

UNDERSTANDING PROPERTY ASSESSMENT APPEALS

A GUIDE TO REGULAR ASSESSMENT APPEALS UNDER *TRUE MARKET VALUE* AND *COMMON LEVEL RANGE* STANDARDS



This information was developed to assist taxpayers in preparing for tax assessment appeal hearings. The instructions and worksheets are intended to be an aid to property owners, but should not be considered as all-inclusive. The general information provided is derived from New Jersey laws governing property assessment appeals: N.J.S.A. 54:3 et seq. and N.J.A.C. 18:12A et seq. These instructions and worksheets are not intended to provide legal advice; taxpayer should rely on professional help if necessary.

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Updated February 2008

PROPERTY ASSESSMENT APPEAL CHECKLIST

BEFORE YOU FILE A TAX APPEAL

- ✓ Read this booklet, “Understanding Property Assessment Appeals”

HOW TO AVOID COMMON MISTAKES

- ✓ File the appeal on or before April 1 of the current tax year, with service to the Tax Board, Municipal Assessor and the Municipal Clerk. In a taxing district where a municipal-wide revaluation or municipal-wide reassessment has been implemented the appeal filing deadline is extended to May 1.
- ✓ Use blue or black ink when completing the appeal.
- ✓ Be sure all information is legible and complete.
- ✓ When completing the petition of appeal form, enter Last Name last.
- ✓ Include filing fee with submission to Tax Board. See Instructions #4
- ✓ Be sure to sign and date the appeal and certification.
- ✓ Include a copy of the “Notice of Disallowance” if you are appealing an item under Section III of the appeal.
- ✓ A separate appeal must be filed for each taxed parcel.
- ✓ While the sale of the property under appeal is evidential, the true market value must be supported by a minimum of three (3) and a maximum of five (5) comparable sales.
- ✓ If not submitted at the time of filing, all supporting documentation must be submitted to the Tax Board, assessor, and the municipal clerk at least seven (7) days prior to the ORIGINAL hearing date assigned.
- ✓ The comparable sales that you submit as evidence of true market value must support the valuation of your property as of October 1st of the year prior to the current.

BE AWARE OF COMMON MISUNDERSTANDINGS

- ✓ Taxes cannot be appealed, as they are a result of the budget process.
- ✓ Comparable assessments are not acceptable as evidence of value.
- ✓ The total assessment is under appeal, the land and improvement components cannot be individually appealed.
- ✓ There is a presumption of correctness in regard to the present assessment. The property owner appealing the assessment must, through the presentation of sufficient evidence of true market value, overcome this presumption to achieve a change in the assessment.

WHAT TO EXPECT AT A PROPERTY ASSESSMENT APPEAL HEARING

The assessment appeal process provides a *check and balance* procedure in the overall assessment process. It aids in furthering the statutory directive of assessing “according to the same standard of practice”. This guide has been created to assist you. It is recommended that you treat the review of its contents as the first step in that process. Should you decide to appeal, the material below provides you with what to expect relating to a property assessment appeal hearing.

NOTIFICATION:

- To comply with the 10-day notification requirements, hearing notices will be mailed to all parties involved at least 13 days prior to the scheduled hearing date. The hearing notice will inform you of the location, date, and time of your hearing.
 - **Location:** All Monmouth County Tax Board hearings are held in the Hall of Records, 1 East Main Street, Freehold Borough, New Jersey.
 - **Date:** Unless the volume of appeals requires additional time, hearings will be scheduled during the months of April, May and June, Monday through Friday.
 - **Time:** You will be assigned to either a morning or afternoon session. Your notification will reflect either a 9:00 am or 1:00 pm arrival time. Scheduled properties will be called in Block and Lot order.

PRIOR TO HEARING:

- Among other rules, found later in this guide, the Tax Board requires that evidence in support of the appeal must be submitted no later than seven (7) calendar days prior to the hearing if not included with the petition of appeal (see additional information later in this guide).

