

Impacts of COVID-19 on Real Property Taxes in New Jersey

By: Anthony F. DellaPelle, Esq., CRE®

New Jersey real property owners will receive notice of their 2021 property tax assessments by early February, and many will consider whether the economic impacts of COVID-19 should cause them to seek property tax relief due to a decline in their property values. In New Jersey, retail, hospitality and office properties have likely suffered the most to date, while the market for industrial properties has generally been strong, and residential properties have seen mixed consequences in different parts of the state.

These changes in the market are likely to continue or become more significant for the foreseeable future, signaling that property owners may be paying more than their fair share in property taxes. Where an assessment does not reflect a property's true market value, the taxpayer may file an appeal to reduce the assessment and the property tax expense but, before so doing, make sure you ask, and have answered, the following questions:

1. Can I appeal in 2021?

For most properties in New Jersey, the annual filing deadline for tax appeals is April 1st, although properties in Monmouth, Burlington and Gloucester Counties may have an earlier deadline which passed on January 15. For 2021 appeals, the "assessment date", or date of valuation, is October 1, 2020, so evidence of sales or leases of other properties that occurred last fall – in the midst of the pandemic - may provide a taxpayer with evidence in support of an appeal this year.

2. What is the Property's Current Assessment and "Equalized Value"?

Prior to filing a tax appeal, you first need to know your property's current assessment and its indicated value. New Jersey municipalities use an "equalization ratio" to translate property tax assessment to market value, thereby avoiding the need to reassess properties every year. The ratio is different in every town and changes every year. Ratios are available on the NJ Division of Taxation's website. For a ratio at or near 100%, the assessment is intended to represent the current market value. But some municipal agencies have base assessments that have not been revalued in many years, so the equalization ratio is low. As an example, the City of Elizabeth has a 2020 ratio of 10.68%, meaning that a property assessed at \$500,000 would intend to indicate a market value of about \$4,700,000! If the equalization ratio is less than 100%, statewide legislation may provide the town with a shield in the amount of 15% of the equalization ratio, which acts as a cushion so that the assessment does not have to be perfect.

3. Is the Property Currently Under-Assessed?

Importantly, situations do arise where filing a tax appeal could potentially increase your property tax assessment, so you need to make sure that filing a tax appeal won't cause you to wind up with a higher tax bill. Furthermore, in certain municipalities, appeals have been and are being filed by the town to increase assessments. For example, in the City of Jersey City in 2020, dozens of appeals were filed by the City to raise commercial

property tax assessments. Make sure you evaluate that risk before filing an appeal this year.

4. How will the Property be Valued?

Sales of similar properties are generally the best indicators of a property's value for residential properties and land. Income-producing commercial properties such as retail, warehouse, or office properties are typically valued by using a formula to "capitalize" the income stream in order to determine value. Special purpose properties, like certain types of industrial facilities, may be valued using a "reproduction cost" approach, since there may not be adequate evidence of the sale or lease of similar properties. Significantly, any owner or taxpayer for an income-producing property needs to determine if "Chapter 91" requests were properly made by the local tax assessor, because filing to timely respond to these 91 requests will give the town a right to dismiss any appeal filed in the following year.

5. Should I Look for Assistance?

Property tax appeals can often be complicated and time-consuming. Commercial tax appeals in New Jersey can take a few years to resolve. In order to be successful, it's important that to comply with state-sanctioned deadlines and procedures, only some of which have been mentioned above. An experienced property tax appeal attorney can provide assistance by ensuring your tax appeal is filed appropriately, has merit, and can be supported by competent evidence.

About the Author:

Anthony F. DellaPelle, Esq., CRE®, is a shareholder in the firm of McKirdy, Riskin, Olson & DellaPelle, P.C. www.mrod.law. He has represented New Jersey property owners and local government agencies in eminent domain, property tax appeal and other real estate valuation litigation matters for more than 30 years.