using an exact address (including your own). *Note: In a search conducted in 2013, information appeared to go back as far as 2005.*

Photos of your property plus photos of the comps you are using in your appeal are also useful in presenting a cogent argument. Note, you may also be asked to stipulate that no extraordinary issues influenced the sale of comparison properties, e.g., foreclosure, or immanent foreclosure, bankruptcy, and transactions between related parties, etc.

INFORMAL PROCESS

Now, assuming that you have recent sale prices of comps (3 to 5 max) plus photos that strongly support your argument that your property assessment is too high, your next step is to make an appointment to meet with Bernie and present your evidence. Bernie is typically in his Harvey Cedars office (at the municipal building) on Saturday mornings from 9 to 10:30am. Bernie's contact information can be found under the heading 'More Information for Harvey Cedars

Residents' later in this document. Bernie will review your evidence (the comps and photos) with you and, in most cases, he will be able to advise you if the evidence is useful, or if you need to strengthen your argument.

TIMING

The most favorable time of year to present your case is the summer; decisions for appeals presented in the summer are generally forthcoming within a short time, (i.e., before the new tax year, which begins in October). This timetable is useful for the town in that there is no loss of revenue due to decreased taxes collected; instead the town's tax base (HC's ratables) now includes the decision on your appeal – assuming there is a change based on your appeal.

FORMAL PROCESS

If you think you would be better served using the formal process be aware that the more formal process will include some cost (e.g., filing fees, fees charged by a licensed real-estate appraiser and [if you choose] a lawyer). Remember that in the formal process, if you chose to have a professional Appraiser determine the value of your property he or she MUST be present at the hearing to testify about his or her submitted report.

Before you begin either process it is important to bear in mind:

1. An Appraiser or Attorney is NOT NECESSARY for either process, informal or formal (county level). Property owners (as opposed to professional Appraisers and Attorneys) are almost always given significant leeway regarding the evidence they submit. This applies to both the comparables submitted, as well as the property owner's own estimate of the true value of their property.
2. The county will not accept appraisals based solely on internet searches and on-line real estate sites.
3. There are a number of for-profit companies that, for a fee (e.g., $99.00), will provide comparables. These companies are charging a fee for information that the property owner can obtain for FREE on the County Tax Board website – see link on page 3.

4. Remember, if someone provides you with data that you did not obtain for yourself, that person must be present at the hearing, and unless you hire a professional Appraiser, there is no need to pay for data that are available for FREE.
5. All municipalities including HC and the county require you to be up-to-date on all tax payments.
6. You will be appealing your property's assessment and *not* your taxes.

Again, it is useful to determine if your appeal is likely to result in the hoped-for **Outcome 1** and not the dreaded **Outcome 2,** or the waste of time and money **Outcome 3.** So, before moving ahead please review the evidence you have or will obtain regarding the true value of your property. Given that nothing is easy when it comes to 'fighting city hall', knowing that your current assessment is higher than your recent, professionally determined appraisal, or true value, is still not enough. Any change in your assessment is based not only on your appraised value, but on an equalizing ratio and subsequent state-determined value, using specific criteria. These criteria are based on a 'Common Level Range' standard. In determining this common level range the state reviews properties recently sold in the area and compares each individual assessed value with the selling price. Over many comparisons, this results in a range of percentages including a minimum, a maximum and a calculated average value.

For your specific case, your current assessment will be compared to your newly appraised value (or true value), a ratio will be obtained and the state criteria will be applied. The law says that: *"Whenever…the ratio of the assessed valuation of the subject property to its true value exceeds the upper limit or falls below the lower limit of the common level range, it shall revise the taxable value of the property by applying the average ratio to the true value of the property…"* [1]. There are some exceptional scenarios to this rule, which are exemplified below. So, if your comparison ratio turns out to be higher than the maximum percentage in the common level range for your town that's a bingo! You get the desired result and your assessment is reduced by multiplying your true value times the average value (%) of the common level range. More importantly for you, your property taxes will most likely go down.

[1] N.J.S.A. 54:51A-6; N.J.S.A. 54:3-22; N.J.S.A. 54:4-62

Notes to keep in mind regarding the examples used below:

1. For all counties in NJ, the County percentage level = 100%
2. The average percentage for towns changes every Oct 1st for use in calculating taxes for the next year.
    a. For 2014 the common level range for HC* is:
        - Min value = 83.70%,
        - Average value = 98.47%,
        - Max value = 113.24%

*see http://www.state.nj.us/treasury/taxation/lpt/chapter123.shtml. Click on your county (Ocean) then town (Harvey Cedars).

