

REAL PROPERTY ASSESSMENT DEMONSTRATION PROGRAM P.L. 2013 CH. 15

Primary failings of the current real property assessment system and how the several components of the ADP fix what is broken



1. ASSESSMENT CALENDAR STRUCTURE

A primary component of the ADP is to address the municipality's fiscal challenges that occur when assessments are reduced through the appeal process. By moving the *appeal process* before the *budgetary process*, towns avoid utilizing *Fund Balances* or *Emergency Bonding with interest* for "anticipated but uncollected revenue" resulting from lost appeals.

ASSESSMENT DEMONSTRATION PROGRAM - P.L. 2013 Ch. 15

The Assessment Demonstration Program restructures the Assessment Calendar to position the appeal process before the budgetary process.

CURRENT TAXATION CALENDAR												
October	November		January	February	March		April	May		June		
Assessing Date			Tax List Filed by Assessor	Postcards Mailed	Tax List Finalized By Tax Board	Town Adopts Budget	Tax Appeals Filed in Non - Reval Towns	Tax Appeals Filed in Reval Towns	Tax Rate Set by Tax Board		Tax Bills Mailed	Appeal Judgments Mailed w/o extension
Oct 1 PTY			10-Jan	1-Feb	10-Mar	31-Mar	1-Apr	1-May	20-May		14-Jun	30-Jun
Tax List, Budget, Tax Rate process								Current Tax Appeal Season				

REVISED TAXATION CALENDAR

October	November		January	February	March	April	May			June	
Assessing Date	Preliminary Assessments Certified to County Board	Postcards Mailed	All Tax Appeals Filed			Appeal Judgments Mailed	Final Tax List Filed by Assessor	Town Adopts Budget	Tax List Finalized By Tax Board	Tax Rate Set by Tax Board	Tax Bills Mailed
Oct 1 PTY	Nov 1 PTY	Nov 15 PTY	15-Jan			30-Apr	5-May	15-May	25-May	31-May	14-Jun
Tax List, Budget, Tax Rate							Revised Tax Appeal Season				

Appeals are filed for all districts on January 15, regardless of revaluation or reassessment activity.

By moving the appeal process before the budgetary process Monmouth County towns avoided utilizing *Fund Balances* or *Emergency Bonding with interest* for **\$14,951,306**.

APPEAL CALENDER CHANGE COST IMPACT						
Tax Year	County Tax Board Appeals		Correction of Errors		Total AV Change	Lost Tax Revenue
	Count	AV Change	Count	AV Change		
2014	4,992	(271,680,650)	134	(68,426,000)	(340,106,650)	(6,819,366)
2015*	6,060	(336,531,378)	272	(73,833,720)	(410,365,098)	(8,207,302)
						(14,951,306)

* because est. is prior to 2015 Tax Rate, used avg. rate of \$2.000/\$100AV

2. PERMANENT REMOVAL OF 10-YEAR REVALUATION CYCLE

The “old 10-year revaluation service model” is typically performed by an outside private vendor. The services are comprised of 3 primary components namely; inspection, valuation and appeal defense. The ADP *ANNUAL REASSESSMENTS supported by a 5-year internal inspection program* proposes to shift the requirements of *Valuations* and *Appeal Defense* to the local Assessor. To avoid expansion of the municipal staffing and associated pension and benefit concerns, *Internal Inspections* will be performed by an outside vendor. To spread out inspection costs, 20% of the town will be internally inspected each year, 100% every 5 years.

A	B	C	D	E	F
Total Monmouth County Parcel Count	20% Internal Inspections Per Year	Countywide Annual Maintenance Cost	10-Year Cost of 2, 5-Year Inspection Cycles	10-Year Cost of Revaluation	Estimated Countywide 10-Year Savings on Maintenance
	(A x 20%)	(B x \$21)	(C x 10 years)	(A x \$70)	(D - E)
		(\$21 per inspection)		(\$70 per line is statewide average)	
249,212	49,842	1,046,682	10,466,820	17,444,840	(\$6,978,020)

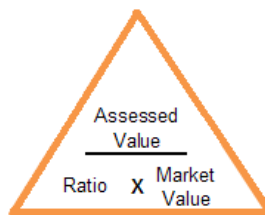
On statewide average, Revaluations cost \$70 per line and the proposed 5-year, 20% per year internal inspection program costs \$42 per line for an equivalent 10-year period. (2 x 5-year cycles @ \$21)

By employing *ANNUAL REASSESSMENTS supported by a 5-year internal inspection program* and having the local Assessor perform the valuation and the appeal defense components of the old revaluation model, the municipal Assessor saves the Taxpayers **\$6,978,020** over 10 years.

3. FRACTIONAL ASSESSMENTS

By employing *ANNUAL REASSESSMENTS* the ADP permanently resolves the systemic and public service failings caused by *Ratio-based fractional assessments*.

