

New Jersey Highlands Council **Letter 84**

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Calls for changes to the Regional Master Plan, such as weakened nitrate dilution standards, reduction of riparian boundary setbacks and smaller lots size requirements in the Preservation Area are all based on a false premise. It is believed that such changes will lead to more development and thus increased tax revenue. This is one of the least realistic arguments against the Highlands Act, the Regional Master Plan and regional planning in general. It concerns so-called "ratables." Developers allege that Highlands regulations have caused them to look elsewhere for money-making opportunities. A thorough examination of Highlands' ratable values shows this is not the case. Highlands' ratables have risen and fallen and risen again in recent years, following the exact same pattern as neighboring areas. Local and county officials in New Jersey have obsessed about revenue-creating ratables since colonial times. In modern times, ratables have become a panacea for cash-strapped municipalities and counties. The more ratables, the more tax revenue, or so the logic goes. However, such is almost never the case. Decades ago huge utility, industrial or commercial projects gave certain localities like Blairstown and Florham Park very low tax rates. For various reasons such advantages no longer exist. The fact is that the ratables game is fixed and the loser is the residential taxpayer. A brief check of tax rates in "high ratable" communities which have high percentages of retail, commercial and industrial properties, reveals that tax rates are much higher than high-end residential communities. Commercial and industrial properties are judged for value by assessors, tax boards and the courts by different standards. These business properties are able to take advantage of much higher depreciation rates and thus end up paying less and less in taxes as time goes on. While many have used the Highlands Act and its regulations as a whipping boy to decry property tax burdens, the fact is, as it is with the real estate market in general, property taxes are no more of a problem in the Highlands then they are outside the Highlands. Moreover, as ratables have not proved to be a cure for property tax woes anywhere in the first place, changes in the rules governing development in the Highlands will not address its taxation problems. Therefore, lower standards in the Highlands would be a costly gesture meant to address a problem that does not exist. This would be planning based on political mythology at a very high price indeed -- which of course is not planning at all.

Respondent

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