Property Taxes 101:

How The Property Tax System Works

All of the slideshow presentations prepared by the Garden State Preservation Trust can be made for your organization or group at a luncheon, meeting or similar event.

Contact the GSPT to schedule a speaker to make a presentation.

The slideshow presentations are designed to be active, lively and informative, with generous use of graphics and photos. This ONLINE slideshow will feature a little red man in the place of a live NARRATOR.

NARRATOR

The components of researching property taxes:

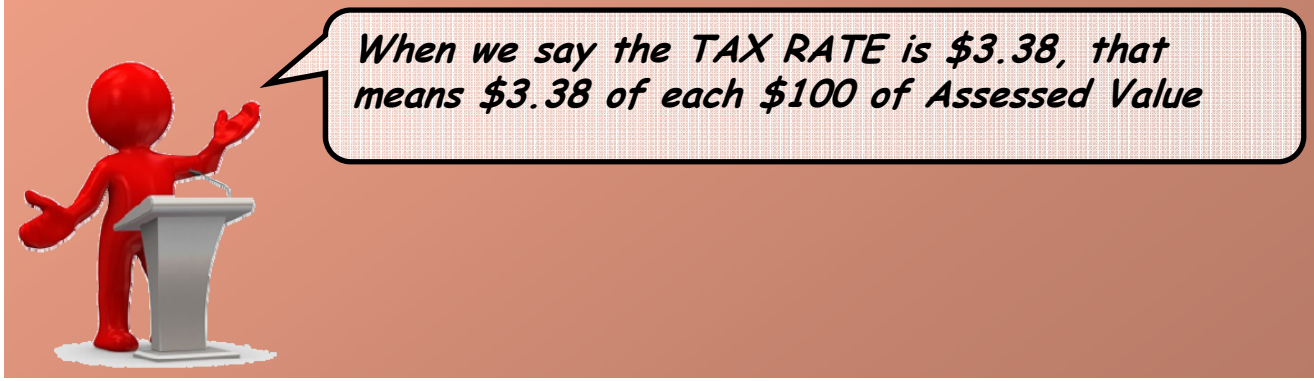
- **Tax Rate**
- **Tax Bill** (Average Residential Tax Bill)
- **Tax Levy**
- **Tax Base**

Garden State Preservation Trust

Saving New Jersey's Open Spaces, Historic Places and Farmland

- **Tax Rate**

$3.38


When we say the TAX RATE is $3.38, that means $3.38 of each $100 of Assessed Value

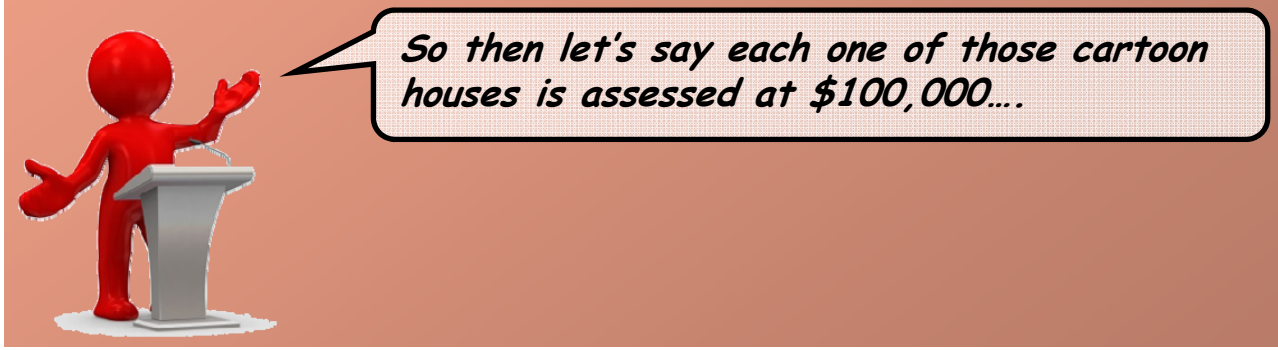
- **Tax Rate**

$3.38 x $100 of Assessed Value

- **Tax Rate**

$3.38 x $100 of Assessed Value

Assessed Value = $100,000



- **Tax Rate**

$3.38 x $100 of Assessed Value

Assessed Value = $100,000

$100 of Assessed Value = $1,000

$3.38 x $1,000

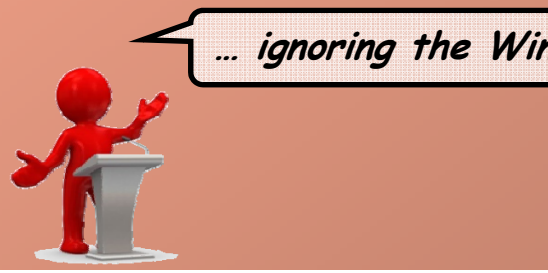
Avalon, Cape May County
Tax Rate: $0.39 on every $100 of assessed valuation

