



State of New Jersey
DEPARTMENT OF THE TREASURY

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***Division of Taxation Orders Three Municipalities to Commence Property Revaluations;
First Time it is Taking Such Action in 40 Years***

TRENTON – For the first time in four decades, the New Jersey Division of Taxation issued Orders to three municipalities to commence property tax revaluations because they have been delinquent in complying with State law.

The Orders issued to Jersey City, Dunellen and Elizabeth mark the first time in 40 years that the Division is taking such drastic action to compel local officials to comply with the State Constitution. The revaluations must be completed by Nov. 1, 2017. An explanation of what happens during a revaluation can be found at: <http://www.state.nj.us/treasury/taxation/pdf/lpt/revaluation.pdf>

The three Orders represent the beginning of a larger effort to address issues of noncompliance by municipalities in the absence of action by county tax boards. Other potential municipalities that are expected to come under review include the Town of Westfield in Union County, the Borough of South River in Middlesex County, the Borough of East Newark in Hudson County, Harrison City in Hudson County, the Borough of Roselle in Union County and Winfield Township in Union County.

The Orders followed a four-month investigation that culminated in public hearings that the Division held in each town to elicit public testimony. No member of the public spoke during the Elizabeth hearing, and the majority of the 14 residents who spoke in Jersey City were in favor of a revaluation. Although 25 people spoke against the form of the public hearing in Dunellen, not one citizen offered any substantive evidence to preclude the Division from issuing an Order.

John Ficara, the Acting Director of the Division of Taxation, ordered the revaluations because all three municipalities have been persistent violators of the “uniformity clause” of the State Constitution, which requires property taxes to be assessed uniformly state-wide. The investigation revealed that municipal governing bodies in Jersey City, Dunellen and Elizabeth fostered a climate of unfair and inequitable taxation within their boundaries.

“Municipal officials in Jersey City, Dunellen and Elizabeth failed to meet their statutory obligation to comply with the State Constitution, which requires a uniform distribution of the tax burden,” Ficara said. “As a result of their disregard for State law, these municipal officials caused some property owners to pay far too much in taxes and

some to pay far too little. These revaluations will bring the towns back into compliance and ensure that all taxpayers are treated fairly and equally, whether they have recently purchased property or are longtime owners.”

The investigation revealed the municipalities’ noncompliance partly resulted from failed supervision by the Hudson, Middlesex and Union county tax boards. “The county tax boards were complicit in this conduct by their abject failure to provide oversight of these municipalities,” Ficara said. “They have a fiduciary responsibility to recommend revaluations, where warranted, in their respective taxing districts. Instead, they ignored the mandates of the State Constitution and, thereby, shirked their responsibilities.”

Jersey City has not had a revaluation in 28 years, Elizabeth in more than 40 years and Dunellen in 34 years. If a town has not had a revaluation in 10 years, this is typically an indication that the town may be in need of a revaluation

As part of its investigation, the Division reviewed assessment data from each municipality to measure the disparity between assessed value and true value. One such measure is the Director’s Ratio, which is the average ratio of assessed-to-true value. A ratio of 85% or lower generally denotes noncompliance. Dunellen, for example, has a Director’s Ratio of 24.61%.

Another measure is the general coefficient of deviation. This number measures variation in the assessment- to-sales ratio of properties without regard to their size or class. A coefficient of deviation greater than 15% generally indicates a lack of uniformity in assessments. For example, Jersey City’s coefficient of deviation is 39.17%.

A third measure is the one-year, district-weighted ratio, which is determined by adding the total ratables for different property classes (such as residential, commercial or vacant land) and dividing the sum by the true value of all classes of real property. For example, the level of assessment established by the Union County Board of Taxation is 100%. However, Elizabeth’s district-weighted ratio is only 13.74%.

The next steps for the municipalities are the following:

- As part of the revaluation program, each municipality is required to submit up-to-date tax maps, with an “as of date” within the current tax year, within 90 days of the order for revaluation to the Acting Director, Division of Taxation for review in compliance with N.J.A.C. 18:12-4.7 and for approval in accordance with existing standards. To the extent that any Municipality has failed to maintain up-to-date tax maps, the Municipality shall take all steps necessary to update its tax maps for submission to the Division for review. All tax map revisions shall commence immediately. Progress reports shall include a discussion as to the status of the tax map revisions;
- The Municipal Tax Assessor for each town must, within 30 days from the date of the revaluation Order, submit a proposed plan of compliance. The plan should indicate whether the municipality proposes to enter into a contract with a qualified revaluation firm pursuant to N.J.S.A. 54:1-35.36. It also must indicate the date that it plans to implement the program and the time needed to complete the revaluation;
- The municipal governing body shall take all necessary actions to enter into a revaluation contract in accordance with the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq., and the Local Budget Law, N.J.S.A. 40A:4-1 et seq., including the preparation of the contract and the appropriation of monies to fund the contract and tax map approval, if needed;
- The procedure to be used by the municipality in awarding the revaluation contract shall be made pursuant to the provisions of the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq., and the Local

Budget Law, N.J.S.A. 40A:4-1 et seq., and shall not be delayed as a result of the municipality's utilization of either public bidding or other available procedures to secure a qualified revaluation firm;

- The municipal governing body shall prepare the necessary specifications for the revaluation contract and submit a copy to the Division of Taxation and the County Board of Taxation. The contract is subject to the Division's approval and the County Board of Taxation's recommendation. The specifications shall conform to the applicable provisions of law and the standards adopted by the Acting Director, Division of Taxation, as reflected in N.J.A.C. 18:12-4.1 et seq., the Real Property Appraisal Manual for New Jersey Assessors, and those of the Board of Taxation;

- Following the awarding of the revaluation contract the municipality is required to submit the proposed contract to the Acting Director, Division of Taxation, for review and approval pursuant to the provisions of N.J.S.A. 54:1-35.36, and to the County Board of Taxation for its review and recommendation. No work is to begin until said approvals are received;

- The Municipal Tax Assessor is required to submit written reports by the end of each month during the implementation of the revaluation program to the Tax Administrator of the County Board of Taxation and the Acting Director of the Division of Taxation. The reports shall specify the progress of the revaluation, the status of any municipal ordinance or resolution relating to the program, the steps completed and still to be completed and the amount of time needed to complete each phase of the revaluation;

- The revaluation firm shall perform the revaluation on behalf of the Municipal Tax Assessor. The Municipal Assessor is responsible for monitoring all phases of work to ensure the proper implementation of the revaluation program. Both the revaluation firm and the Municipal Assessor will be accountable to the County Board of Taxation through the County Tax Administrator for said performance, as well as to the Acting Director, Division of Taxation.

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