

# Annual Reassessments & The Impact on Property Taxes



## TOP TEN FREQUENTLY ASKED QUESTIONS

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The Township of Manalapan is committed to providing clear and complete information regarding the reassessment process and its tax implications. The following will provide further clarification on the reassessment process and answer taxpayers frequently asked questions.

We believe by keeping you informed of the methods and procedures will result in greater confidence of the system through public awareness and understanding. Our number one goal is to establish an assessment function focused on uniformity and accuracy. When the assessments are set to the same standard of value (market value) the property tax burden is distributed fairly and equitably in accordance with the Constitution of the State of New Jersey.

### 1. WHY DID MY PROPERTY TAXES INCREASE?

**Answer: The recent increase in your property tax bill may be the result of an increased property assessment.**

The Township of Manalapan, required under New Jersey Public Law 2013 CH.15, the Real Property Assessment Demonstration Program, conducted an annual reassessment to appraise all real property within the taxing district according to its full and fair value. The purpose of a reassessment is to fairly distribute the tax burden among all property owners within the Township. The validity of the market value estimate depends on the collection of accurate data; this reassessment program is supported by an annual interior/exterior inspections cycle. These inspections will be spread-out over the next five years to ensure that all property record cards are accurate and up to date. All residents will receive advanced notification by mail, two weeks prior to the inspection. We ask all residents to cooperate with the inspection process and to be advised, the field inspectors who conduct the inspections do not determine the final assessment.

Please keep in mind that property taxes cannot be contested, as they are a result of the budget process. The assessed value can be appealed yearly, between November 15<sup>th</sup> (pre-tax year) and January 15<sup>th</sup>. For more information on the appeal process, please see question #7.

### The Property Tax Procedure

1. Value is determined as of October 1 of the pre-tax year for all real property within the Township of Manalapan. The preliminary tax list is certified to the Monmouth County Board of Taxation on November 1<sup>st</sup> 2017.
2. The Township along with the county governing bodies and the local school board make their respective budgets and hold public hearings. Anticipated revenue from various sources is subtracted from the budget and the amount remaining to be raised by a levy on real and personal property is reported to the County Board of Taxation.
3. The Monmouth County Tax Board apportions the amount to be raised by property taxes to support the county government among the taxing districts in the county, then adds to the respective county portion the amount needed from property taxes to finance the municipal government and the school district, and divides the total levy by the assessed value of all taxable property to establish the local taxrate.

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4. The tax rates are reported to the municipality which collects the property tax for the county, the school district, and itself.
5. Fire District 1 & 2 report the amount needed to the assessor, who calculates the tax rate for this purpose by dividing the amount to be raised by the total value of taxable property in the special district. This rate is added to the regular general tax rate for the municipality to determine the taxes on properties in Fire district 1 & 2.
6. The appropriate tax rate is multiplied by the assessment on each property to determine the taxes due for the current year.

## 2. WHY DID MY NEIGHBOR'S PROPERTY CHANGE AT A DIFFERENT PERCENTAGE RATE?

**Answer: Each property within the Township is unique and appreciates/depreciates at different rates. Depending on the precision of the assessed value prior to the reassessment, the overall value change can vary from neighbor to neighbor taking into consideration; location, interior/exterior condition & finish, overall building quality, square footage, style, age, lot size, etc.**

Generally, taxpayers of the most severely under assessed properties before a revaluation will pay a greater share of the tax burden after a revaluation. This means that their property taxes will increase even if operating costs remain the same. Likewise, taxpayers of the overvalued properties will pay a smaller share of the tax burden after the revaluation. This means their property taxes will decrease if the total amount to be raised from taxes remains the same. In reality, municipal, county and school budget costs generally increase each year. The rise can be attributed to inflation, the general increase of goods and services, and other economical factors.

## 3. WILL THIS TYPE OF CHANGE IN ASSESSMENT HAPPEN ANNUALLY?

**Answer: Not likely. The change from a fractional assessment system to 100% of market value will only take place once. Moving forward, the expectation is the changes in your assessment will be marginal as market values change. True market value is fairly constant; a multiple years study is used to gauge market conditions to secure against general temporary inflation or deflation.**

Once a municipality has transitioned to market value, each year the Assessor by law, must review each property and revise the assessment, both up and down, in accordance with market value evidence, so that the assessment is set equal to the current market value. While the taxpayer will experience the initial shift from a "fractional assessment" to 100% of market value in a similar way that they experienced the implementation of a revaluation, moving forward all future annual changes are expected to be small. Annual assessment changes are expected to be in accordance with observed market value data. The Assessor under the Real Property Assessment Demonstration program must review and revise the assessment on an annual basis to maintain a 100% market value to assessment ratio.

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## 4. HOW DID MY ASSESSED VALUE CHANGE SO MUCH FROM ONE YEAR TO THE NEXT?

