Revaluations

The NJ Constitution requires all real property must be assessed for taxation purposes at the same standard of value. The legislature has made that standard the true value or the full value and fair value of the property.

Why Do We Need Revaluations?

Assessments are generally set in one year and then carried over for subsequent tax years. When the housing market changes in later years, your property's static assessment could lead to over taxation or under taxation relative to other properties within the municipality.

- For example, two properties are assessed at $200,000 after 10 years. Property A has a full and fair value of $250,000. Property B has a full and fair value of $300,000. Because they have same assessments, they are paying same tax bill despite one having a higher market value than the other.

Revaluation Program

A revaluation program seeks to spread the tax burden equitably within a municipality.

Two properties having essentially the same market value should be paying essentially the same amount in property taxes.

Inequitable assessments result from the following situations:

- Characteristic changes in neighborhoods in the municipality and to individual properties.
- Changes in the economy (inflation, recession, housing market demand, interest rates)
- Custom changes to a house (remodeling, additions)
- Changes in zoning

Revaluation Program Process

- The interior and the exterior will be inspected.
- The building materials and dimensions will be recorded.
- Recent sales are studied and may be adjusted to estimate the value of properties that have not been sold.
- Investment properties are analyzed in terms of income-production capability.
- All information that may have influenced the value of the property will be gathered and analyzed in order to determine each property's full and fair value.
- Prior to the new value being officially listed on the tax list, the revaluation firm is required to mail each taxpayer a notice of the new appraised value. This usually occurs after November 10 but prior to December 31.
- The notice includes guidance on how to arrange for an informal hearing should the taxpayer be dissatisfied with the proposed assessment.

Revaluation Examples

Example 1

Assume that the municipality must raise $15 million in property taxes.

The total assessment in that municipality is $600 million.

The municipality would have a tax rate of $2.50 for each one hundred dollars of assessed value.

Calculation

- If the $600 million total of all assessments, per the example above, represents 50% 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.

⇒ Amount to Be Raised / Total of Assessments = Tax Rate
⇒ $15 million / $600 million = .025 or $2.50 per $100 of assessed value

- A property with a true value of $396,800 and an assessment of $277,760 would have its taxes calculated as follows:

⇒ Assessed Value x Tax Rate = Taxes
⇒ $277,760 x .025 = $6,944

- The property is over assessed, although the assessment is $119,040 less than the property's true value. The ratio of the aggregate assessments to the aggregate true value of all real property in the municipality is 50%. The ratio for the property in this example is 70% ($277,760 / $396,800).

Example 2

Assume that in this same tax year a revaluation was put into effect and the aggregate assessed value is now $1.2 billion.

Calculation

- Although the aggregate assessments would have doubled, the revaluation would not have caused an increase in total taxes to be collected by the municipality. The tax rate would have declined proportionately.

⇒ Amount to Be Raised / Total of Assessments = Tax Rate
⇒ $15 million / $1.2 billion = .0125 or $1.25 per $100 of assessed value

- Applying the .0125 ($1.25 per $100 of assessed value) tax rate to the property, which is assessed at its true value of $396,800, would decrease taxes.

⇒ True Value Assessed x Tax Rate = Taxes
⇒ $396,800 x .0125 = $4,960

- In this example the true value assessment decreased the taxes for the property owner by $1,984

Contact Us

Email: Taxation.propadmin@treas.nj.gov

Telephone: 609-292-7974 or 609-292-7975

Fax: 609-292-9439

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www.nj.gov/treasury/taxation/lpt/aaddr.shtml