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

(\$200,000 / .50 = \$400,000). So, where the taxpayer believes that they are under-assessed by \$100,000, based on the recent sale price the taxpayer could actually be over-assessed by \$100,000.

The ADP permanently does away with fractional assessments by requiring the Assessor to annually review every parcel and revise the assessment, both up and down, in accordance with current market value. By annually revising 100% of properties to 100% of market value taxpayers no longer have to perform research to understand the current ratio and convert assessments to market value. From this day forward the assessment found on the Ch. 75. Postcard is intended to be market value.

4. **RESTRICTIONS PREVENTING ASSESSMENT MAINTENANCE AND UNIFORMITY**

By employing ANNUAL REASSESSMENTS the ADP permanently resolves the barriers that prevent annual assessment maintenance and uniformity.



In the “old assessment model”, absent revaluation, reassessment, compliance plan, judgment, or physical change, the assessment shown on the *Ch. 75 Notification of Assessment* postcard is the same from one year to the next. Even when an Assessor had sufficient proof that a property’s assessment was inaccurate, the Assessor is most often legally prohibited from making a change. **In the ADP, the Assessor MUST annually make assessment changes in accordance with observed market evidence.**

Once a municipality has transitioned to market value, each year the Assessor is bound to 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.

5. **CHAPTER 123 PERMISSABLE CORRIDOR OF VALUE N.J.S.A. 54:2-22 and 54:51A-6**

By employing ANNUAL REASSESSMENTS the ADP permanently removes the Chapter 123 permissible corridor of value in which the assessment can be proven to be almost 1/3 off, yet the review agency (County Board) cannot revise the assessment.

Within the ADP and annual reassessments there is no longer a “corridor of value” in which the assessment must remain unchanged, if the County Tax Board through appeal review find that the assessment is \$1 off of current market value they SHALL (not MAY) make the change. Similarly, by employing ANNUAL REASSESSMENTS the ADP permanently removes the protection of the **FREEZE ACT**. See N.J.S.A. 54:3-26

6. **MASS-APPRAISAL TECHNOLOGY AND EDUCATION**

Working with the ADP assessment community that is currently comprised of the Monmouth County Assessors Association (MCAA) and other forward thinking assessment practitioners throughout the State, the Monmouth County Tax Board, the Monmouth County GIS Department and our partner vendors Microsystems, Sunrise Systems and ESRI, we have established a platform for the development of the tools required to perform annual reassessments. Below is a current list of the individual modules that comprise the overall environment.

Online Tax Appeals – the *Online Appeal system* provides for the complete management of the assessment appeal process. Integrated with the Tax Board’s internal legacy software (MicroSystems), the online appeal system is unique within New Jersey. Created by *Sunrise Systems* exclusively for Monmouth County, the *Online Appeal system* is currently utilized by Burlington, Union and Hudson counties via shared services.

Tax Board Portal – the *Tax Board Portal* is a suite of web-based services being made available to the municipal assessment community to assist in the annual-reassessments as required by the *Assessment Demonstration Program*. While there are many services planned for the future of the *Tax Board Portal*, at the core of the system is the ***mapping tool that will position the local Assessor with the ability to isolate, analyze and correct problems with assessments***. Ultimately the *Tax Board Portal* will be offered to all County Tax Boards or individual municipalities via a shared services agreement. By marrying the Mapping Tools with other databases the Assessor acquires an unprecedented ability to annually refine and manage the portfolio of ratables. The Assessor will have the ability to map MODIV, CAMA, SR1A, Appeals, Farmland and Income and Expense Data.

MODIV Tax Services – MODIV is the state run computer system that must be used by all municipalities and county tax boards to manage their tax assessment systems. Recognizing the value of cost-effective centralized technology, in 1996 the Monmouth County Tax Board acquired a perpetual license from **MicroSystems** for its MODIV software suite. Since then, the County has offered the service via a shared services agreement to all 53 Monmouth County towns at a cost below the private market. By providing a singular base environment for MODIV services all subsequent technologies and education will have a unified delivery. In anticipation of what will be built upon this foundation in coming years, the ADP legislation requires a single MODIV system within each participating county.

Income and Expense Portal – Portal for the public’s annual submission and management of *Ch 91 Income and Expense information*. Annually, at the request of the local Assessor, every owner of a Class 4 property (Commercial, Apartment, Industrial) must submit Income and Expense information for the subject property. If a taxpayer fails to submit the requested data, then the owner is barred from challenging the tax assessment through appeal. The Income and Expense Portal provides the taxpayer with the ability to register and submit data electronically. By submitting online the taxpayer has the convenience of a time-stamped delivery receipt. For providing the convenience of online service the town’s benefits are much greater. As opposed to receiving just an image of the document (paper or electronic), which would require the town to manually enter the information contained on the document, the taxpayers submission provides all of the data entry services. With this information sophisticated analytics can be applied to provide an insight that was previously unattainable.