**Answer:** Depending on the accuracy of your assessment prior to the reassessment, the transition from a “fractional assessment system” to a 100% market value system is most likely responsible for the change. Below is an example of how the former “Fractional Assessment System”

### Example

**Common Level:** 94.75% (2014 Ratio of Market Value to Assessed Value)

**Assessed Value (shown on postcard):** \$400,000.00

**Implied Market Value:** \$422,162 (400,000/.9475)

**In 2015 and ongoing, the Ratio of Assessed Value to Market Value is 100%.**

New Jersey taxpayers have been lead to believe that their assessments do not change from year to year. While it is true that absent revaluation, reassessment, compliance, judgment, or physical change the assessment shown on the Ch. 75 Notification of Assessment Postcard is the same from one year to the next, in truth, the taxpayer’s “implied market value” changes annually. Taxpayers throughout the state are unaware of the relationship between the assessed value, the ratio and the implied market value and the critical role this relationship has on their individual tax bill.

As an example, a taxpayer who has an assessment of \$200,000 does not contest the assessment because his next door neighbor who has the same house just sold for \$300,000. After comparing his current assessment to his neighbors recent sale price the taxpayer thinks that he is under-assessed. What the taxpayer doesn’t understand is that the town’s current ratio is 50% therefore; the implied market value of the property is actually \$400,000.

If assessment inequities exist, it may be necessary for the assessor to review the assessments and make adjustments as needed to maintain equity. When performing annual assessments based on fair market value, for example, assessments cannot merely be carried over from year to year without regard to market influences. Property values are continually changing, and the values do not change at the same rate for all properties. Without changes in the assessments, inequities will soon develop.

## 5. HOW ARE PROPERTY VALUES ESTABLISHED?

**Answer:** Standardized mass appraisal methods and techniques are used to systematically appraise groups of properties. This includes the analysis of recent sales and statistical studies.

To avoid discriminatory treatment reassessments should cover the entire municipality in scope. A good reassessment program includes:

- Analysis of all recent real property sales, including a comparison of sales prices with assessed values of sold properties; identification of real property value trends;
- A parcel by parcel review of all real property values;
- Review, revision and mapping of all unit land values,
- Entry of data into Computer Assisted Mass Appraisal System (CAMA)
- Gathering and utilization of pertinent income data; development and application of local cost conversion factors to improvements with adjustments to individual Property Record Cards;
- Review and adjustment of depreciation and obsolescence factors with changes to individual property records;

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- Reconciliation and revised true value for each property;
- Placing revised taxable values on the tax list for the year in which the reassessment becomes effective;

Properties must be stratified, or broken down, into somewhat homogenous groups. Similar property groups will tend to appreciate or depreciate at roughly the same rate. It is not sufficient for the assessor to merely stratify properties and sales according to their statutory classification and develop one trending factor for the entire class of property. Properties, even properties within the same assessment classification, may vary considerably in quality, style, age, location and amenities, and cannot be expected to change in value at the same rate.

## 6. WHY DID THE ALLOCATION OF MY LAND AND IMPROVEMENT VALUE CHANGE?

**Answer: The allocation of land to building is an administrative process and may not accurately reflect the market value of the individual parts. As such, the subject's total value can be appealed and dictates the taxes for the year.**

Predominantly, residential real estate is bought and sold as a whole and valued as such. Depending on the method of valuation, the allocation between land and improvements may be subjective; such allocation shall not be presumptive of a correct apportionment of true value. Within the Allocation Method, the value of the entire property is estimated by the Income or Comparison Approaches; the value of the structure on the land is found by the Replacement Cost Approach and is deducted from the total value. The remaining amount is assumed to be the land value. Other methods like the, Replacement Cost Approach uses current building costs and standards of material and design to estimate the cost of creating a building having the same utility as that of the subject property. An allowance then is made for depreciation. A value for the land is determined separately and added to the value developed for the building. In this approach, the value allocation of land and improvement may accurately reflect the market value of each part separately. Nevertheless, the total assessment should be the single driving force in reviewing the assessment for accuracy.

## 7. WHAT IF I DISAGREE WITH MY NEW ASSESSMENT?

**Answer: First, contact the Assessor's Office at 732-446-8311 to review your property record card for errors. If the record card is accurate and you disagree with the total assessment, you may file an appeal with the Monmouth County Tax Board. The time to appeal an assessment for 2016 was between November 15<sup>th</sup> 2015 and January 15<sup>th</sup> 2016, for properties with an assessed value over \$1,000,000 the deadline to appeal was May 1<sup>st</sup> 2016. For more information on how to appeal your 2017 assessment, please visit the Monmouth County Board of Taxation Online Appeal System at, [secure.njappealonline.com](http://secure.njappealonline.com) and click on the- "Appeal Guide".**

## 8. WHY ARE THE FIRST AND SECOND QUARTER TAX PAYMENTS, DIFFERENT FROM THE 3<sup>RD</sup> AND 4<sup>TH</sup>?

**Answer: The first and second quarter payments are estimated based on the 2015 tax rate and assessment.**

Your tax bill is arrived at by multiplying the total assessment by the overall tax rate. The overall tax rate is decided by dividing the amount to be raised by taxation or the "levy" by the total value of all property within the municipality. The total levy is the amount the county, local school, regional school, and the municipality needs to provide services. Once the overall rate is realized (between May and June), the 2016 assessment is used to calculate the total amount owed. The first and second quarter payments are subtracted from the total and the remainder is split equally between the third and fourth quarter payment.

