

## COUNTY BASED TAX ASSESSMENT

On August 18, 2009 Gov. Jon Corzine (D) signed into law Senate Bill S-2356. The bill, sponsored by Senate Majority leader and Gloucester County Freeholder Director Stephen Sweeney (D) creates a Gloucester County pilot program to transfer the municipal tax assessment function to a county office. The pilot will eliminate the positions of Municipal Tax Assessor (and any local supporting staff) and County Tax Administrator and consolidate the assessing function in a County Property Appraisers Office. Supporters of the pilot program have claimed this would save the tax payers of Gloucester county millions in property taxes. They support this claim with a salary, operating expense and revaluation cost analysis of the current assessing function as compared to the proposed plan. On the surface the plan seems to save approximately \$1.5 million dollars per year. However a closer look at the proposal reveals the numbers utilized for current cost are an amalgam of distorted facts and assumptions

First, the document lists current salary and operating expenses for the 24 tax assessor's offices now operating in Gloucester County. These figures are a matter of public record, verifiable and true, and are not in dispute. However it's what is not included in this figure which gives pause. At no point is the expense of tax appeals, a major part of the Municipal Tax Assessors job and budget requiring legal and appraisal expense, included. In fact it is specifically redacted from the study. Why? The reason is plain; the supporters do not want the municipalities in Gloucester County to know they will now have to share in the expensive cost of defending tax appeals of the large industrial properties of a few municipalities. Smaller towns, which have little in the way of legal expense for residential appeals, will now be required to pay a pro rata share of the large tax appeals being defended at the County level. Properties such as oil refineries, regional malls and Brown Field or Superfund sites involve complicated appeals requiring lengthy legal battles. Also, these specialty properties must be appraised, requiring expensive, outside appraisers and voluminous reports. All these expenses, once borne by the responsible municipality, will now be spread among the townships and Boroughs who had no part in the preparation or valuation process, nor will they be included in any settlement procedures, only notified<sup>1</sup>, which will have a profound increase on property taxes.

Second, the pilot program endeavors to complete a revaluation of all real property in the county over a three year period. The supporters point to the Division of Taxation estimate of a cost to complete at approximately \$80.00 per line item. With 110,000 line items in Gloucester County this expense would amount to \$8.8 million dollars<sup>2</sup>. The program began by requesting this expense be paid by the State of New Jersey. The current law requires the County to pay for this expense and relies on a future (*but not guaranteed*) reimbursement from the State. This expense would then have to be borne by the taxpayers of Gloucester County as a whole in the way of increased county property taxes. *Now if the State does reimburse the County for this cost, how long will the line be of other New Jersey municipalities asking for State reimbursements for their costly revaluations, and what are the legal ramifications if the State refuses?!* The Municipal

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<sup>1</sup> As per language in S-2356

<sup>2</sup> Appropriation requested in S-2356

Assessments Cost chart provided by the supporters ADDS to the current municipal expenses a charge for annualized revaluation costs, which are estimated using an undisclosed cost per line item. Simple math shows a WIDE range of estimated costs by the supporters, from a low of \$4.98 per line item (Elk & Harrison) to a high of \$100.16 per line item (Deptford Township). Why the FAR RANGING difference in estimated costs? Didn't the State already set the price at \$80.00 per line item? This unsupported figure is then added to the municipal assessing budget by way of a five year annualized cost to arrive at an annualized total municipal assessment cost. However, a quick review of actual, verifiable revaluation/reassessment costs reveals a different story. Newfield Borough was revalued for the tax year 2008 at a cost of \$40,524, with a total line item count of 811 yielding a cost per line item of \$49.97. Harrison Township is being revalued for the 2010 tax year at a total cost of \$240,988, with a total line item count of 4,662 yielding a cost per line item of \$51.69 per line item. In each of these cases revaluations were not completed within five years but close to ten years, further reducing the ACTUAL annualized cost of revaluation. Obviously the numbers used to support the pilot program have no basis in fact. Further, the municipal assessment cost chart never compares "apples to apples". Specifically note the assessing budgets do not include legal costs (easily verifiable) but the County Budget includes legal costs (impossible to verify because none exists). One glaring question unanswered in the pilot program is; Who will complete the yearly revaluations? If this is an outside revaluation firm there will never be a tax savings as this cost, now only borne every ten years by the municipality will be borne yearly by the county. Remember: the county receives its revenue from tax payers through property taxes! This program would drastically **raise property taxes**. If the new County Assessors office is expected to complete yearly revaluations AND properly administer the functions of the former tax assessors and County Tax Administrator, the staffing requirements would negate any supposed savings. The pilot program boasts of using new technology to cut costs, yet no specifics are introduced to back this claim. A statement is made that assessments can be made from fly over photography to check properties. A check of the Pictometry program used by some municipalities shows these flyovers are done on either an annual or biannual basis, an expensive process whose cost not mentioned in the pilot program. Further, there exists no technology that can accurately verify INTERIOR property data from the sky.

Additionally the pilot does not give a specific breakdown of the estimated costs to run the newly created County assessing office, only a figure, unsupported by any verifiable facts. Existing assessing offices have furniture, files, computers, office supplies, phones, vehicles and office space. The new office will have to be created anew, and none of these costs are estimated in this budget. In short, the *current* costs to run Gloucester County's existing municipal assessment offices are a matter of **PUBLIC RECORD**, verifiable and true. The costs put forth to justify the new office of County Assessor under this pilot program are unreliable, unverifiable and inaccurate.

In closing, it has been stated by County Assessing supporters that "The tax assessment system throughout the state is broken..."<sup>3</sup>, yet it was not Tax Assessors or County Administrators who broke it, it was well meaning, albeit misguided and heavy handed,

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<sup>3</sup> Letter to Gloucester County Mayors from Freeholder Director Sweeney dated January 29, 2009

legislation from the State that “broke” the system. We need only look at the Chapter 101 law to see how the system was easily disrupted. Chapter 101, in an attempt to halt assessors from adjusting assessments to keep up with the rapidly increasing real estate market of the late 1990’s and 2000’s (thus avoiding costly revaluations), restricted *changes* (not increases) to assessments under a convoluted application to the Division of Taxation limiting changes to less than 25% of the taxable line items. However, in the now decreasing market, this same law *prevents* assessors from **lowering** the same assessments. The New Jersey Tax Statutes were written in the 1940’s and have not been over hauled recently. New technology, when properly utilized, and new assessing procedures, when not hindered by onerous legislation, can successfully change the assessing function for the better. But the whole sale scrapping of the current structure, and the removal of talented and dedicated tax assessors and support staff, is, as so often is said, “throwing out the baby with the bathwater”.