AT THE HEARING:

- When your property is called you will be asked to come forward where you will be sworn-in prior to providing testimony.
- You will then be asked to “state the reasons for your appeal” at which time you can summarize your position, based on the evidence exchanged 7 days prior to the hearing.
- Once you have completed the delivery of your presentation the municipality will have the opportunity to cross-examine your, or your representative’s, presentation of the evidence.
- The municipality will then present its evidence following which you will have the opportunity to cross-examine their presentation.
- Thereafter, the Tax Board Commissioner may request additional information or clarification of facts presented. This will complete the hearing and a judgment, reflecting the Tax Board’s decision on the matter, should be forwarded in July.

IMPORTANT HEARING ROOM RULES:

- To ensure the receipt of testimony, during the hearing, all questions and answers must be directed to the Tax Board Commissioner and the audience is asked to remain courteous and quiet while all testimony is being delivered.
- No food or beverages are permitted within the hearing room.

INSTRUCTIONS FOR FILING PETITION OF APPEAL

1. FILING DATE

- (a) Your appeal must be received (not merely postmarked) by the County Tax Board on or before April 1st of the tax year. In a taxing district where a municipal-wide revaluation or municipal-wide reassessment has been implemented the appeal filing deadline is extended to May 1. An appeal received after the close of business hours on the applicable filing deadline date is untimely filed and will result in dismissal of the appeal. If the last day for filing an appeal falls on a Saturday, Sunday or legal holiday, the last day shall be extended to the first succeeding business day.
- (b) A taxpayer shall have 45 days to file an appeal upon issuance of a "Notification of Change of Assessment".
- (c) In the case where the assessor fails for any reason to mail or deliver a notification of assessment or a change in assessment, the County Tax Board may, upon the written application of the taxpayer and with the approval of the Director of the Division of Taxation, grant a reasonable extension of time to file an appeal.

NOTE: Challenges to an Assessor's Appeal must be recorded by means of a cross-appeal filed by the taxpayer. Otherwise the taxpayer may not be heard or lose standing to appeal further. Consult L. 1987, c. 185 which amended N.J.S.A. 54:3-21 and allows for a cross appeal by a respondent 20 days from date of service of the petition. This would allow a petitioner to go beyond the filing deadline in filing a cross appeal. If the taxpayer does not object to the contents of an Assessor's appeal, he, she or it need not appear at the hearing.

2. SEPARATE APPEALS

Separate appeals must be filed for each taxed parcel unless the County Tax Administrator grants prior approval. Where blanket appeals are approved, separate filing fees still apply.

3. FILING OF PETITION

- (a) The original petition must be filed with the County Tax Board.
- (b) A copy must be served upon the Assessor of the municipality in which the property is located, or, in the event of a municipal appeal, served upon the taxpayer.
- (c) A copy must be served upon the Clerk of the municipality in which the property is located, or in the event of a municipal appeal, served upon the taxpayer.
- (d) A copy should be retained by the petitioner.
- (e) Any supporting documents attached to the original petition shall also be attached to the Assessor and Clerk copies.

NOTE: The taxpayer should be absolutely certain to file a copy of the petition of appeal with both the municipality (the Clerk and the Assessor) and the County Board of Taxation. Failure to properly serve the Petition of Appeal forms **MAY RESULT IN DISMISSAL OF YOUR APPEAL.**

4. FILING FEES (Must accompany original petition of appeal)

- (a) Assessed Valuation less than \$ 150,000 \$ 5.00
- \$ 150,000 or more, but less than \$ 500,000 \$ 25.00
- \$ 500,000 or more, but less than \$1,000,000 \$ 100.00
- \$1,000,000 or more \$ 150.00
- (b) Appeal on Classification \$ 25.00
- (c) Appeal on Valuation and Classification Sum of a and b
- (d) Appeal not covered by a, b or c \$ 25.00

Check should be made payable to “*County Tax Administrator*”.

No fee is required to file a petition contesting denial of application for Veterans and Veteran's/ Serviceman's/ Servicewoman's/ Surviving Spouse deduction, Senior Citizen's or Disabled person's deduction.

