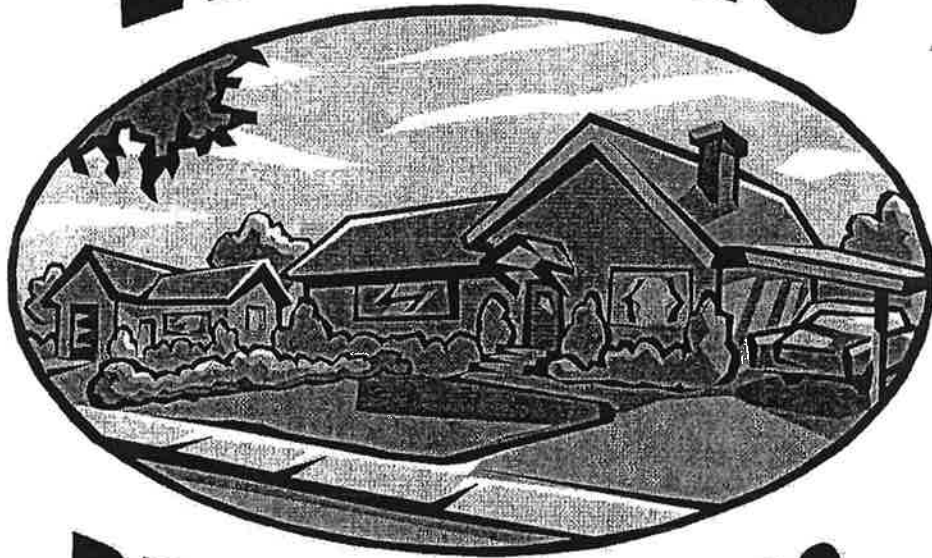


WHAT IS



REVALUATION?

An understanding of why a revaluation is undertaken; how it will be accomplished; and what does an increase in assessments mean are questions that should be addressed. Many misconceptions associated with a revaluation can be dispelled if taxpayers are properly informed. Sound assessment administration depends on the understanding and support of a revaluation program.

REVALUATION QUESTIONS WITH ANSWERS

have an influence on value will be gathered, reviewed and analyzed in order to make a proper determination of each property's full and fair value.

WILL A REVALUATION INCREASE TAXES?

Although revaluation will result in an increase of nearly each individual assessment, it does not mean that all property taxes will increase. You might now be thinking, "How can my assessment increase and my taxes not go up?" Remember, assessments are merely a base used to apportion the tax burden. The tax burden is the amount that your municipality must raise for the operation of county and local government and support of the school system.

To illustrate, let us assume that the amount a municipality must raise from property taxes is \$10 million dollars. The total of all assessments in that municipality is \$200 million dollars. In this example, a municipality would have a tax rate of \$5 dollars for each \$100 dollars of assessed value.

Amount to be raised from property taxes	/ Total of Assessments	= Tax Rate
\$10 Million dollars	/ \$200 Million dollars	= .05 or \$5 dollars per \$100 dollars of assessed value

If the \$200 million dollar total of all assessments, as noted above, represents 50 percent of the true value of all real property in the municipality, property owners assessed above this level would be paying an unfair share of the tax burden. For example, a property with a true value of \$80,000 dollars and an assessment of \$48,000 would have its taxes calculated as follows:

Assessed Value	X	Tax Rate	= Taxes
\$48,000	X	.0500	= \$2,400

The property in our example is overassessed although the assessment is \$32,000 less than the property's true value. The ratio of aggregate assessments to the aggregate true value of all real property in the municipality is 50 percent. The ratio of our individual property is 60 percent. ($\$48,000 / \$80,000$).

Let us assume that in this same tax year a revaluation was put into effect and the aggregate assessed value is now \$400 million dollars. Although the ratable base (aggregate assessments) would have doubled, the revaluation would not have meant an increase in total taxes to be collected by the municipality since the tax rate would have declined proportionately, as is illustrated by the calculation that follows:

process. The municipality and the company assisting in the program will make every effort to cause taxpayers the least possible inconvenience.

Remember, the people making the inspections are not necessarily responsible for developing the market value estimate. Their job at the time of an inspection is being made is not to make an instant judgement as to valuation, but rather to collect pertinent information to be used in the valuation process.

WILL TAXPAYERS BE INFORMED OF THEIR PROPOSED ASSESSMENT?

The revaluation firm is required to mail each taxpayer a notice advising him of the new appraised value.

WHAT IF A TAXPAYER IS DISSATISFIED WITH THE PROPOSED ASSESSMENT?

