

Handbook
For
New Jersey Assessors

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HANDBOOK FOR NEW JERSEY ASSESSORS

For nearly half a century, the Handbook for New Jersey Assessors has been an essential tool for New Jersey assessors to use on a daily basis. I am pleased to provide this 5th annual update of the 2012 edition of the Handbook. New information has been included, such as statutory changes to farmland assessment and information relating to disabled veteran exemptions.

In these trying economic times, property taxes are a significant concern to the citizens of New Jersey. The statutory responsibility to fairly apportion the burden of property taxation is of great importance to administrators, residents and business owners alike. This ready reference guide will help assessors and others cope with the many questions and problems they face in the daily discharge of their duties. It will also continue to serve as a basic textbook for the training courses in property tax administration offered through Rutgers University, Center for Government Services.

This Handbook supplements the Real Property Appraisal Manual for New Jersey Assessors and New Jersey statutory law found primarily in Titles 54 and 40A. For your convenience, this Handbook will be available at the Division of Taxation's website at <http://www.state.nj.us/treasury/taxation/> under Local Property/Reference Materials for printing or researching.

I offer my special thanks to the author of this edition's revisions, updates and new information, Susan Dobay. Her faithful dedication to this edition's annual updating is commendable and appreciated by all. This material was edited and reviewed with the capable assistance of all units of the Property Administration/Local Property Section.

I urge all New Jersey assessors and citizens to take advantage of the information contained in this book so that, in the interest of transparency to the taxpayers of this State, the laws are followed in a uniform manner to better serve the interests of all property owners in New Jersey.



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Chapter 10 Assessment-Sales Ratio Program and Equalization

1001. Definition and History.

1001.01 Equalization - Definition and Purpose.

Equalization: “The adjustment of assessed valuations of real property in a particular area to establish a more equitable division of the total tax burden within the area.”

Equalization: “The process by which an appropriate governmental body attempts to ensure that property under its jurisdiction is appraised equitably at market value or as otherwise required by law.”

Equalization is the leveling process by which aggregate assessed values of real property in a taxing district are brought to true value.

Equalization ensures that all properties within a district and all districts within their counties and the State bear the same relationship to market value for purposes of State School Aid distribution and county tax apportionment.

REFERENCES:

Definition as quoted from Real Estate Appraisal Terminology, compiled and edited by Byrl N. Boyce, Ph. D., Center for Real Estate and Urban Economic Studies, University of Connecticut, sponsored by the American Institute of Real Estate Appraisers and Society of Real Estate Appraisers, Ballinger Publishing Company, Cambridge, MA.

As quoted from Property Appraisal and Assessment Administration, editor Joseph K. Eckert, Ph.D., International Association of Assessing Officers, Chicago, IL.

1001.02 History and Background.

As early as 1799, all township assessors were directed by law to equalize assessments at an annual meeting in order to spread the cost of county

government fairly. Other administrative means were tried during the nineteenth century, but with little success. In 1906, County Boards of Taxation were established, having equalization as one of their principal responsibilities. But real equalization was seldom obtained. Local assessors were under pressure to keep assessments low, so that their taxing districts' proportionate share of county government costs would be less. This became known as competitive under-assessment. In most cases, assessments dropped far below the legal true value level. In the twentieth century greater competitive under-assessment resulted from the formula used to distribute State financial aid to school districts which granted more State aid to districts with low assessed valuations. Although equalization has been a feature of New Jersey tax laws since 1799, it did not become standardized practice in any real sense until the mid-1950s. At that time, the State Legislature authorized the Director, Division of Taxation, to determine the ratio of aggregate assessed to aggregate true value of real estate in every taxing district in New Jersey. The Director then implemented the Assessment-Sales Ratio Program to measure the level of assessment in every municipality. In subsequent equalization challenges, the New Jersey Supreme Court instructed County Boards of Taxation to take official notice of the Director's aggregate assessed to true value ratios in their equalization functions. The Court noted that any reasonable and efficient method could be adopted by County Boards of Taxation in fulfilling their responsibility of equalizing aggregate ratables of municipalities. The objective of a County Board of Taxation is to seek all information which assists in the determination of correct assessment-sales ratios for county equalization. This permits a fair apportionment of county taxes and other shared budgets among participating municipalities. The objective of the State is to ascertain the relationship of taxable assessed values to market values and develop a Table of Equalized Valuations to be used in the distribution of State School Aid. All three levels of New Jersey government are responsible for the collection and warehousing of

assessment and sales data recorded, analyzed and calculated for the Director's Table of Equalized Valuations.