5. PAYMENT OF REAL ESTATE TAXES ON APPEAL

N.J.S.A. 54:3-27 provides that a taxpayer who shall file an appeal of an assessment shall pay to the collector of the taxing district no less than the total of all taxes and municipal charges due up to and including the first quarter of the taxes and municipal charges assessed against him for the current year. Failure to comply with this provision may result in a dismissal of the Petition of Appeal.

6. ADJOURNMENTS

Tax appeal hearings are held annually beginning after the filing deadlines and until June 30. Hearings are scheduled Monday through Friday between the hours of 9:00am and 5:00pm. No adjournments will be granted except for extraordinary reasons. If an adjournment is granted, unless specific authorization is given by the Tax Administrator, delivery of ALL evidence including comparable sales must be made seven (7) days prior to the ORIGINAL hearing date assigned.

7. REPRESENTATION AT HEARING

- (a) A taxpayer must be present at the hearing or be represented by an Attorney-At-Law admitted to practice in the State of New Jersey.
- (b) In the event the petitioner is a business entity other than a sole proprietor, its appeal must be prosecuted by an Attorney-At-Law admitted to practice in the State of New Jersey.

8. DISCRIMINATION

In real property assessment cases, a claim of “Discrimination” charges that the assessed-to-market value ratio being applied to the subject property is in excess of what is legally permissible. N.J.S.A. 54:3-22(c) to (f) requires that whenever the County Board finds that the ratio of assessed value to true value of property under appeal exceeds the upper limit or falls below the lower limit by 15% of the average ratio for each municipality, the County Board shall revise the assessment by applying the average ratio to the true value of the property. Petitioner who alleges discrimination other than discrimination under N.J.S.A. 54:3-22(c) to (f) (Chapter 123) must so specify in the Petition of Appeal. PLEASE SEE *Introduction to Chapter 123* beginning on page 6 of this booklet for additional information regarding the use of Chapter 123 calculations.

Important Note: The Chapter 123 test is not utilized in the year of a revaluation. In the year of a revaluation there is no “range of permissible values” because the *total assessed value* must equal the *true market value*.

9. SUPPORTING PROOF AND PROCEDURES: ONLY THE ASSESSED VALUE CAN BE APPEALED-NOT THE AMOUNT OF TAXES ON YOUR PROPERTY

The assessment value placed on the property by the Assessor is presumed to be correct, and it is the taxpayer's burden to overcome that presumption by presenting sufficient proofs of market value. In order to determine the taxable value of your property, you must demonstrate what the market value of your property was as of October 1st, of the preceding year. Thus, the petitioner should be prepared to present adequate evidence to support a tax assessment revision as follows:

(a) APPRAISALS

1. A party intending to rely on expert testimony shall furnish to the Board three (3) copies of a written appraisal report and shall furnish one copy of the report to each opposing party at least seven calendar days prior to the hearing. If the taxpayer is relying upon the report of an appraiser as evidence, the appraiser must be present to testify and be cross-examined. Otherwise the contents of the report will not be considered by the Board if objected to by the municipality. If you intend to use an expert appraisal witness in your tax appeal, please take notice that under N.J.S.A. 45:14F-21, an appraisal submitted in the context of a tax appeal must be performed by a State licensed or certified appraiser.
2. If the municipality intends to rely on its Assessor or a representative of a revaluation company as its expert and if such testimony will involve data and analysis which is not reflected on the property record card, the municipality shall furnish to the Board copies of a written report reflecting such data and analysis and shall furnish one copy of the report to each opposing party at least one week (seven calendar days) prior to the hearing.
3. The Board, at its discretion and in the interest of justice, may waive the requirements for the submission of written reports.
4. At the request of the taxpayer, the municipality shall also furnish that party with a copy of the property record card for the property under appeal at least one week (seven calendar days) prior to the hearing.