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## 9. WHAT HAPPENS IF I DO NOT PAY MY TAXBILL?

**Answer:** There is normally a 10 day grace period after which interest is applied, calculated at 8% on the first \$1,500 past due and 18% for any amount over \$1,500. (per NJSA 54:4-67). Properties with delinquent municipal charges (taxes, sewer and interest) totaling \$10,000.00 or more at calendar year end are subject to an additional 6% year end penalty.

## 10. WHY DID MY TAX BILL GO UP OVER 2%, I THOUGHT THE STATE OF NEW JERSEY HAD A 2% CAP ON PROPERTY TAXES?

**Answer:** The 2% "cap" law puts a restriction on how much a local budget may increase. This law does not directly limit the increases/decrease of property taxes.

In preparation of an annual budget, no local unit, including municipalities, counties, fire districts, and existing solid waste collection districts with a tax rate of more than \$.10 (ten cents) may increase the tax levy above 2% of the previous year's with the following exceptions:

1. Capital expenditure increases
2. Debt service increases
3. Emergencies – weather and "declared" emergencies
4. Pensions and health benefits

Regulations for these caps are administered by the Department of Community Affairs, Division of Local Government Services, Local Finance Board. Any questions about budget caps or tax levy caps should be directed to that agency."

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## PROPERTY TAX RELIEF PROGRAMS

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There are a number of municipal and state programs. Please visit [www.mtnj.org/assessors\\_office](http://www.mtnj.org/assessors_office) for a complete list and the eligibility requirements.

### PROGRAMS INCLUDE:

**Annual Property Tax Deduction for Senior Citizens, Disabled Persons:** Annual deduction of up to \$250 from property taxes for homeowners age 65 or older or disabled who meet certain income (not exceeding \$10,000) and residency requirements.

**Annual Deduction for Veterans:** Annual deduction of up to \$250 from taxes due on the real or personal property of qualified war veterans and their unmarried surviving spouses.

**Property Tax Exemption for Disabled Veterans:** Full exemption from property taxes on a principal residence for certain totally and permanently disabled war veterans and their unmarried surviving spouses. Unmarried surviving spouses of servicepersons who died on wartime active duty may also qualify.

**Property Tax Reimbursement (Senior Freeze)** You may be eligible for a reimbursement of the difference between the amount of property taxes you paid for the base year (the year you first became eligible) and the amount paid for the year for which you are applying for a reimbursement if you met all the following requirements for the base year and for each succeeding year, up to and including the year for which you are claiming the reimbursement.

**The Shop Manalapan 1<sup>st</sup>:** program allows homeowners to shop at local participating merchants, receive rebates on sales and services in the form of property tax credits. The more homeowners shop in their town, the more property tax credits they accumulate.

**Please contact the Assessor's Office if you need further clarification on above or assistance on any property tax matter. I am available by email at [akaraman@mtnj.org](mailto:akaraman@mtnj.org) or by phone 732-446-8311. The Assessor's office hours are from 8:30 to 4:30pm, Monday to Friday.**

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## REFERENCE

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REAL PROPERTY APPRAISAL MANUAL FOR NEW JERSEY ASSESSORS.

N.J.S.A. 40A:4-45.44 ET SEQ.

THE ASSESSORS HANDBOOK OF NEW JERSEY

WI PROPERTY ASSESSMENT MANUAL

UNDERSTANDING PROPERTY ASSESSMENT APPEALS A GUIDE TO REGULAR ASSESSMENT APPEALS UNDER TRUE MARKET VALUE AND COMMON LEVEL RANGE STANDARDS

REAL PROPERTY ASSESSMENT DEMONSTRATION PROGRAM -PRIMARY FAILINGS OF THE CURRENT REAL PROPERTY ASSESSMENT SYSTEM AND HOW THE SEVERAL COMPONENTS OF THE ADP FIX WHAT IS BROKEN, BY MATT CLARK, MONMOUTH COUNTY TAX ADMINISTRATOR.

## LINKS & PHONE NUMBERS

New Jersey Division of Taxation: (609) 292-7974

Monmouth County's Open Public Records Search System - <http://oprs.co.monmouth.nj.us/oprs/index.aspx>

Monmouth County Board of Taxation- <http://visitmonmouth.com/page.aspx?ID=134>

Local Property Tax information- <http://www.state.nj.us/treasury/taxation/lpt/localtax.shtml>

Property Tax Assessment Brochure- <http://www.state.nj.us/treasury/taxation/pdf/lpt/ptassessment.pdf>

Property Tax Benefits Brochure- <http://www.state.nj.us/treasury/taxation/pdf/lpt/ptbenefitsbrochure.pdf>

Property Tax Appeal Brochure- <http://www.state.nj.us/treasury/taxation/pdf/lpt/ptappeal.pdf>

New Jersey Association of County Tax Boards- <http://www.njactb.org/>

Association of Municipal Assessors of New Jersey- <http://www.amanj.org/>

New Jersey Tax Court- <http://www.judiciary.state.nj.us/taxcourt/>