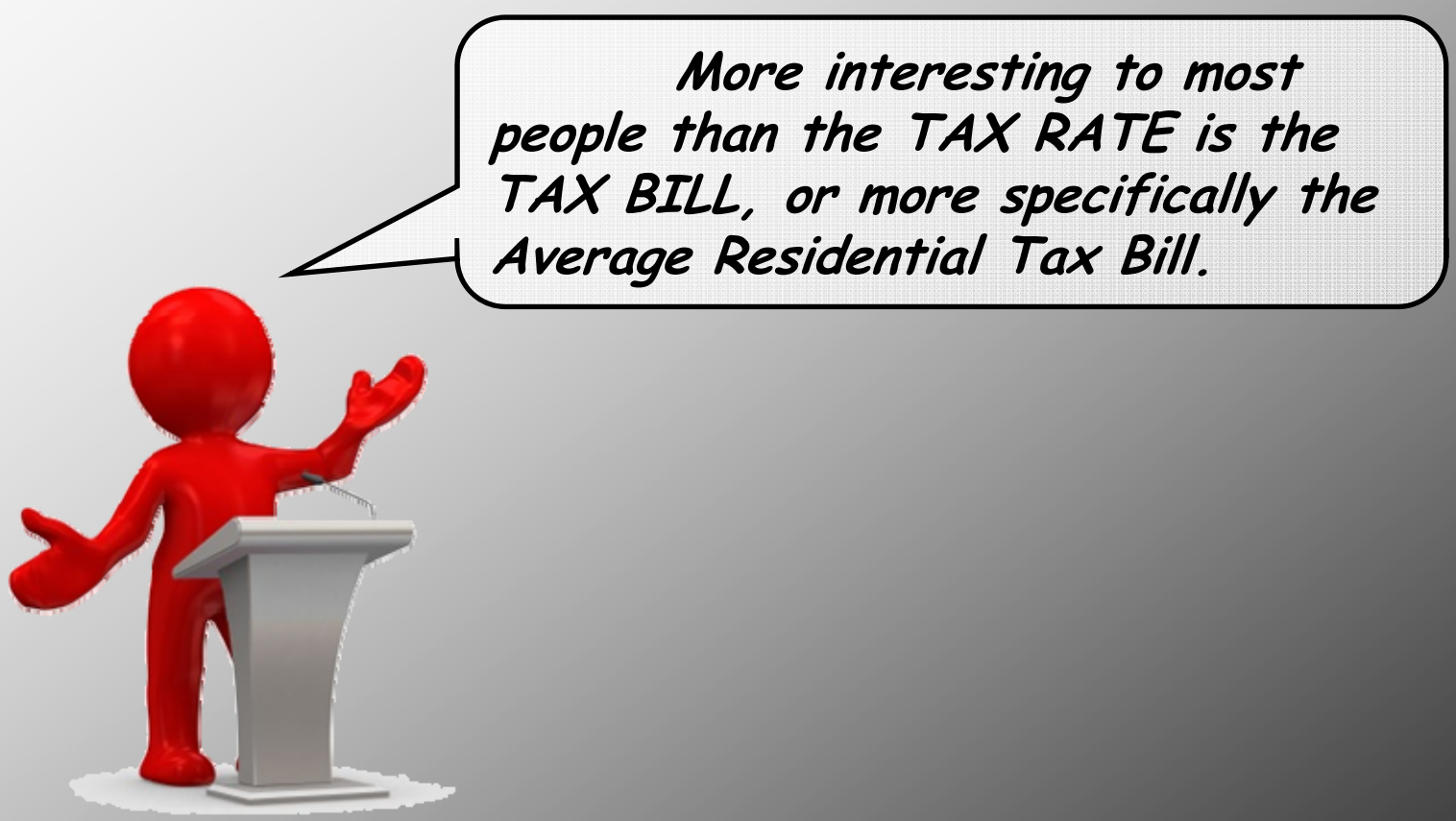
The lowest tax rate in New Jersey….

