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FRIDAY, MARCH 28, 2008 THE PRESS OF ATLANTIC CITY

A Lawyer's Perspective

ABCs of filing a tax appeal

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When considering filing a real estate tax appeal, start your decision process by making sure that you meet the deadline. A real estate tax appeal must be filed in most municipalities by New Jersey's statutory deadline of April 1. That deadline may be extended by the county board of taxation so check with the property municipality's tax assessor or your county board, if you have a question about the deadline. Sometimes, the deadline is postponed if a revaluation was implemented in your municipality for the current tax year.

Next, contact the tax assessor in the municipality in which the property is located and request a copy of the property record card. Verify the size and other details on that property record card. Physically measure the property or, if it is a large commercial property, compare the property record card to "as built" drawings or final survey/site plan. Provide the marked-up property record card to your attorney and/or appraiser if you decide to file an appeal.

If the subject property is an income producing property, verify that you had responded to a request made by the municipal assessor, during the previous year for income-expense data under Chapter 91. If you did not respond, consult an attorney because your appeal may be dismissed due to that failure.

Then, ask yourself, what could I sell that property for (Market Value) on Oct. 1, 2007? That is New Jersey's statutory date of value for tax assessments for 2008. To obtain the most accurate estimate of market value, hire a state-regulated real estate appraiser with expertise in your property type.

Compare the market value to the "true value" or "equalized value" of the assessment. To determine equalized value, divide the current total assessment by the Director's Average Ratio for the property's municipality. The Director's "Average Ratio" for each municipality in the state is found at http://www.state.nj.us/treasury/taxation/pdf/lpt/chap123/chapter123statewide.pdf

Alternately, you may find the Director's Average Ratio posted on either the county board of taxation website or the municipal tax assessor's website. If not, then call those offices and ask for the Director's Average Ratio for Tax Year 2008 for that municipality, as well as the "upper limit" and "lower limit" of that Ratio.

Divide the current assessment by the market value and compare the results to the upper and lower Limits. If the result exceeds the upper limit, you may be eligible for a reduction in assessment. If the result falls below the lower Limit, the municipality can increase your assessment, but only if you file a tax appeal.

At last, calculate the real property taxes you would pay if the assessment were based on market value by multiplying that value by the Director's Average Ratio for the municipality and the result by the rate for the tax year under appeal. That rate is generally not set until the summer and, in a revaluation year, may be significantly different from the prior year. Then, compare that figure to the property taxes you would pay under the current assessment. If you are not able to complete the appeal process by yourself, subtract the cost of an appraisal and legal fees from this estimate of tax savings. The bottom line is your net property tax savings.

Finally, step back and look at the forest by doing a cost-benefit analysis. Does the net tax savings justify the time, effort and risk? Most of all be realistic. Don't think that you can obtain a reduction in assessment unless you can provide the above proofs.

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