Farm Portal – Portal for the public’s annual submission and management of *Farmland Assessment* applications (FA-1). The owners of property, who wish to be assessed for property tax purposes as “qualified farmland” and receive the associated substantial tax reduction, must annually submit the application to the local Assessor for approval. The *Farm Portal* provides the taxpayer with the ability to register and submit data electronically. By submitting online the taxpayer has the convenience of a time-stamped delivery receipt. For providing the online service the town’s benefits are much greater. As opposed to receiving just an image of the document, which would require the town to manually enter the information contained on the document, the taxpayer’s submission provides all of the data entry services.

Open Public Records Search System (OPRS) – this is the County’s public- facing interface of its records management world. It is very important to recognize that the public’s access to both “record retrieval” (OPRS) and “record submission” (applications like the **Clerk’s Portal** and **Online Appeals**) transforms the county’s service from traditional business hours to “we never close”. ORM seeks to expand the public’s “record retrieval” through the addition of records to OPRS and expand the public’s “record submission” through the continued deployment of “Forms Portal” technology.

Forms Portal – The “Forms Portal” is the creation of an agnostic records management tool that could be deployed to County or municipal departments to permit them to open an interface that allows the public to submit documents and fees electronically. Like the *Clerk’s LRMS Portal* and the Tax Board’s *Online Appeal System*, the

intent of this technology is to change the service model for government. With this tool the public can receive service 24x7; costs are saved because the public provides the indexing and scanning and, where appropriate, submitted records go directly into the County's RIM repository.

Municipal Tax Map Maintenance Initiative— current law requires that municipalities update their tax maps annually and provide a copy to the County Tax Board. In reality, municipalities tend not to fund the updates which mean that the municipal tax maps remain stagnant until the town is ordered to implement revaluation services. Once ordered to revalue, towns will emergency bond, outside of cap, for revaluation and map updating services. The *Municipal Tax Map Maintenance Initiative* attempts to facilitate the cost-effective short-term migration of all analog (paper) tax maps to a state-certified digital map and provide for the day-forward maintenance of the digital maps. The proposed Monmouth County plan is to have the municipalities join a tax map shared services program that would position the County to seek the services of a New Jersey engineering firm who would perform the services at a reduced cost. Civil Solutions is a firm that has been successful in providing such services to the County of Gloucester for the last few years. In the Monmouth proposal, unlike Gloucester who centralized the authority, the local Assessor would send changes through the Tax Board to the firm. The firm would process the parcel changes and transmit the data back to the hosting county where they would be available for municipal access. By keeping the program local within each town we avoid the unintended consequence of having the cost apportioned to towns based on a town's Net Taxable Value as opposed to the amount of service being received. We want to avoid the pitfall of centralizing certain services to the County budget which could cause the "small but affluent" communities, which may have very little work to be performed, from underwriting the cost of "Larger" more active communities. In return for the management of the service and providing the centralized computer environment, the County and all of its departments would have access to a countywide digital tax map that would be kept up to date by the municipalities.

7. REDUCTION OF TAX COURT APPEAL REFUNDS and COSTS

While many view the ADP as a "Calendar Change" only, internally we see the impact of **annual reassessments** on **Tax Court** appeal refunds and costs as a primary ADP component. While the facts associated with County Tax Appeals are readily available, it is far more difficult for the Tax Board to quantify the systemic cost savings due to the "mitigation and avoidance of multi-year tax court judgments" that is a result of the Assessor's obligation to implement annual reassessments and the revised appeal calendar that permits current year assessment changes up until the end of April. In the old system, short of **revaluation, reassessment, compliance plan** or the "**litigation exception for compliance**", an Assessor was prohibited from addressing over-assessments from one year to the next. This would permit the "stacking" of multiple years for a single pending case. **The Annual Reassessments of the ADP make it the Assessor's duty to reset the assessment of every property to 100% of market value, thereby removing the exposure to "stacked" Tax Court appeals.**

While an individual Assessor's abilities come into play, the "Tax Court" issue has more to do with the cyclical reality of the real estate market. Simply put, in a continued trend of a depreciating market, the current assessment system fails to be nimble enough to respond and as a result of failing to adjust the current assessment, taxpayers are faced with unnecessary and significant costs. It is expected that once the reality of the ADP environment is fully understood, that **annual reassessments** coupled with the **ADP calendar change** will greatly reduce the benefits of "stacking multiple years of appeals" in Tax Court, more and more taxpayers will avail themselves of the County Tax Board. There will always be the need for the Tax Court but it will be generally accessed for un-resolvable differences, highly complex matters and cases of first impression.