Winfield Township, Union County
Tax Rate: $191.11 on every $100 of assessed valuation

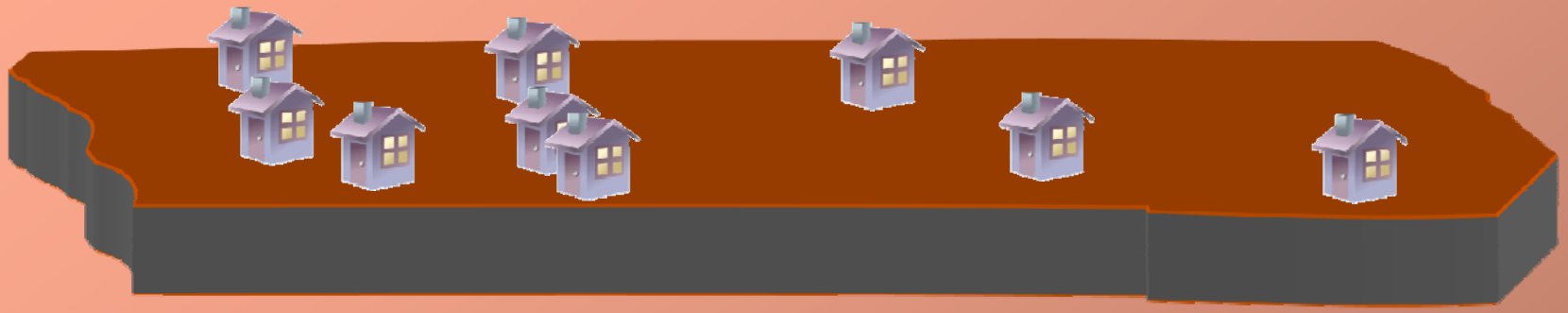
… and the highest tax rate. Winfield is unusual because the assessment of this 1940's era complex of government housing has not been updated in decades and so the current tax assessment is about 8% of actual market value.

Elizabeth, Union County
Tax Rate: $20.16 on every $100 of assessed valuation




More interesting to most people than the TAX RATE is the TAX BILL, or more specifically the Average Residential Tax Bill.

- **Average Residential Tax Bill**



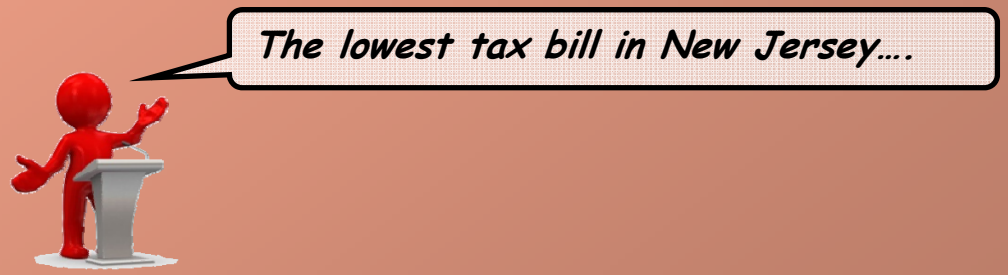
$3.38 x $100 of Assessed Value

Assessed Value = $100,000

The 100th unit = $1,000

$3.38 x $1,000 = $3,380 tax bill

Walpack, Sussex County
Average Residential Tax Bill: $445



Millburn, Essex County
Average Residential Tax Bill: $19,100

The TAX LEVY is the actual sum the local government raises in property taxes to fund all purposes: municipal, county, school district, and in some municipalities, library, fire, open space, etc, etc, ad nauseum

