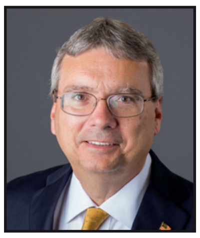
2022 FORECAST

By Thomas Olson, Esq. and Michael Realbuto, Esq., McKirdy, Riskin, Olson & DellaPelle, P.C.

How to successfully handle a property tax appeal

In today's current economic climate property owners will want to reduce expenses wherever possible. It is important for New Jersey property owners to understand that property taxes are not fixed expenses. Successfully appealing your tax assessment may create opportunities for thousands of dollars in yearly savings. Here are some basic guidelines to help increase your chances of winning a tax appeal:


Thomas Olson


Michael Realbuto

I. Review your assessment

Before you challenge your property tax assessment, you should determine whether your property is over-assessed. Not every municipality assesses its properties at 100% of true market value and it is important to be familiar with the applicable ratio in effect for each tax year. These ratios are released on a yearly basis and are available on the N.J. Division of Taxation's website. You should review your assessment every year and identify whether your property is over-assessed.

II. Know the Rules and Deadlines

Filing a property tax appeal requires strict adherence to state procedures and deadlines. In some circumstances, your appeal will be filed with the County Tax Board in the county where your property is located. In New Jersey, appeals generally must be filed on or before April 1st, or within 45 days of the mailing of the Assessment Notice. Some other counties follow an earlier deadline, and a few will have a later deadline if a municipal-wide reassessment has been performed. If your property is assessed at over $1 million, or the added or omitted assessment exceeds $750,000, you may file your property tax appeal directly with the New Jersey Tax Court instead of with the County Board of Appeals. It is crucial to research and follow all state tax appeal deadlines and procedures. The filing fee for tax appeals depends upon the assessed value of the property but will range from $5 to $250.

III. Prepare your Appeal

After you file your appeal, the next step is to prepare supporting evidence for the appeal. You must present the County Tax Board with concrete reasons why you believe your property is over-assessed. Did the assessor list your property at a greater square footage than it has? Are you being assessed based on a misinterpretation of the real estate market? Substantial supporting evidence will be required, and submitted in advance of the hearing, to prove that your property is over-assessed. Sales of comparable properties or comparable leases of similar properties are usually the best evidence to determine a particular property's value. For income producing properties, an income capitalization approach using market rental values will ordinarily be used. However, if the tax assessor requests actual income and expense information for an income producing property, your appeal may be dismissed if you do not timely respond to such a request. County Tax Board hearings and decisions for all properties are to be issued within three months of the filing deadline unless extended by the New Jersey Division of Taxation. Judgments are usually mailed out shortly thereafter. Recent legislation now allows County Tax Boards to decide appeals on the evidence presented with no appearance required.

IV. Appeals from the County Tax Board

Following the decision of the County Tax Board, you may then appeal that decision to the New Jersey Tax Court. You have forty-five (45) days from the date the County Tax Board's decision was mailed to file a complaint with the New Jersey Tax Court.

Under New Jersey's "Freeze Act," a reduced assessment will be "frozen" for two additional years (three years in total including your appeal year) unless the municipality undergoes a revaluation or reassessment of all of its properties during one of the freeze years or there is a substantial change in the value

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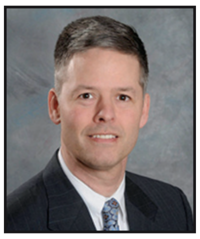
MID ATLANTIC REAL ESTATE JOURNAL

By Patten Mills and Kevin Hodge, ROCK

The 101 on the 1031

Have you considered how much more you could achieve with your money if you didn't have to pay good ole' Uncle Sam? The 1031 like-kind exchange program provides business owners and investors the ability to roll proceeds from the sale of one investment property into the purchase of another, thereby deferring any capital gains taxes on profits from the sale and allowing more capital to be spent towards the new asset. A wide variety of motivators based on circumstance including retirement, portfolio growth acceleration through leverage, relocation, or optimization of facility efficiency for your business could incentivize individuals and corporations to upgrade properties using a 1031 exchange.

Patten Mills



Kevin Hodge

Providing A Leg Up for Business Owners and Investors Since 1921

For the last century, individuals and corporations have utilized the 1031 exchange program as an economic tool to leverage and expand investment in real estate. In a 2020 study, Ling and Petrova concluded that investment in replacement properties purchased through like-kind exchanges is on average 15.4% greater and capital expenditures approximately $0.50 higher per square foot than properties purchased through fully taxable sales. Business owners and investors, large and small, utilize the 1031 exchange program, with the average price of properties exchanged from 2010 to 2020 being approximately $575,000.

While Internal Revenue Code specifies that properties must be like-kind, this just means that the property must be commercial and not a personal residence. Office condominiums, automotive service businesses, shopping centers, apartment buildings, and land for future development are just a few examples of real estate assets that can be traded through like-kind exchange. Stock in trade is excluded as the program is not applicable for those purchasing a property with the intention of immediately selling it after making improvements. Therefore, 1031 exchanges may not be an option for house flippers and housing developers that build homes for sale.

Deferral of taxes makes exchanges of suboptimal investments for more productive investments more feasible for property owners. A small business owner may rely on a 1031 exchange to put all value from the sale of their business and real estate towards an investment that provides passive income in retirement, such as a property with long-term NNN leases. An investor may decide to leverage their residential rental portfolio to level-up to a larger-scale investment with potential for higher returns like a new mixed-use development.

