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## **Tax experts caution homeowners about filing property tax appeals in Lincoln Park, Bloomingdale, and other area towns**

By Sid Johnston

May 1 might be better known as May Day. But for some residents this year, the date represents a different kind of class struggle. It is the deadline to file a property tax appeal in New Jersey for homeowners who recently went through a reassessment.

However, property tax experts caution residents looking to file an appeal, saying that without proper guidance, they could be working against their best interests.

Property tax appeals have increased throughout the state, due to a combination of the housing market collapse in 2008 and the homeowners' understanding of how property taxes function.

It's not a clear-cut issue. Lincoln Park, which has been dealing with the issue for the past couple of years, completed a reassessment this year that knocked its total valuation down by \$149 million. The reassessment was completed in response to the numerous tax appeals the borough had to address after its revaluation was completed in 2008.

Lincoln Park's property valuation, which went from \$738 million in 2008 to \$1.576 billion in 2009, was knocked down to \$1.379 billion after tax appeals whittled it down to roughly \$1.528 billion.

The shift had negative consequences. The Lincoln Park school board passed its first tax decrease in years for the 2012-13 school budget, but due to the ratio rebalancing as a result of the loss revenue, the effort was a moot point.

Taxes will still go up by an average of \$33 per homeowner, despite a \$134,000 tax decrease from the school district. Taxes are expected to go up by an average of \$90 per homeowner on the municipal side as well, despite what borough officials say are their best efforts to reduce the budget to its bare essentials.

West Milford completed a property tax revaluation this year, increasing the township's total valuation from \$1.492 billion to \$2.782 billion.

The adjustment has residents questioning the overall assessment, especially those with lakefront properties like homes along Greenwood Lake and Upper Greenwood Lake, which appreciated at a higher value. This may lead to West Milford being inundated with property tax appeals in the near future, costing the borough both time and money.

In Bloomingdale, residents from Kampfe Lake and other areas questioned their recent assessments at a town council meeting on March 6.

The feedback led to Bloomingdale borough officials approving a \$224,700 bid to have Appraisal Systems Inc. reassess the properties, which could put Bloomingdale in the same situation as Lincoln Park in the near future.

### **The property tax dilemma**

The end result is that residents with a limited or poor understanding of how property taxes function end up working against their long-term best interests for short-term goals that may or may not be worth it, according to several New Jersey-based property tax experts.

**According to John Schepisi, the president of the Schepisi & McLaughlin law firm in Englewood Cliffs, the reassessment will only benefit property owners who were assessed higher than average in the original revaluation. Most homes with a lower property assessment won't be seeing a tax break anytime soon after the reassessment is done, he said.**

**"It's a balancing act," Schepisi said. "(Residents) get a small victory by changing their assessment, but at the same time their taxes increase."**

**Schepisi said that municipalities that receive enough successful appeals will have to make a reassessment to readjust the property tax ratio, which is used to determine each homeowner's share.**

Len Hayduchok, a chartered financial analyst (CFA) with Dedicated Senior Advisors LLC in Princeton, said that residents generally are working against each other when filing their tax appeals.

"I can't fault (residents) for being proactive, but overall it's not productive for the community at large," Hayduchok said. "There is this general perception that the government is ripping us off."

David Wolfe, a tax and real estate attorney based in Livingston, said that more of a burden has been placed on commercial ratables over residential ratables during recent reassessments.

He said both Englewood and Hackensack saw residential properties decrease by 20 percent and 27 percent during their reassessments, but many of the commercial properties in the two municipalities stayed flat, increasing their property taxes as a result.

Wolfe said there is no correlation between the residents' property assessment and the tax rate they have to pay per year. He said the big three property tax levies – the school, municipality, and county levies – set those rates.

Hayduchok agreed with the premise that residents misunderstand how the towns' revaluations affect how much they'll pay in property taxes. He said that revaluations are meant to bring everyone's property valuation in line with each other.

Wolfe said revaluations are supposed to be revenue neutral, but can cause perception problems when they are completed at the peak of the housing market.

**Schepisi said that most of the problems happen when towns get "overzealous" with filing a revaluation and if the revaluation firm doesn't do its job properly.**

### **The appeal of appealing**

**In the Common Law system, the burden of proof lies on plaintiffs to prove their case, and tax appeals are no different. Schepisi said that homeowners filing tax appeals have to prove their case in tax court, and most appeals generally get dismissed due to the homeowners' poor understanding of the law and coming to the court case unprepared.**

**"Inundating towns with tax appeals that will get dismissed helps nobody," Schepisi said.**

**Schepisi admitted that most lawyers don't have a good understanding of how property taxes work in the state, which makes a bad situation worse.**

Hayduchok said that entrepreneurial lawyers will generally try to "make a quick buck" during the tax appeal process, with most charging a contingency fee.

The average contingency fee tends to float between 25 to 50 percent of the settlement, in addition to filing fees, according to Schepisi.

Wolfe said that taxpayers won't know how much they'll pay in taxes, or their tax impact for the upcoming year, until August, after the May 1 deadline to file an appeal.

He said it is more important for commercial properties to be vigilant about contacting a tax appeal attorney before the May 1 deadline, since they have statistically been more adversely affected by recent reassessments.

Hayduchok said that it is crucial for residents to get educated about how the property tax levy is spent in school districts and municipalities.

He said part of the burden rests on the municipalities doing a better job of educating residents about the process and drafting more efficient budgets so there won't be tax increases.

In addition, homeowners need to stop getting upset after seeing their revaluations and gather proper information on how the revaluation is going to affect them, said Hayduchok. He recommended talking with the municipality's tax assessor first before making any moves.

"In the end, homeowners need to pay their fair share," Hayduchok said.