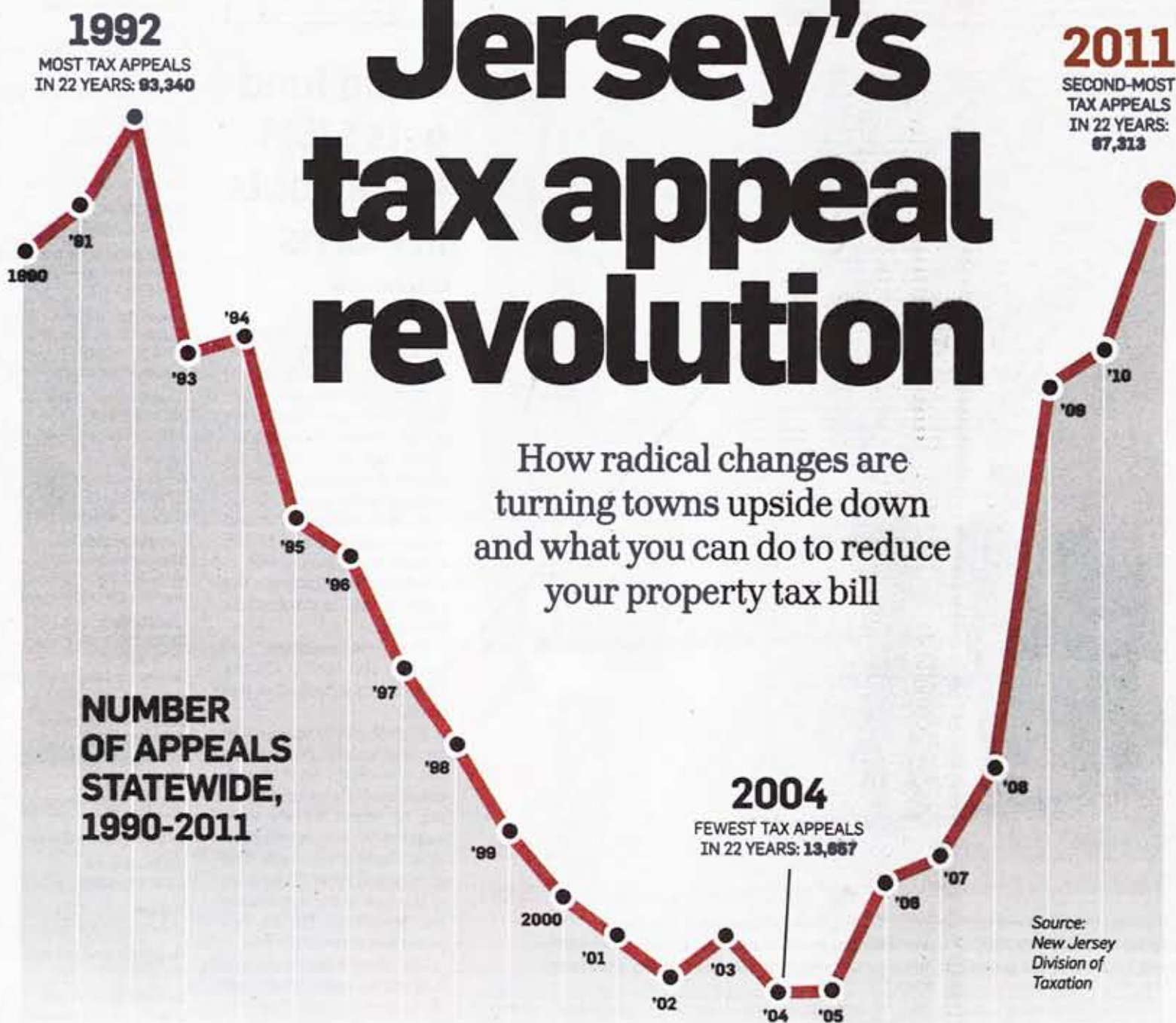


Jersey's tax appeal revolution

How radical changes are turning towns upside down and what you can do to reduce your property tax bill



By Stephen Stirling and Sarah Portlock / STAR-LEDGER STAFF

Swamped with a near-record number of tax appeals, New Jersey municipalities are choosing to settle more than ever rather than fight them, costing the state billions of dollars in lost tax base and wreaking havoc on local budgets, a Star-Ledger analysis has found.

With more than 87,000 homeowners and businesses filing appeals last year, settling has become the most cost-effective means of limiting the damage to municipalities, where in many cases properties were last assessed before the housing market crashed. Still, last year, municipalities lost more than \$3.8 billion in their tax base because of reduced assessments, more than double the total from 2008.

The findings are the result of an analysis of more than 20 years of data from the state Treasury Department's Division of Taxation.

As the April 2 deadline for property owners to file tax appeals fast approaches, administrators and finance directors across the state say the flood of appeals hasn't abated.

"We've seen people at the counter

■ Discounting desperation sales disrupts assessments. Page 13

continuously," said East Brunswick Finance Director L. Mason Neely. "Have you seen any major change in the housing market? Until we do, this is something we're going to have to deal with."

The number of tax appeals in New Jersey has increased dramatically in the past five years, according to the taxation division's data. Last year, the state logged nearly four times the number of appeals it did in 2007, hitting its highest mark in almost 20 years. Tax attorneys and municipal officials believe that this year's appeals may set a new record.

As communities have been forced to
SEE APPEALS, PAGE 13

HOW TO APPEAL

CONTACT your municipal assessor, who can walk you through the appeal process. You must file your appeal by April 2.

REVIEW the assessment for your home or business, looking for factual errors. For example, if the report says you have a third bathroom or a finished basement and you don't, it could mean the assessment is wrong and open to challenge.