- **Tax Levy**

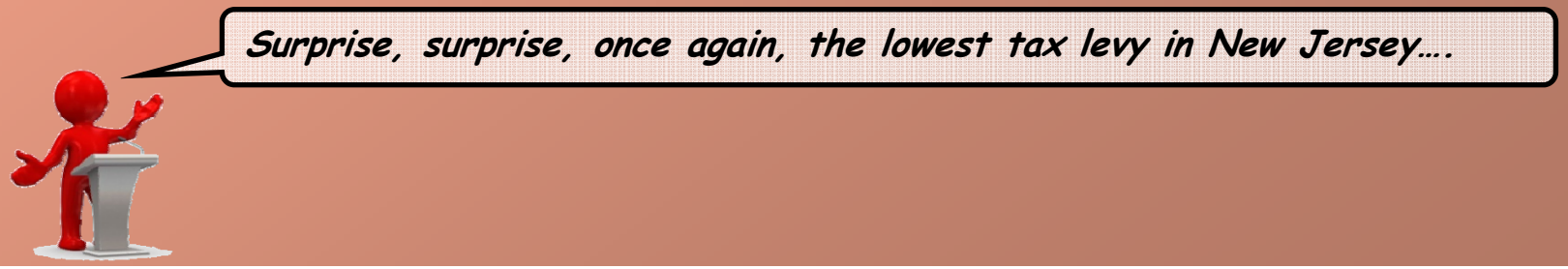
$3.38 x $1,000 = $3,380 tax bill

- **Tax Levy**

$3.38 x $1,000 = $3,380 tax bill

10 homes x $3,380 = $33,800

Walpack Township, Sussex County
Tax Levy: $13,182



Jersey City, Hudson County
Tax Levy: $357 million

The TAX BASE, more correctly known as the VALUATION, is the actual sum of property and real estate value that can be taxed to generate the property tax levy.

(These parcels of land and real estate are commonly referred to as ratables, because they are "able" to be "rated" for the tax.)

- **Tax Base (aka: Valuation)**

10 homes
$100,000 Assessed Valuation

- **Tax Base**

10 homes
$100,000 Assessed Valuation

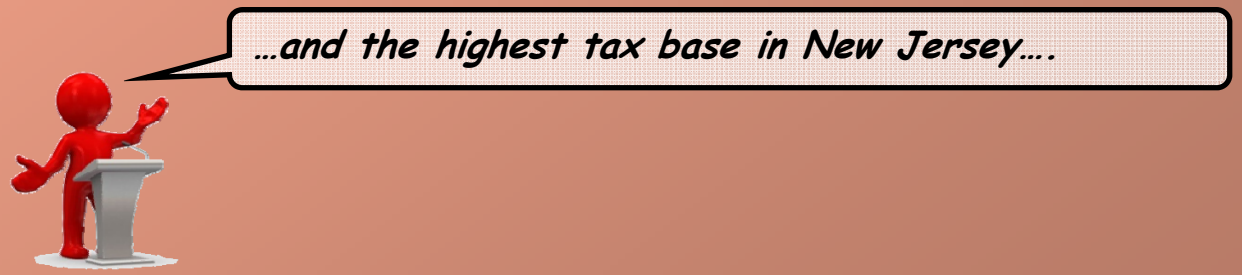
10 homes x $100,000 = $1 million

Walpack Township, Sussex County
Valuation: $2.9 million

Tavistock, Camden County
Valuation: $15.9 million

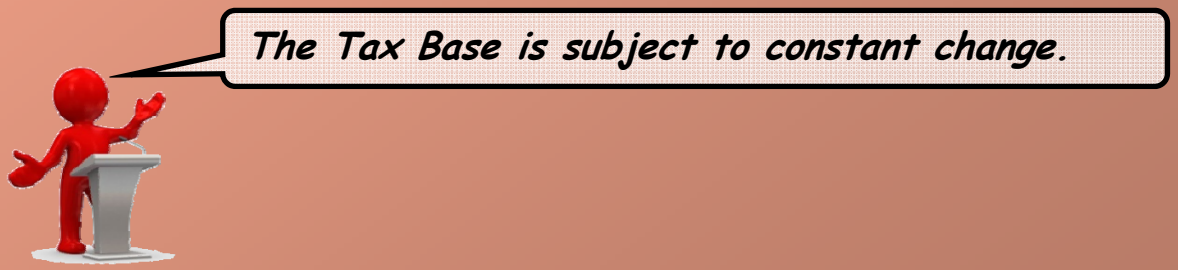
… finally, ignoring Walpack, Tavistock has the next lowest tax base. We are showing a photo of a golf course because that is essentially what Tavistock is: a golf course plus 5 residents in 2009.