The notice that includes the appraised value will also explain how to arrange for a personal informal hearing to review the proposed assessment. A taxpayer planning to attend the review should be prepared to support any disagreement regarding the appraised value of his property. For example, recent sales of similar or comparable properties are an indication of value. A recent purchase price of the property may also help to support a view as to value. Also, the cost of recently constructed comparable buildings could support a belief of fair market value.

WHAT CAN A TAXPAYER DO IF HE IS UNSUCCESSFUL IN HAVING THE VALUATION OF HIS PROPERTY REVISED AS A RESULT OF ATTENDING THE INFORMAL HEARING?

The tax assessor will file the new tax list with the County Board of Taxation on January 10 of the tax year. If the matter of valuation is not resolved prior to filing and certification of the tax list, an appeal may be filed with the County Board of Taxation on or before April 1 of the tax year. If the taxpayer is not satisfied by the decision of the County Board of Taxation, an appeal may be filed within 45 days to the New Jersey State Court.

INTRODUCTION-VALUATION STANDARDS

The State Constitution at Article VIII, Section 1, Paragraph 1 requires property to be assessed for taxation "under general laws and by uniform rules" and that all real property, except for agricultural or horticultural land, must be assessed "according to the same standard of value." Qualified Farmland is assessed on its productivity and agricultural use rather than its value for any other purpose. New Jersey statute N.J.S.A. 54:4-2.25 defines the standard of value as the true value of property. True value has been the legal standard for property assessment in New Jersey since 1875. N.J.S.A. 54:4-2.3 directs the assessor to "...determine the full and fair value of each parcel of real property situated in the taxing district at such price as, in his judgment, it would sell for at a fair and bona fide sale by private contract on October 1..." New Jersey courts have held "true value," "market value," and full and fair value" to be synonymous.

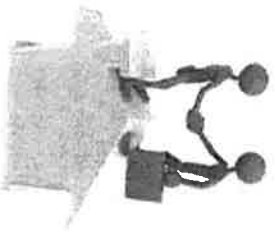
TRUE MARKET VALUE

"Market value" may be defined as, "The most probable price in terms of cash or cash equivalency which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, each acting in what

helps considers his/her own best interest.

- A reasonable time is allowed for exposure in the open market.
- Payment is made in cash or its equivalent.
- Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
- The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction."



TAXABLE VALUE

By law at N.J.S.A. 54:4-2.26, property is assessed for taxation at a percentage of its true value set by each County Board of Taxation. All 21 counties in New Jersey have chosen 100% as the level at which property is to be assessed for local tax purposes.

FREQUENTLY ASKED QUESTIONS

1. **What is a revaluation?**
A revaluation is an adjustment, update, or revision of all real property values within a municipality. A revaluation is performed by a professional appraisal firm contracted by the municipality.
2. **Why is a revaluation needed?**
Revaluation is needed when properties in a municipality are not being assessed at the same rate of value or are being assessed substantially below or above the uniform value standard for real property required by the State Constitution.
3. **What is the purpose of a revaluation?**
The purpose of a revaluation is to distribute the tax burden among property owners equitably according to the true worth of their real estate.
4. **What factors determine whether a revaluation is needed?**
Statistical data, i.e., the municipality's Average Assessed Value to True Market Value expressed as a ratio and Coefficients of Deviation, useable sale prices fall outside of the common level range of assessment (c. 123 corridor); other indicators such as changes in characteristics of a municipality or neighborhoods; style and custom changes in architectural design or property size; the year of the last revaluation; zoning changes; accuracy of property record info; revenue lost through appeals; and economic fluctuations.
5. **What is an Average Assessed Value to True Value Ratio and a Coefficient of Deviation? How are they used for revaluation?**
The Ratio: A property valued for tax purposes at \$200,000 sells on the open

market at a bona fide sale for \$250,000. The property's taxable assessed value to true value sales ratio is 80%, i.e., is assessed at 80% of its true market value. The assumption is that the assessed values of properties sold represent the assessment practice in the municipality. That is, if the assessed values of the properties sold average 80% of the sales prices, then all similar properties in the municipality are assessed at 80% of their true market value.

An Average Assessment-Sales Ratio (also known as the Director's Ratio) is developed for each of the 565 municipalities in the State. A continual decline of Assessment-Sales Ratios in a municipality from the 100% level established by New Jersey's 21 County Tax Boards may indicate a need for revaluation. A Director's Ratio of 85% or less denotes noncompliance with the true market Value standard.

A low Ratio means that property is under assessed. But it doesn't necessarily mean the tax burden is unevenly distributed. It may be that all properties are under assessed at about the same level.

