

Real Estate Tax Appeals—A Strategy for Cost Reduction

January 1, 2009 | by Jason Rittie

A recent article in the New York Times reported that the requests for property tax appeals “...are coming in record numbers, from owners of \$10 million estates and one-bedroom bungalows, from residents of the high-tax enclaves surrounding New York City, and from taxpayers in the Rust Belt and states like Arizona, Florida and California, where whole towns have been devastated by the housing bust.”* In these tough economic times, many home and business property owners are considering filing a tax appeal to help reduce and control expenses and costs. Generally, property values in New Jersey have dropped and now residential and business properties have become “overvalued.” Consequently, you may be entitled to a reduced property assessment resulting in decreased taxes.

Property Tax Appeals, Where Do I Start?

To find out if you may be eligible for a property tax rebate, first look closely at your real estate tax assessment statement. Does the assessment figure on your current Notice of Assessment reflect the true value of your building and land? If not, you may be eligible for a rebate. Real Estate Tax Appeals must be filed annually on or before April 1 or within 45 days of the bulk mailing of the Assessment Notices. However, if a municipality recently underwent a municipal-wide revaluation or municipal-wide reassessment, an appeal must be filed on or before May 1. In any case, don't wait. Start doing your research and consult with an attorney today to understand your rights and responsibilities under the law.

In addition to the market value of the property, there are other factors that may entitle you to a reduction in your property taxes. Examples:

- **Machinery and equipment.** Under New Jersey laws and regulations, certain items of machinery, apparatus and equipment used in business or industry are excluded from real property assessments. Thus, the real estate must be valued as if these items didn't exist.
- **Transfer of title.** A municipal tax assessor cannot increase a property's assessment merely because it has recently sold for a higher purchase price.

- Legally imposed restrictions. Rent control, Mount Laurel, and Highlands restrictions may justify reductions in assessed valuations.

Are There Special Rules for Commercial Properties?

Yes. If you own rental income property, for example, you must supply an income statement when filing an appeal on special forms provided by the Assessor. The net income generated by a property is used to measure the return on the investment and, accordingly, affects the property value. Of course, this information may be used in arguing both sides of an appeal. An appeal by a business entity, (e.g. partnership, corporation, LLC), must be prosecuted by an attorney admitted to practice law in New Jersey.

To prepare for a tax appeal hearing, there's a great deal any property owner should know, and seeking competent legal advice is crucial to success. There are certain points to keep in mind when filing an appeal according to the **NJ State Guide to Tax Appeal Hearings:**

1. While you may appeal an assessment, you may not appeal the local taxes. Nonetheless, a reduced assessment will result in a reduced tax bill.
2. In order to bring an appeal, taxes and all other municipal charges must be current up to the first quarter of the year and a petition must be filed with your County Tax Board or the New Jersey Tax Court no later than April 1.
3. To succeed in reducing your taxes, you must prove that your property's assessed value is in error, unreasonable, excessive, or discriminatory compared to a market value standard. By law, your current assessment is assumed to be correct and you must overcome this presumption of correctness to obtain an assessment change.
4. An assessment is an opinion of value by a licensed professional. For an assessed value to be considered excessive or discriminatory, you must prove that it does not fairly represent one of two standards: "True Market Value" or "Current Level Range." Our Real Estate attorneys can assist you in evaluating whether to file a tax appeal, and guide you and represent you through the appeal process.

*"Tax Bill Appeals Take Rising Toll on Governments," by Jack Healy, NY Times, July 4, 2009.