REFERENCES:

N.J.S.A. 54:3-11

N.J.S.A. 54:3-16 and 3-17

N.J.S.A. 54:4-46 and 47

N.J.A.C. 18:12A-1.14(g)

City of Passaic v. Passaic County Board of Taxation, 18 N.J. 371 (1955).

Borough of Little Ferry v. Bergen County Board of Taxation, 18 N.J. 400 (1955).

Township of Jefferson, et. al v. Director, Division of Taxation; Township of Mendham, et. al v. Director, Division of Taxation; Borough of Mendham, et al v. Director, Division of Taxation; Township of Mount Olive, et. al v. Direction, Division of Taxation, 26 N.J. Tax 1 (Tax Court 2011). affirmed 427 N.J. Super 347 (2012).

The General Property Tax in New Jersey, A Century of Inequities, Sixth Report of the Commission on State Tax Policy (Trenton, 1953).

John F. Lotz, The Assessment of Real Estate in Representative Counties of New Jersey, (Temple University: Philadelphia, 1951).

Fred C. McCoy, "Equalization in the County and the State," Proceedings of the First Annual Institute for Assessing Officers (1954) pp. 11-16.

E. Rowland Major, "Equalization Throughout the State," Proceedings of the First Annual Institute for Assessing Officers (1954), pp. 17-24.

Aaron K. Neeld, "Equalization - Its Effect on State School Aid," New Jersey Municipalities, January, 1955, pp. 6-9.

Aaron K. Neeld, "The Role of the State of New Jersey in the Equalization Process," Proceedings of the Second Annual Institute for Assessing Officers (1955), pp. 56-61.

A. E. Weiler, "The Assessor in the Equalization Process," Proceedings of the Second Annual Institute for Assessing Officers (1955), pp. 62-70.

Archibald S. Alexander, "Just Taxation Through Assessment Equalization," New Jersey Municipalities, January, 1956, pp. 5-7.

Michael V. Donovan, "The Role of a County Tax Board in the Equalization Program," New Jersey Municipalities, January 1956, pp. 9-11.

A. E. Weiler, "The Role of the Local Assessor in the Equalization Program," New Jersey Municipalities, January, 1956, p. 13.

Aaron K. Neeld, "Equalization for State School Aid Purposes," Proceedings of the Third Annual Institute for Assessing Officers (1956), pp. 1-6.

Fred C. McCoy, “Equalization for County Purposes,” Proceedings of the Third Annual Institute for Assessing Officers (1956), pp. 7-9.

Alfred N. Beadleston, “Equalization and Revaluation at the Local Level,” New Jersey Municipalities, January, 1957, pp. 5-10.

Thomas A. Breen, Sr., “Your Sales-Assessment Ratio for State and County Equalization,” New Jersey Municipalities, January, 1957, pp. 19-20.

Robert S. Johnston, “The Mechanics Employed in the Development of the State Table of Equalized Valuations,” Proceedings of the Fourth Annual Institute for Assessing Officers (1957), pp. 24-28.

Robert S. Johnston, “Is Sales Ratio an Enigma?” New Jersey Municipalities, June, 1959, pp. 31-36.

Local Property Tax Bureau News, May, 1955, p. 1; February, 1956, p. 1; January, 1959, p. 1; March, 1959, p. 2; August-September, 1959, p. 1.

NOTE: The above articles will provide valuable background on the purposes and procedures of equalization. Be aware, however, that some procedures have been changed since the equalization program first went into effect. Articles appearing in earlier years may not describe the procedures exactly as they are now carried out.

1002. Equalization.

1002.01 Uses of Inter-Municipal Equalization or Equalization in the Aggregate.

- Equitable apportionment of State School Aid
- Equitable distribution of the cost of county government and regional school districts and shared budgets
- To measure debt limits of local governments

Equalization between municipalities in a county or between counties in a state is “equalization in the aggregate.” The purpose of “equalization in the aggregate” is to distribute funds or aid or to apportion shared budgets equitably based upon the overall true or equalized value of taxable ratables of individual municipalities. The Director’s Table of Equalized Valuations and the County Equalization Table are developed for inter-

equalization. The ratios developed for inter-equalization are based on the Assessment Sales Ratio Study.