(b) COMPARABLE SALES

A minimum of three (3) but not more than five (5) comparable sales shall be submitted to the Assessor, Clerk and County Tax Board, no later than one week (seven calendar days) prior to the hearing if not included with the petition of appeal. The dates of the comparable sales to be introduced in evidence should precede October 1st of the pre-tax year or should be within a reasonable period following October 1st, but no later than December 31. If the property is a one to four family residential dwelling, the taxpayer or the witness should be prepared to present sales of residential properties comparable to the subject property and be knowledgeable of the conditions of the sales and nature of the properties. If the property is vacant land, the taxpayer should be prepared to present sales of vacant land comparable to the subject property in size, quality, and location. The taxpayer may not separate the value of the land from that of the improvement. The Board must consider the total aggregate assessment. The information regarding each comparable sale shall include the block, lot, sale price and deed date.

NOTE: Comparable assessments are not acceptable as evidence of value and not all sales are usable. Only transactions that have a sale price that reflects the true market value of the property are usable as comparable sale evidence.

(c) STATEMENT ACCOMPANYING PETITION OF APPEAL FOR INCOME PRODUCING PROPERTY

There shall be attached to a petition appealing an assessment of a commercial, industrial or multi-dwelling property (more than a four family dwelling) an itemized statement showing the amount and source of all income and expenses with respect to such property for the most recently completed accounting year and for such additional years as the Board may request.

(d) OTHER DATA

Subject to the Board's discretion, you may present other relevant information concerning the property under appeal, such as, but not limited to photographs, survey, cost data, etc. The taxpayer may present testimony of a professional appraiser or any other witness who has knowledge of relevant facts. If the taxpayer wishes to introduce other relevant evidence which is provided by someone other than the witness for the taxpayer, that person must also be present to testify and be cross-examined. Otherwise, that evidence will be rejected by the Board if objected to by the municipality. The taxpayer may also present evidence of age, condition, location, encumbrances, easements and such other factors affecting value.

If the taxpayer has failed to respond within the time provided by the rules and Statutes concerning demands for discovery by the municipality (such as interrogatories or income and expense statements, etc.), testimony regarding those facts may be excluded from evidence upon objection by the municipality.

10. SIGNATURE AND CERTIFICATION OF SERVICE

The petitioner's signature or the petitioner's attorney is required to certify as to the truth of the statements in the petition and to the proof of service of the copies to the municipal Assessor and Clerk (or to the taxpayer in the case of a municipal appeal).

11. SETTLEMENTS

A settlement agreed upon between petitioner and respondent must be approved by the County Board and must reflect whether the assessor agrees with the settlement. Proposed stipulations containing the settlement terms must be executed on forms available at the County Board office and when appropriate, include market value evidence (comparable sales) in support of the proposed change. Settlement stipulations must be signed by all parties or their representatives (municipalities must have attorney's signature). If the Board approves the settlement, the Board will enter judgment incorporating the settlement. If the Board disapproves the settlement, the Board will notify the parties of this fact and will schedule a hearing for the appeal.

12. FILING COMPLAINT WITH TAX COURT

By law, the Tax Board must hear and determine all appeals within three (3) months of the last day for filing appeals, typically April 1st, unless the Director of the Division of Taxation grants an extension beyond June 30th. Judgments are issued shortly thereafter. The judgment of the County Board of Taxation may be appealed to the Tax Court of New Jersey by filing a complaint with the Tax Court Management Office within forty-five (45) days from the date of the service of the judgment (date of mailing). The Tax Court of New Jersey is located at the:

Richard J. Hughes Complex, 25 Market Street, Trenton, New Jersey.
Mailing address: CN 972, Trenton, New Jersey 08625-0972.

INTRODUCTION TO CHAPTER 123

The simple goal of the “Chapter 123 property assessment test” is to verify that the relationship between your *total assessment* and your *true market value*, as viewed as a ratio or percentage, is within an acceptable range of the *Common Level* for your municipality. If it is not, then the current assessment is viewed as either too high or too low and will be adjusted accordingly. The Chapter 123 test relies upon the accuracy of the *estimated true market value* established for the property under review. Accordingly, true market value estimates should be realistic and derived from recent sales of comparable properties. Within the appeal setting, the determination of the *true market value* is the primary goal of the hearing officer. *Chapter 123* is not used in the year of Revaluation or Reassessment. In the year of a revaluation or reassessment there is no “range of permissible values” because the *total assessed value* must equal the *true market value*.

