

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 2725

STATE OF NEW JERSEY

DATED: SEPTEMBER 21, 2020

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 2725.

This bill would revise and clarify several processes related to the assessment of real property in counties that operate under the “Real Property Assessment Demonstration Program,” P.L.2013, c.15 (C.54:1-101 et al.) (currently only Monmouth County), where municipal-wide reassessments are performed annually by assessors in order to maintain assessments of all parcels of real property at their true value, which is current market value, and an alternative property assessment calendar was created in order for the county board of taxation to hear and decide property tax appeals prior to the adoption of municipal budgets, which provides greater certainty to the municipal budget process.

Section 1 of the bill would amend section 10 of P.L.2017, c.306 (C.4:4-23b) pertaining to the internal inspection of all buildings and other structures located on parcels of real property in municipalities located in a county wherein the county board of taxation is participating in the demonstration program established in section 4 of P.L.2013, c.15 (C.54:1-104) (currently only Monmouth County). As enacted in P.L.2017, c.306, section 10 of P.L.2017, c.306 (C.4:4-23b) also applies to a county operating under the "Property Tax Assessment Reform Act," P.L.2009, c.118 (C.54:1-86 et seq.) (currently only Gloucester County), which operates under the property assessment calendar established in the “Real Property Assessment Demonstration Program.” This bill would amend the statute to also apply to a county that has adopted the assessment calendar established in the “Real Property Assessment Demonstration Program” by resolution as permitted in P.L.2018, c.94 (C.54:1-105) (currently only Burlington County as of October 1, 2020). Therefore, some of the amendments to this section also would apply to Gloucester and Burlington counties. If a municipality elects to perform district-wide assessment changes, P.L.2017, c.306 required the assessors operating under those laws to make three good-faith attempts to physically inspect the interior of each parcel of real property not later than December 31 of the eighth year immediately preceding the year of the implementation of a proposed district-wide reassessment. These inspections are critical to ensure that an assessor is taxing each parcel of real

property correctly. This bill defines “good-faith attempt to physically inspect” to mean that the assessor, an employee of the municipality acting on behalf of the assessor, or a representative of a revaluation company or other company hired by the municipality to provide internal inspection services, would have to physically arrive at the property and request entry to the interior of the property. If that person is unable to gain entry to the property to perform the interior inspection, the person would be required to leave a notice affixed to the front door of the property stating in boldface type that an attempt was made to inspect the interior of the property, with the person’s contact information prominently displayed on the notice. In the case of a municipality located in a county wherein the county board of taxation is participating in the “Real Property Assessment Demonstration Program,” the notice would also state in boldface type that an appeal of the property’s assessment would not be heard by the county board of taxation unless the interior of the property has been inspected.

Section 2 of the bill amends R.S.54:3-21, concerning appeals of assessments, to require, in the case of a municipality located in a county participating in the “Real Property Assessment Demonstration Program,” that an appeal of the property’s assessment would not be heard by the county board of taxation unless the interior of the property has been inspected.

Several sections of the bill address an assessment issue resulting from a recent New Jersey Tax Court decision in the case of a parcel of real property located in Union Beach, in Monmouth County, concerning a property assessment law colloquially referred to in the assessment community as the “freeze act.” R.S.54:3-26 (pertaining to appeals heard at the county board of taxation) and R.S.54:51A-8 (pertaining to appeals heard at the New Jersey Tax Court) provide that the adjudged valuation for a tax year reflected in a final judgment of a county board of taxation or the New Jersey Tax Court shall also be the assessed value for the next succeeding two tax years, which essentially “freezes” the assessment for that period of time. Under current law, the “freeze act” does not apply in any year that a municipality undergoes a municipal-wide revaluation of all real property. In Tartivita v. Borough of Union Beach, 31 N.J. Tax 335 (Tax 2019), the Tax Court ruled that municipal-wide annual reassessments are not considered to be a complete reassessment of real property, even though the purpose of an annual reassessment is to maintain all properties in a municipality at current market value. Sections 3, 4, 5, and 6 of the bill, concerning appeals, clarify that in the case of a municipality located in a county operating under the provisions of the “Real Property Assessment Demonstration Program,” the “freeze act” and a related property tax assessment law, P.L.1973, c.123, colloquially referred to in the assessment community as “chapter 123,” which was adopted in 1973 as a tool

to test the fairness of an assessment and established a “30 percent corridor of value” or “permissible error” would not apply to any appeal from an assessment of real property taken in the tax year in which the assessor implements either a municipal-wide reassessment or other form of district-wide assessment review that requires the revision of all property assessments to current market value and that is approved by a county board of taxation. Section 3 also permits a county tax board in a county operating under the “Real Property Assessment Demonstration Program” to proceed with a full evidentiary appeal proceeding based on evidence submitted without the attendance of the property owner, at the property owner’s sole discretion by written request submitted at the time of the filing, and also allows county board of taxation appeal hearings in those counties to be conducted virtually, using the county’s online appeal system, and conference call technology and protocols adopted by the county board of taxation if the property owner makes such a request in writing at the time of filing.

Sections 5 and 6 of the bill require that with respect to real property located in a county operating under the “Real Property Assessment Demonstration Program,” in a municipality that has performed municipal-wide reassessments that were approved by the county board of taxation, and required the review and revision of all parcels to current market value, if the assessor changes an assessment judged by appeal in the previous year by any amount, the assessor would be required to send an additional notice to the owner of the property disclosing the change in assessment. This assessment change notification would be sent by regular mail at least 45 days immediately prior to the deadline for filing an appeal with the county board of taxation.

Sections 7 and 8 concern the annual notice of the current year’s assessment and prior year’s property taxes required to be provided to all municipal property owners by the assessor. These sections of the bill require that, with the exception of any judgment change notification notice required by R.S.54:3-26 or R.S.54:51A-8, this annual notice will satisfy any notice requirement to a property owner concerning the assessment of that property owner’s preliminary assessment value for the tax year in a municipality located in a county wherein the county board of taxation is participating in the “Real Property Assessment Demonstration Program.”

Section 9 of the bill concerns parcels of real property on which are located a building or other structure destroyed, consumed by fire, damaged, or altered in such a way that the value has depreciated after the assessment was set on October 1 of the pre-tax year, as required by law. In the case of a municipality located in a county operating under the “Real Property Assessment Demonstration Program,” the “Property Tax Assessment Reform

Act,” and a county that has adopted, by resolution, the provisions of section 1 of P.L.2018, c.94, if that depreciation occurred before May 1 of the tax year and the assessor has been notified prior to May 3 of the tax year, the assessor would be required to determine the value of the parcel as of May 1, and assess the property for taxation at that value. The section also requires that the assessor’s added assessment list for the tax year include a value for the improvements that reflect the prorated value of the building or structure as of January 1 of the tax year for the number of days prior to the date of the depreciation of the building or structure.