REFERENCES:

N.J.S.A. 54:3-11 and 3-13

1002.02 Uses of Intra-Municipal Equalization.

Equalization in property taxation is also when a proper assessed value is placed on an individual property as compared to other properties within a taxing district.

Equalization between properties within a municipality is an ongoing process to ensure that each individual parcel bears its just share of the property tax burden. The assessor reviews taxable assessed values in the context of sales ratios and statistics developed from the Assessment Sales Ratio Study to validate and correct assessments. After the assessor determines property value, the County Board of Taxation is authorized to “review, revise and correct assessments” in many ways, including the study and analysis of Assessment/Sales Ratios and Coefficients of Deviation calculated from sales occurring in each municipality. County Tax Boards may order municipalities to implement revaluation programs based on the results of these statistical analyses. A municipality may choose to implement a voluntary reassessment of the whole taxing district or the assessor may change only part of a municipality through a compliance plan using these statistics.

Intra-equalization is primarily the responsibility of the assessor who works under the supervision of the County Board of Taxation.

See the chapter in this Handbook: *Assessment Maintenance, Compliance Plans, Reassessment, and Revaluation* for additional information on Intra-Equalization.

REFERENCES:

N.J.S.A. 54:1-35.1

N.J.S.A. 54:1-35.3

N.J.S.A. 54:4-2.25

N.J.S.A. 54:4-23

N.J.A.C. 18:12-1.1

1002.03 Uses of the Director's Table of Equalized Valuations.

- The statutory uses of the Director's Table of Equalized Valuations include:
- Measurement of the wealth of a municipality for the distribution of State School Aid;
- Measurement for the upper limit of municipal bonded indebtedness;
- Measurement for the upper limit of school district bonded indebtedness;
- Calculation of the taxable value of certain locally assessed personal property;
- Calculation of State Replacement Revenues for Class II railroad property;
- Component of the formula for apportionment of the Municipal Purposes Tax Assistance Fund;
- Component of the formula for distribution of State Library Aid;
- Component of the New Jersey Urban Aid to Municipalities calculation;
- Development of the Common Level for discrimination tax appeals.

Non-statutory uses of the Director's Table of Equalized Valuations and the data base include, but are not limited to:

- A basis for the apportionment of county operating budgets;
- A basis for apportionment of county library budgets;
- A basis for apportionment of joint school district budgets;
- A basis for apportionment of local health service budgets;

- Component in the calculation of effective tax rates which serve as a basis for comparison of property taxes from municipality to municipality;
- Director's Ratio, i.e., Average Assessment-Sales Ratio is one of the criteria for determining the need for revaluation;
- A basis for calculation of Coefficients of Deviation. CODs are a criterion for evaluating uniformity of assessments in a municipality and for determining the need for revaluation;
- A basis for analyzing equity of assessed values on a sector by sector or neighborhood by neighborhood basis in a taxing district.

REFERENCES:

Kearny Town v. Director, Division of Taxation, 11 N.J. Tax 232 (Tax Court 1990).

Township of Jefferson, et. al v. Director, Division of Taxation; Township of Mendham, et. al v. Director, Division of Taxation; Borough of Mendham, et al v. Director, Division of Taxation; Township of Mount Olive, et. al v. Direction, Division of Taxation, 26 N.J. Tax 1 (Tax Court 2011).

1003. The Assessment-Sales Ratio Program.

1003.01 Why Assessment-Sales Analysis is Necessary.

Enabling legislation, N.J.S.A. 54:1-35.1, provides for the Director, Division of Taxation to promulgate a Table of Equalized Valuations to be used in the calculation and apportionment of distributions pursuant to the State School Aid Act of 1954. The statute is silent on the methodology used to develop the equalized valuations. The Director, Division of Taxation, is empowered to set the criteria and implement methodology for the development of the Table. The program includes classification of real property, collection and analysis of sales and assessment information, and calculation of the aggregate true value of real property to determine the aggregate true value of all real property in each of the State's taxing districts. Discussed further in this chapter are the existing terms, criteria