CHAPTER 123 CALCULATIONS

The target of the revaluation process is to set each individual assessment so that it equals the property’s true market value. See *Figure 1* below.

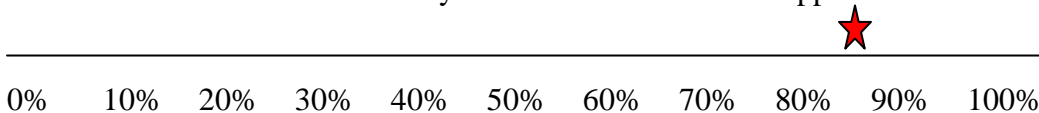
FIGURE 1. *Total assessment equals true market value*



In the year of a revaluation, where the *total assessment* must equal the *true market value* of the property, if a taxpayer proves, through the presentation of credible market value evidence, that the *true market value* of the property is different than the *assessment*, by any amount, then the *total assessment* will be changed to equal the *true market value*.

In the years following a revaluation the relationship between the *total assessment* and the *true market value* change. This change is due to the fact that, unless changes are made to the physical structure, the *total assessment* remains unchanged from one year to the next, while the *true market value* of the property or *what you would sell it for* changes over time. See *Figure 2* below.

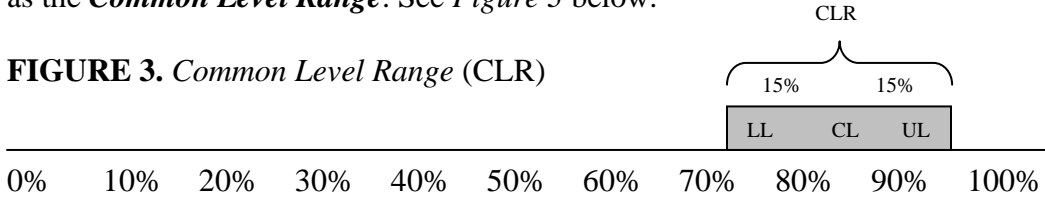
FIGURE 2. *Common Level after years of true market value appreciation.*



To track the changes in the relationship between the static *total assessment* and the changing *true market value*, each October all property sales that have occurred within a taxing district are analyzed. The individual ratios are used to determine an *average ratio* for the municipality. This *average ratio* is referred to as the municipality’s *Common Level*. The *Common Level* represents the appropriate percentage of *true market value* for all *assessments* within the municipality.

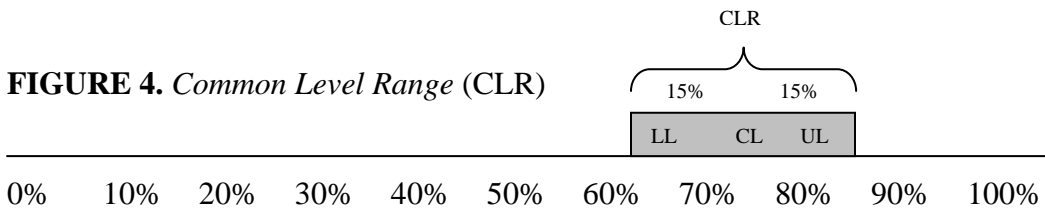
The Courts have held that where it is impossible to have every property assessed exactly at the *common level*, it is reasonable to require that all properties are within a “reasonable range” around the municipality’s *Common Level*. In 1973 the New Jersey Legislature adopted a formula know as *Chapter 123* to test the fairness of an assessment, standardize the application of the “reasonable range” concept, and determine appropriate adjustments, if any, to assessments under appeal.

In accordance with State law, **N.J.S.A. 54:3-22**, the “range” of permissible ratios is 15% of the *Common Level* both above and below the *Common Level*. This area, between the **Lower Limit** and the **Upper Limit**, is known as the **Common Level Range**. See *Figure 3* below.