1. Examples of Outcome 1 – **YOU WIN THE APPEAL!**
    a. Scenario I: The percentage from the ratio of assessed value to true value exceeds the upper limit of the common level range:

Let's use the 2014 common level range (83.7% - 113.24%) and average (98.47%) for HC and say the property in question currently has an assessed value of $1,200,000.00. You have demonstrated (using creditable evidence) that the true value of the property is $1,000,000.00.

So, (in percent) the ratio of Assessed Value to True Value = 120%, which is greater than the upper limit (113.24%) of the common level range. By applying the average (%) value for HC your assessed value is now $984,700.00 – see arithmetic below:

- 2014 Common Level Range for HC = 83.70% - 113.24%; Average = 98.47%
- Current Assessed Value of Property = $1,200,000.00
- Newly Appraised, or True Value of Property = $1,000,000.00
- Ratio Assessed Value to True Value = 120%; which is greater than the maximum common level percentage (113.24%)
- New, Reduced Assessment = $1,000,000 x 0.9847 = $984,700.00
    - Your Property Tax Assessment has been reduced by $215,300. Your property taxes would most likely **decrease** proportionally.

b. Scenario II: The average percentage is less than the <u>County</u> percentage and the percentage from the ratio of assessed value to true value is greater than the <u>County</u> percentage.

Let's again use the 2014 common level range (83.7% - 113.24%) and average (98.47%) for HC and this time say the property in question currently has an assessed value of $1,130,000.00. You have demonstrated (using creditable evidence) that the true value of the property is $1,000,000.00.

So, the average percentage (98.47%) is less than the County percentage (100.0%) and the ratio of Assessed Value to True Value is 113.0%, which is greater than the County percentage. Again, by applying the average (%) value, your assessed value is now $984,700.00 – see arithmetic below:

- 2014 Common Level Range for HC = 83.70% - 113.24%; Average Percentage = 98.47%
- Current Assessed Value of Property = $1,130,000.00
- Newly Appraised, or True Value of Property = $1,000,000.00
- The average percentage (98.47%) is less than the County percentage (100%) and the Ratio Assessed Value to True Value = 113.3%, which is greater than the County percentage (100.0%)
- New, Reduced Assessment = $1,000,000.00 x 0.9847 = $984,700.00
    - Your Property Tax Assessment has been reduced by $145,300.00. Your property taxes would most likely **decrease** proportionally.

c. Scenario III: Both the average percentage and the percentage from the ratio of assessed value to true value are greater than the County percentage. In this case we will use a fictitious 2014 common level range (93.85% – 126.97%) and a calculated average percentage (110.41%). As before, the property in question has an assessed value of $1,200,000.00 and continues to have a true value of $1,000,000.00. The average percentage (110.41%) and the ratio of Assessed Value to True Value (120.0%) are greater than the County percentage (100%).

In this scenario, your assessed value is calculated using the County percentage (100.0%) – see arithmetic below:

- 2014 (Fictional) Common Level Range = 93.85% - 126.97%;
  Average Ratio = 110.41%
- Current Assessed Value of Property = $1,200,000.00
- Newly Appraised, or True Value of Property = $1,000,000.00
- Ratio Assessed Value to True Value = 120.0%
- Both the Assessed Value to True Value (120.0%) and the average percentage (110.41%) are greater than County Percentage (100.0%)
- In this case the New, Reduced Assessment = $1,000,000 x 100% = $1,000,000.
  - Your Property Tax Assessment has decreased by $200,000. Your property taxes would most likely **decrease** proportionally.

2. Example of Outcome 2 – **YOU LOSE A FILED APPEAL.**
   a. Scenario IV: The percentage from the ratio of assessed value to true value is less than the lower limit of the common level range. Again, we can use the 2014 common level range (83.70% - 113.24%) and average percentage (98.47%) for HC and property with an assessed value of $800,000.00 and a true value of $1,000,000.00. Now the ratio of Assessed Value to True Value = 80.0%, which is <u>less</u> than the lower limit (83.70%) of the common level range. Your assessed value is now the same as in example 1, or $984,700.00 – see arithmetic below:

- 2014 Common Level Range for HC = 83.70% - 113.24%; Average Percentage = 98.47%
- Current Assessed Value of Property = $800,000.00
- Newly Appraised, or True Value of Property = $1,000,000.00
- Ratio Assessed Value to True Value = 80%; which is less than the minimum common level percentage (83.70%)
- New, Increased Assessment = $1,000,000 x 0.9847 = $984,700.00
  - Your Property Tax Assessment has increased by $184,700.00. Your property taxes would most likely **increase** proportionally.