Jersey City, Hudson County
Valuation: $23.6 billion



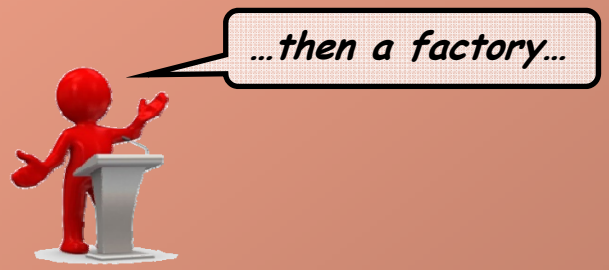
- **Tax Base**

30 homes x $100,000 = $3 million

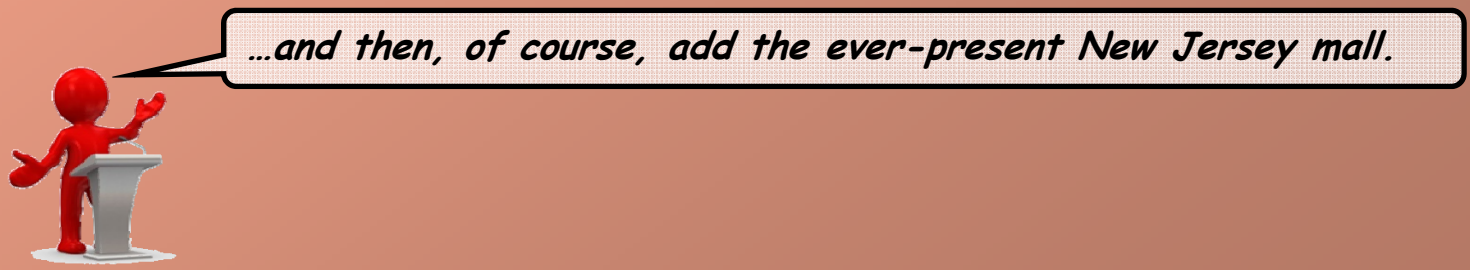


•Tax Base

•Tax Base



•Tax Base



Any change in real estate will change the valuation.

- *Homes are re-assessed*
- *A new development is built*
- *A factory closes*
- *A mall opens*
- *An office park is built but then has a decline in tenancy*

All of these fluctuations change the assessed value of the "ratable" properties from which taxes are collected.

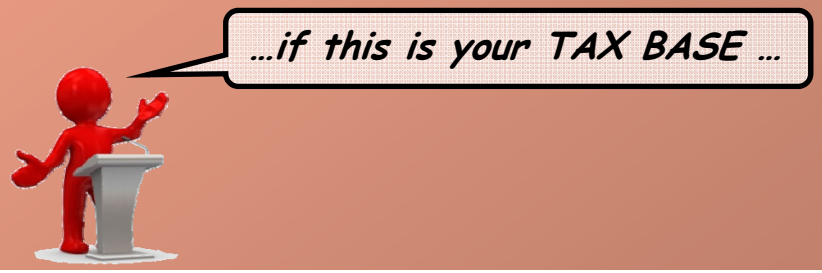
OK, we have examined

1. *Tax Rate*
2. *Tax Bill*
3. *Tax Levy*
4. *Tax Base*

Here now is how the property tax system works

The Property Tax System

Tax Base *(valuation)* = $100 million



The Property Tax System

Tax Base *(valuation)* = $100 million

Tax Levy = $2 million

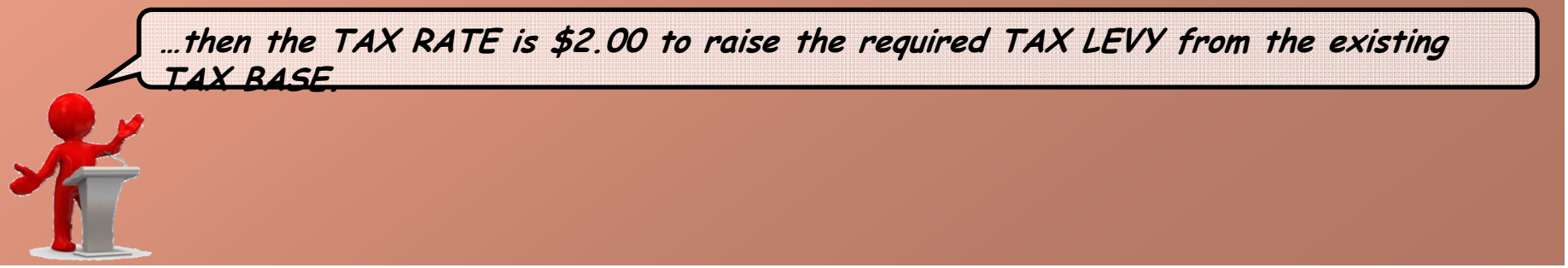
…and this is your TAX LEVY, the property taxes needed by the government…

The Property Tax System

Tax Base ***(valuation)*** **= $100 million**

Tax Rate = $2.00 **per $100 assessed value**

Tax Levy = $2 million



The Property Tax System

Tax Base ***(valuation)*** **= $100 million**

Tax Rate = $2.00 **per $100 assessed value**

Tax Levy = $2 million

($100,000,000 / $100) x $2.00 = ***$2,000,000***

…here's the mathematical formula…

The Property Tax System

Tax Base ***(valuation)*** **= $100 million**

Tax Rate = $2.00 **per $100 assessed value**

Tax Levy = $2 million

…NOW we suddenly add a new mall!!!!

