

REAL ESTATE Connection

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A Lawyer's Perspective

We have met the people who can reform the NJ property tax system – and they is us

BY DENNIS SCARDILLI

New Jersey's real property tax system is to the state's property taxpayers as the Okefenokee Swamp was to the Pogo People. It's where we live and when Pogo's creator, Walt Kelly, created his famous 1970 Earth Day poster, he gave us all an "ah ha!" moment.

No, I'm not talking about changing the state's property tax system through finding your inner self. Instead, I am raising the question of whether there are existing laws, procedures and issues that tenacious taxpayers and elected officials can use to make a dent in property tax bills. Implied in this question is whether the use of such existing laws can lead to incremental changes in those statutes that can then allow property tax reform to be digested through small bites instead of through a gargantuan feast of comprehensive proposals.

Two years ago, Governor Corzine called the state legislature back into session during the summer recess to reform the system that has given New Jersey the dubious distinction of having the highest property taxes in the nation. The legislature held numerous hearings and produced reports, but we're still number one.

So where is property tax reform today? Are there property tax reform proposals on the horizon? Are there any out-of-the-box ideas out there? As most of you are reading this article, I will be moderating a panel discussion of these questions by a distinguished group of state and local government officials at the annual conference of the New Jersey Association of County Tax Boards in Cape May.

Sen. James Whelan, former Mayor of Atlantic City, and Assemblyman Douglas

Fisher, Asst. Majority Whip of the State Assembly, will kick off the session with the present status of property tax reform.

One of the driving forces behind property taxes is public school funding, which is manifested in property taxes through a combination of the School Aid Formula and Director's Ratios. The School Aid formula has historically been used to determine the amount of state school aid to municipalities and the Director's Ratio has historically been part of that determination. The Director's Ratio is also used to determine who wins tax appeals. The legislature's reform proposal called for a wealth-based formula and the Governor modified that proposal with direct state funding for special needs education. Carol Fredericks, Atlantic City's Business Administrator was formerly the assistant business Administrator for the City's School System and she will talk about how the new School Aid formula changes the rules of the game.

To paraphrase Rodney Dangerfield, AC's taxpayers "just wana' get some relief." And, it looks like they will get it. Tax bills went out this month and, for the first time in the state's history, property taxes will be based on the Revaluation Relief Act of 1993.

The who, what, where, why and how of the Reval Phase-in will start off with a presentation by Marc Pfeiffer, Deputy Director of Local Government Services at the NJ Department of Community Affairs. This technical maven was the state's go-to guy who worked closely with AC's no-nonsense Auditor, Ken Moore, CPA of Swartz & Co. Pfeiffer will focus on policy and Moore will go through the technical calculations and quantify the Reval Phase-in's effect on indi-

vidual taxpayers. Carol Fredericks will discuss working this program through the legislative and bureaucratic steps necessary for approval.

Sen. Whelan will touch on the Reval Phase-in law and then segue into how his successful Bader Field legislation includes oversight of the city's sale of that municipal property along with a trust fund for property relief to be created from the proceeds of that sale. He will be joined by Marc Pfeiffer, who is also staff to the state's Local Finance Board, the agency that will oversee the sale of Bader, and the use of the trust fund. Ken Moore will address the plan that the City must submit to the Local Finance Board to implement that fund.

After all panel members have made their presentations, members of County Boards of Taxation, tax assessors and other public officials in attendance will have an opportunity to question, and interact with, the panelists. These front-line officials will also have an opportunity to express their thoughts on whether statewide property tax reform could be implemented through the types of innovative programs discussed above instead of comprehensive approach.

Stay tuned. Next week, I'll fill you in on the results of what will undoubtedly be a fascinating discussion.

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