Common Level (CL) = **84.94%**
 Lower Limit (LL) = .8494 x .85 = **72.20%**
 Upper Limit (UL) = .8494 x 1.15 = **97.68%**

Again, as years pass, the *Common Level* continues to change as does the *Common Level Range*. See *Figure 4* below.



Common Level (CL) = **75.46%**
 Lower Limit (LL) = 75.46% x .85 = **64.14%**
 Upper Limit (UL) = 75.46% x 1.15 = **86.78%**

Simply put, your assessment is appropriate if the ratio of your *total assessment* to the *true market value* of your property (assessment / true market value = ratio) falls within the *Common Level Range* for your municipality (See **Common Level Range Table** annexed hereto). If the ratio is below the *Lower Limit of the Common Level Range* the *total assessment* should be raised and if the ratio exceeds the *Upper Limit of the Common Level Range* the *total assessment* should be lowered.

DETERMINING THE APPROPRIATENESS OF YOUR ASSESSMENT UNDER CHAPTER 123

It is suggested that you perform a “test” of the appropriateness of your assessment by initially estimating your *true market value* and working through the steps that follow.

The good news is that 4 of the 5 figures needed to perform the Chapter 123 test have already been compiled; only your estimate of true market value is needed. Included in this handout is a table that provides you with the *Common Level* and the corresponding *Lower Limit* and *Upper Limit* ratios that make up the *Common Level Range* for each of Monmouth County’s 53 municipalities. See *Common Level Range Table*. Your *total assessment* is public information and can be obtained from your *Notification of Assessment Postcard* that is mailed on or about February 1st of each year, your local municipal Assessor, the Monmouth County Tax Board at <http://oprs.co.monmouth.nj.us/oprs/index.aspx>, or the *records search* section of the *New Jersey Association of County Tax Boards* website at <http://njactb.org>.

EXAMPLE #1: Within Common Level Range: No Change in Assessment

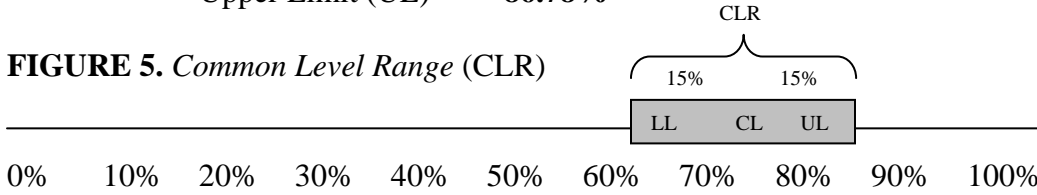
Step 1: For this example we will again use 75.46% as the *Common Level* and develop the Upper and Lower Limits (see *Figure 4* above).

Common Level (CL) = **75.46%**

Lower Limit (LL) = **64.14%**

Upper Limit (UL) = **86.78%**

FIGURE 5. *Common Level Range (CLR)*



Step 2: Confirm your *total assessment*
(For this example we will use \$500,000)

$$\frac{\$500,000}{\text{(Total current assessment)}}$$

Step 3: Estimate your *true market value*
(For this example we will use \$625,000)

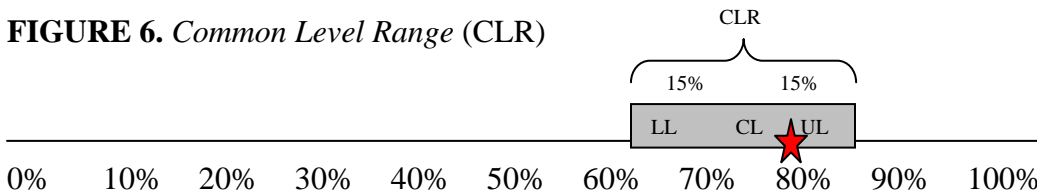
$$\frac{\$625,000}{\text{(Estimated true market value)}}$$