The Property Tax System

Tax Base ***(valuation)*** **=** **$130 million**

Tax Rate = $2.00 **per $100 assessed value**

Tax Levy = $2 million

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.54 per $100 assessed value

Tax Levy = $2 million

…and the TAX RATE can be adjusted.

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.54 **per $100 assessed value**

Tax Levy = $2 million

($130,000,000 / $100) x ***$1.54*** *= $2,000,000*

…here's the mathematical formula…

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.54 **per $100 assessed value**

Tax Levy = $2 million

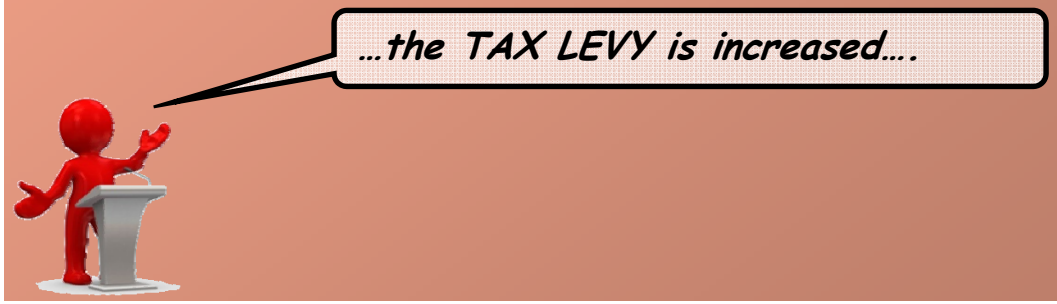
…now the town needs to increase spending…

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.54 **per $100 assessed value**

Tax Levy = $2.5 million



The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.92 per $100 assessed value

Tax Levy = $2.5 million

…and so the TAX RATE must be adjusted to collect the additional property taxes.

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.92 per $100 assessed value

Tax Levy = $2.5 million

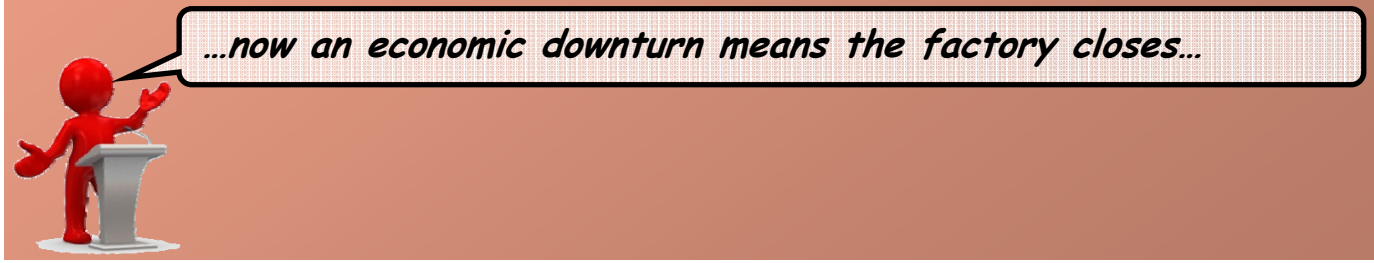
($130,000,000 / $100) x $1.92 = ***$2,500,000***

The Property Tax System

Tax Base ***(valuation)*** **= $130 million**

Tax Rate = $1.92 **per $100 assessed value**

Tax Levy = $2.5 million



The Property Tax System

Tax Base = $95 million

Tax Rate = $1.92 per $100 assessed value

Tax Levy = $2.5 million

The Property Tax System

Tax Base = $95 million

Tax Rate = $2.63 per $100 assessed value

Tax Levy = $2.5 million

…and so the TAX RATE must be adjusted to collect the same property taxes.

The Property Tax System

Tax Base = $95 million

Tax Rate = $2.63 per $100 assessed value

Tax Levy = $2.5 million

*($95,000,000 / $100) x **$2.63** = $2,500,000*

This completes the basic property tax presentation.
You should now be able to visit or view the GSPT 's
Land Conservation Rally Slideshow
"Conservation & Property Taxes"