LOOK at real estate websites to see how much comparable homes in the area have sold for recently. Trulia.com, Zillow.com or a local Realtor can be good resources. But take caution: Just because a neighbors' house is assessed at a certain price, doesn't mean your home is worth the same.

CONSIDER hiring a real estate attorney who can guide you through the paperwork and represent you if your case goes before a review board. You can ask for the attorney's payment to be contingent on a percentage of the tax relief you receive. Several online companies offer such services.

BEWARE of unintended consequences. Although housing prices have dropped in some parts of the country, that may not apply to you. If the county or state finds that your home is actually worth more than its assessment, you could lose your appeal and face a higher tax bill instead of a lower one.

Source: John Schepisi, Schepisi & McLaughlin in Englewood Cliffs

Appeals

CONTINUED FROM PAGE 1

shell out millions in tax refunds over the past few years, local officials warn the loss of revenue has to be made up somehow, which ultimately means higher taxes.

"Think of it like the scale of justice. On one side is the tax base and the other is the ratable base," Neely said. "If the tax base goes down, gets lighter, the rate has to get heavier to balance it. When people are appealing their taxes, they say: 'I'm going to pay less taxes.' But in the end, as towns adjust, they might end up paying more."

WHAT'S IT WORTH?

That hasn't stopped a deluge of appeals as attorneys and companies target frustrated homeowners.

Experts say the high number of appeals can be attributed to two major factors — throngs of New Jersey towns and cities have outdated assessments and the housing market has, for the most part, continued to languish, keeping real estate sale prices low.

It's a one-two punch that has led to hundreds of thousands of properties being overassessed.

"There's no question that the public awareness on the residential side of pursuing these appeals is increasing," said David Wolfe, a partner with the Livingston-based Skoloff & Wolfe law firm, who handles appeals. "Saving money on their property taxes is the only silver lining in declining values."

ValueAppeal, a web-based service that helps homeowners determine whether an appeal is worthwhile and works with customers to fill out the necessary paperwork for a \$99 fee, analyzed 2.1 million homes in New Jersey and found that more than 450,000 are likely assessed higher than their current market value. Adam Berkson, CEO of EasyTaxFix.com, a similar website, said his business has doubled in New Jersey in the last year alone.

DIRECT APPEALS

South Orange resident Steven Berger had an inkling that he may have a case for an appeal last year when his mailbox began filling up with letters from attorneys, appraisers and other groups.

"We got mailings from attorneys throughout the state saying, 'You can save this amount of money by filing an appeal,'" he said. "It was enough for us to notice and say to ourselves that we were probably paying a bit too much."

Berger filed an appeal of his home's assessment using ValueAppeal and said he wound up saving more than 10 percent of his nearly \$19,000 tax bill.

"We filed and received a settlement offer from the town, which we accepted," he said. "It was a substantial savings, and we decided it was better than taking it to a hearing and leaving it to the whims of the county tax board."

SETTLING DOWN

This is the bad news for hard-hit municipalities — not only are residential, commercial and industrial property owners filing appeals in record numbers, but they're also winning.

Communities settled about 52 percent of filed appeals in 2011, allowing local officials to limit the damage to their tax base and to avoid the risk of losing if the case went to a hearing before the county board of taxation.

While tax appeals are big moneymakers for attorneys and offer some relief to residents and businesses, it can be punishing to a municipal budget.

Refund payouts of several million dollars resulted in some municipalities' burning through surpluses and



NEW JERSEY TAX APPEALS, 2008-11

The number of tax appeals filed in New Jersey has soared in recent years. At the same time, municipalities, overwhelmed by the workload, have settled a growing percentage of the cases, effectively cutting property owners' tax bills.



Source: N.J. Department of Treasury, Division of Taxation THE STAR-LEDGER

running at a deficit. Last year, Monroe Township in Middlesex County was forced to issue \$5 million in bonds to cover tax refunds, which administrator Wayne Hamilton said had a "devastating impact" on local finances.

The situation prompted legislation to be passed in Trenton in January that allows municipalities to declare a fiscal emergency to authorize repayment.

"Essentially, some towns were getting hit with appeals that were so bad that they didn't have cash to refund them," said Wharton Administrator Jon Rheinhardt. "It puts them in a situation where their financial position is weakened and that can take a long time to get out of."

EasyTaxFix.com.

"I got a little postcard for this website and thought 'Well, it's worth a try,'" she said. "The hardest part was driving to the courthouse and dropping off some forms. Not bad for a couple of hours of my time."

Stephen Stirling: (973) 392-4174, sstirling@starledger.com or @sstirling on Twitter; Sarah Portlock: (973) 392-5994, sportlock@starledger.com or @sarahportlock on Twitter.

MAKING ADJUSTMENTS

Not all municipalities are feeling the pain.

Some like Wharton, which reassessed its property values in 2008, have warded off the scourge of appeals by keeping valuations closer to the fluctuating market.

"For us, (appeals) are trickling in. And we didn't get hammered last year either," Rheinhardt said. "It was a proactive move that's helped us out a lot."

But even in these municipalities, residents are being encouraged to file appeals by lawyers and others.

"(Attorneys) still lurk around," said Bernards Administrator Bruce McArthur. "There's one neighborhood we know has been targeted, where residents received mailings telling them to appeal. So it's not completely absent."

It may be a headache for local government, but residents like Carole Connolly of Burlington Township are more than happy to receive a few extra pieces of mail if it means saving hundreds or thousands of dollars. The assessment of her house dropped from \$350,000 to \$263,000 after she filed an appeal last year using