Step 4: Calculate the “*Estimated Property Ratio*” by dividing your *total assessment* (from Step 2) by your *estimate of true market value* (from Step 3).

$$\text{Estimated Property Ratio} = \frac{\text{Total assessment}}{\text{Estimated true market value}} = \frac{\$500,000}{\$625,000} = \mathbf{80\%}$$

Step 5: Plot your *Estimated Property Ratio* (from Step 4) against the *Common Level Range* established earlier (see *Step 1, Figure 6*)

FIGURE 6. *Common Level Range (CLR)*



Example #1 Conclusion. The 80% ratio of *total assessment* to *estimated true market value* falls within the *Common Level Range* of the municipality. As such, the assessment is deemed to be appropriate and no adjustment is necessary.

EXAMPLE #2: Above Common Level Range Upper Limit: Lower Assessment

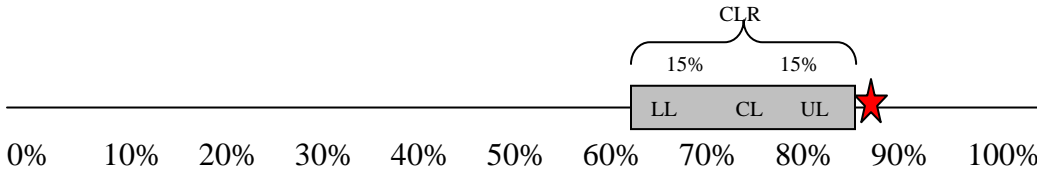
For this example we will again use the following:

Common Level (CL) = 75.46%, Lower Limit (LL) = 64.14%, Upper Limit (UL) = 86.78%

But we will change the *total assessment* and the *estimated true market value* as shown:

Total current assessment = \$380,000
 Estimated true market value = \$425,000
 Estimated Property Ratio = \$380,000 / \$425,000 = **89.41%**

FIGURE 7. Showing *Common Level Range* (CLR) and Property Owner’s Ratio (POR)



Example #2 Conclusion. The 89.41% ratio of *total assessment* to *estimated true market value* exceeds the *Upper Limit* of the *Common Level Range* of the municipality (86.78%). As such, the assessment is revised (lowered) by multiplying the *estimated true market value* by the *Common Level*.

$$\frac{\$425,000}{\text{True Market Value}} \times .7546 \text{ Common Level} = \$320,705 \text{ Revised Total Assessment}$$

EXAMPLE #3: Below Common Level Range Lower Limit: Increase Assessment

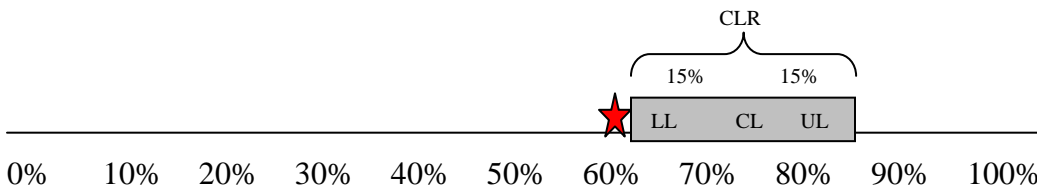
For this example we will again use the following:

Common Level (CL) = 75.46%, Lower Limit (LL) = 64.14%, Upper Limit (UL) = 86.78%

But we will change the *total assessment* and the *estimated true market value* as shown:

Total current assessment = \$840,000
 Estimated true market value = \$1,350,000
 Estimated Property Ratio = \$840,000 / \$1,350,000 = **62.22%**

FIGURE 8. Showing *Common Level Range* (CLR) and Estimated Property Ratio



Example #3 Conclusion. The 62.22% ratio of *total assessment* to *estimated true market value* falls below the *Lower Limit* of the *Common Level Range* of the municipality (64.14%). As such, the assessment is revised (increased) by multiplying the *estimated true market value* by the *Common Level*.

$$\frac{\$1,350,000}{\text{True Market Value}} \times .7546 \text{ Common Level} = \$1,118,710 \text{ Revised Total Assessment}$$