3. Example of Outcome 3 – **NO CHANGE**.
    - Scenario V: The percentage from the ratio of assessed value to true value falls between within the boundaries the common level range.

      Again, we can use the 2014 common level range (83.70% - 113.24%) and average percentage (98.47%) for HC and using the same property in question which has an assessed value of $1,100,000.00 and a true value of $1,000,000.00. Now the ratio of Assessed Value to True Value = 110%, falls <u>within</u> the 2014 common level range (83.70 – 113.24%). No need for arithmetic. Your assessed value **does not change**.

More Information for Harvey Cedars Residents:
Guidelines regarding formal appeals can be found on the Ocean County Tax Board's web site:
<u>http://www.tax.co.ocean.nj.us/TaxAppeals.aspx</u>

Our HC Tax Assessor is Mr. Bernard Haney. It is important to note that while Mr. Haney does not have HC office hours every day, he DOES have access to all his data when he's in other office locations, and more importantly, he's happy to refer to it at any time to help answer questions. Mr. Haney's contact information:

- E-mail address: bhaney@neptunetownship.org. (best way to contact)
- Phone (Monday – Friday): 732-988-5200, Ext. 248;
- HC address:

  Borough of Harvey Cedars
  7606 Long Beach Blvd.
  P.O. Box 3185
  Harvey Cedars, NJ 08008

Mr. Haney is in his HC office on most Saturdays from 9-10:30am and one Wednesday a month. To ensure he'll be available on the Saturday or Wednesday you're considering a visit, please call Borough Hall at 609-361-6000 to confirm that he'll be around (his schedule is typically available to Borough Staff one month in advance).

APPRAISAL

As indicated earlier, there is a cost associated with a real estate appraisal by a professional. On-line, it says: *"Average costs for an official home appraisal depends on the size of your home and where it is located geographically. Larger homes are more expensive to appraise than smaller homes. Homes in places with higher costs of living will naturally cost more than a home appraisal in a less expensive area. For the average home, it will cost $300 to $600 for a professional home appraisal".* Shore appraisals may be more, based generally higher property values.

You may already have an appraisal. If you are considering obtaining, or have recently obtained an equity loan or line of credit for which your property is collateral, the bank will most probably have required or will require a professional appraisal, so the appraisal expense may be bundled into the closing costs of the loan.

<u>Summary</u>

In addition to the formal process for Harvey Cedars property owners, there is more than one way to "skin the cat". We have the opportunity -- thanks to Bernie Haney -- to review and possibly change our current property assessments in an informal manner.

If you think your property assessment is incorrect (i.e., too high) and you're considering filing a tax appeal:

- Determine whether you want to review your assessment informally with Bernie Haney, or more formally through the county process.
- Obtain recent sale prices for comparable properties (3 to 5 comps).
- In addition:
    - Make sure you have up-to-date information regarding the local (Harvey Cedars) common level range and average percentage. The link to the NJ Department of Treasury, Division of Taxation, by County then Town, above (see "Notes") will get you that information.
    - Plan to obtain what the state calls '<u>creditable</u>' evidence of the true (market) value of your property.

- Remember that if your data were provided through a 3rd party (e.g., a company or someone you hired) either a company representative or your hire <u>must</u> be present at the hearing.

- Check the criteria for success – see the examples above.

Lastly, this is not a definitive review. For best results, make an appointment to speak with our tax assessor. For HC, that's Mr. Haney. It's also a good idea to ask about filing dates, special situations, fees and general advice.

Good luck!

Although the information contained here is presented in good faith and believed to be correct, it is General in nature and is not intended as tax advice. Furthermore, the information contained herein may not be applicable to or suitable for the individuals' specific circumstances or needs and may require consideration of other matters. Any matters set forth herein are not presented for the purposes of promoting, marketing or recommending to another person any transaction or matter addressed in this communication. Please consult an attorney or tax professional (or both) for advice regarding your own specific situation.