Any commercial property within the United States can be exchanged for another commercial property. For instance, a company relocating from Maryland to Pennsylvania can use a like-kind exchange to apply profits from the sale of the company's office building in Maryland directly towards the purchase of an office building in Pennsylvania without paying capital gains taxes. Properties can be exchanged across state lines, however, tax treatment at the state level varies. Pennsylvania currently does not acknowledge the 1031 exchange at the state level. Therefore, either PA's Personal Income Tax (PIT) or PA's Corporate Net Income Tax is still due at the time of sale depending on if the exchange is completed by an individual or corporation.

All properties involved in a 1031 exchange transaction must be owned for business use or as a long-term investment, but a portion of a primary residence may be used in a 1031 exchange if utilized for business or investment purposes. Any amount of equity in a property being sold can be rolled over but not without incurring tax exposure. All equity from the sale of a property must be put towards the purchase of a new property or properties, which must be of equal or greater value than that of the sold property or portion put into the exchange. If not, there will be a tax on the remaining gain.

What's the Catch?

An exchange must be initiated prior to the sale of the original property. Sale proceeds cannot be accessed once involved in a 1031 exchange without being subject to taxes. Potential replacement properties must be identified before or within 45 days of initiating a 1031 exchange with the sale of a property, and there are limits on the number of potential properties that can be identified. Settlement must be within 180 days following the sale of the initial property. Time limits can result in hasty decisions distorted by tax implications, for example, overpaying for a property in order to meet the requirements of a like-kind exchange and defer taxes. Contract stipulations that make sales contingent upon successful identification or purchase of replacement properties are one form of protection for owners.

Capital gains taxes are deferred, not forgiven, through a 1031 Exchange. As investors anticipate the risk of potential increases to capital gains taxes, taxable transactions may be completed with the motivation to pay capital gains at the current rate and reset the tax basis rather than rolling profits into a 1031 exchange. While 1031 exchanges can improve efficiency and liquidity in markets by providing the capital required for certain exchanges, assets become less liquid when involved in a 1031 exchange as it may not be rational to sell a property if accumulated capital gains taxes have a significant negative impact on profit from sale.

Is a 1031 Exchange the Right Strategy for Me?

Commercial property owners' goals guide investment strategy. The biggest consideration is whether a 1031 exchange will improve returns above inflation and cost. Like the options of retirement savings accounts that incur taxes before depositing (Roth IRA) and accounts that do not incur taxes until withdrawn (401K), the 1031 exchange provides the option to defer payment of taxes on gains. While 1031 exchanges can lower transaction costs and free up capital in the short-term by deferring capital gains taxes typically paid upon the sale of a property, it must provide sufficient benefit to justify the associated costs. Every deal is different, and

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Rittenhouse Realty Advisors reveals new national CRE platform

PHILADELPHIA, PA — Rittenhouse Realty Advisors (RRA) announced that it has co-founded, along with five other independent brokerage firms, a new national commercial real estate platform - **Global Real Estate Advisors (GREA)**. In doing so, RRA will be part of one of the largest privately-held brokerages in the industry.

GREA brings together some of the top brokers in the industry to achieve superior results with offices serving the Northeast (Philadelphia, New York and Delaware), Southwest (Austin, Dallas and Houston), Midwest (Detroit and Chicago), Southeast (Atlanta, Hilton Head and Florida), and Pacific Northwest (Portland).

This is a truly unique commercial real estate platform not offered in the current marketplace. All of our clients will benefit from shared resources and technology. The national platform will showcase RRA's property listings to an expanded audience from private owners in local markets to institutional investors with multi-market portfolios. Additionally, Rittenhouse Capital Advisors will have access to more diverse debt and equity options through its expanded national reach.

RRA will remain independently owned and operated. We have earned a stellar reputation by translating industry experience and market knowledge into an extraordinarily high volume of transactions. We will continue to offer that unparalleled service, unmatched expertise and a relationship-oriented style that our clients expect.

We are excited to be a member of GREA and offer these additional resources to our clients in order to achieve their goals and maximize returns. MAREJ

Sheldon Gross Realty brokers deal on 3,158 s/f office space

BRIDGEWATER, NJ — A 3,158 s/f office space at 711 E. Main St. in Bridgewater has been leased to Greenix Inc. by Richard and Monica Skydell. The transaction was managed by **Sheldon Gross Realty** president **Marcy Gross** and vice president **Eric Weston**.

"This lease represents a new location for our pest control business, and it's ideal for several reasons," said Matt Pritchett, district manager, Greenix Inc. "In addition to downtown Bridgewater offering exceptional visibility in terms of drive- and walk-by awareness, the township is perfectly suited as a central hub for dispatching service providers. As an example, New Brunswick is only a 20-minute drive, while Edison, Morristown, and Woodbridge all are just 25 minutes away." MAREJ

Workplace wellness in an . . .

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The impact of this historic pandemic in our lifetime will prove to be a changing force in how companies do business in the future. Companies should choose to embrace the challenge and be a part of developing the workplace trends of the future, and HF Planners, LLC will be with you every step of the way. If you are looking to implement a Workplace Wellness Strategy for your office in 2022, contact our Facility Managers today to get started!

Caroline Shelly is founder & principal of HF Planners. MAREJ

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of your property during one of the freeze years (i.e. you put an addition on the property or get a zoning change for a higher and better use).

V. Seek help

While these guidelines above provide a basic outline of the process, tax appeals can be complicated, and each case presents its own intricacies. The tax appeal process can be complicated, and an experienced tax appeal attorney can help you increase your chances of success McKirdy, Riskin, Olson & DellaPelle, P.C. has specialized in this field for over fifty years. Please feel free to contact us for a complimentary consultation.

Thomas Olson is managing shareholder with McKirdy, Riskin, Olson & DellaPelle, P.C., with more than 35 years of experience handling real estate tax appeal matters. Michael Realbuto is associated with the firm. MAREJ