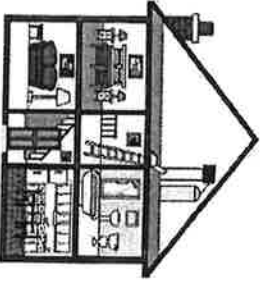
The Coefficient of Deviation: The COD is a measure of the level of uniformity or of variation of assessments within a municipality. It is the average deviation of individual assessment-sales ratios from the overall Average Assessment Sales Ratio of all sales in a municipality expressed as a percent. The current acceptable figure for CODs is 15% or less.

When the Ratio/CODs are at unacceptable levels, it means some properties are assessed higher or lower than they should be and aren't paying their fair share of taxes.

6. **Who decides whether a revaluation will be performed?**
A municipality may itself decide to revalue the property inside its boundaries or the County Board of Taxation may order a municipality to do so. The Division of Taxation and also the courts are empowered to order a revaluation if the situation warrants it.

However, before any revaluation can proceed it must be approved by the State Division of Taxation.

7. **What happens during a revaluation?**
Revaluation firm personnel will visit your property to gather information and must present a photographic identification card. The interior and exterior of each property is physically inspected. Photographs and measurements of the outside of the property are taken. The square foot of living space is calculated; also noted are basements and attics and if finished/unfinished; heating/cooling systems; the condition of the structure; the number and condition of kitchens, bathrooms, bedrooms; and additional amenities such as porches, decks, garages, fireplaces, pools, saunas, and outbuildings.



In a revaluation, at least 3 attempts are required to be made by the firm to inspect the interior of the property. If no entry is gained on the first visit, a card

will be left indicating the date of an intended second visit with a phone number and other contact information so that the property owner can make alternate arrangements. If a third visit to inspect the interior is unsuccessful, the value will be estimated. It's to your advantage to permit the firm to inspect the property's interior so the data and the resulting value are accurate.

8. **How long will my inspection take?**
It will only take a few minutes. Inspectors do not value the property; they collect property data to be analyzed later.

9. **Who determines my property value?**
A revaluation firm is an extension of the municipal assessor. Although revaluation firm personnel make the initial property value determinations, the assessor reviews the values for completeness and correctness and makes or approves the final determinations.

10. **Will my property taxes go up after revaluation?**
Property revaluation does not automatically mean higher taxes. The property taxes you pay are a result of county, municipal, and school budget costs. Revaluation may result in an increase of individual property values. Assuming budget requirements remain the same, where property values trend upward, the rate used to calculate the taxes generally goes down.

11. **Will I be notified of my new value?**
Firms must provide property owners with a written notice of the proposed appraised (assessed) value of their property and of their right to attend an informal value review with the firm. This is an important opportunity to review your property data with the firm and eliminate the need for a possible appeal later on.

12. **What if I disagree with the new value after informal review?**

Appeals may be filed with the County Board of Taxation by May 1. Revaluation firms are obligated to assist municipalities in defending value appeals resulting from a revaluation they've conducted. Appeal Forms are found on the Division of Taxation's website: <http://www.state.nj.us/treasury/taxation/101/bd.shtml>. The brochure "A Guide to Tax Appeal Hearings" is found on the Division's website: <http://www.state.nj.us/treasury/taxation/101/bt/taappeal.pdf>.

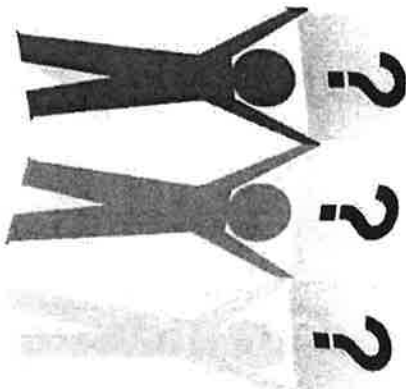
FOR MORE INFORMATION

Questions concerning the revaluation process may be directed to the municipal assessor of your taxing district. Contact information for assessors is found on the Division's website: <http://www.state.nj.us/treasury/taxation/101/aaddr.shtml>.

General property tax information, including the booklet "What is Revaluation?" may be found on the Division's website: <http://www.state.nj.us/treasury/taxation/101/bt/revaluation.pdf>.

The brochure "How a Property is Valued for Tax Purposes" is found on the Division's website: <http://www.state.nj.us/treasury/taxation/101/bt/ptassessment.pdf>.

UNDERSTANDING REVALUATIONS



FREQUENTLY ASKED QUESTIONS (FAQS)