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P U B L I C H E A R I N G

before

ASSEMBLY COMMITTEE ON TAXATION

on

ASSEMBLY BILL NO. 2443
(County Revaluation Boards)

Held:
July 6, 1971
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman William K. Dickey (Chairman)

Assemblyman Joseph H. Enos

Assemblyman C. Richard Fiore

Assemblyman Joseph M. Healey

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ASSEMBLYMAN WILLIAM K. DICKEY (Chairman): I would like to call the Committee meeting to order again. This is a public hearing on Assembly Bill Number 2443, an Act concerning revaluation of real property for property tax purposes and creating County Boards of Revaluation.

I will call as our first witness the principal sponsor of the bill, Assemblyman Robert E. Littell.

ROBERT E. LITTELL: Thank you, Assemblyman Dickey and fellow colleagues. Thank you for the opportunity to air our ideas before your Committee and the public today.

The purpose in introducing A 2443 is to bring about uniformity to our system of revaluation in New Jersey. The taxpayers have a lack of trust and confidence in our present system. If property taxes are to continue as a major tax force, we must take a close look at our present system of revaluation. There is something wrong when we penalize people that improve their property and keep it up and we reward those that let their property deteriorate and fall apart.

We use real property as a tax base in the State of New Jersey to raise revenue to operate our counties, municipalities and schools. These assessed valuations are also used as a base for distribution of State school aid as well as other forms of State aid such as urban aid.

In an effort to equalize these values to 100 per cent, we have for the last 20 years had revaluations in most municipalities. This system varies from county to county and may be ordered by the 21 County Tax Boards with the approval of the Director of the Division of Taxation. However, presently there is no requirement for the tax assessor to use the figures after the municipality pays for the revaluation work.

The municipality usually has to pay in excess of \$10 to \$12 a line item for this service. The added expense comes in one tax year for the local property taxpayer who has to add this to his present cost of local government. Although the increase in assessments usually results in a lower tax rate, the municipality, in some cases, loses State school aid or urban

aid. In addition to increased charges per line item, we are faced with an additional number of line items as property is sold and sub-divided throughout the State.

In many instances revaluation firms are not local or even State oriented and are not familiar with the area or the people. This seems to be a great factor in the public's lack of faith in the system.

Municipalities are free to choose their own firm to do their revaluation and as a result you will find anywhere from 2 to 5 different revaluation firms doing work in one county in any given year. The present system is not geared to uniformity but rather tends to do just the opposite. Obviously when separate municipalities are hiring and paying separate firms, they have to come up with different values for similar properties in each municipality. I don't intend to infer any wrongdoing by my previous statement, but hope to point out that different firms and people doing a similar job will not only go about it in a different way but will come up with different results.

The usual results of these differences are an increasing number of tax appeals to the County Tax Boards.

The intent of this legislation is to establish three-member County Revaluation Boards in each of the 21 counties.

These board members would have to meet minimum qualifications as established by the Director of the Division of Taxation. They would have the power to employ appraisers and other technical personnel or could contract with a revaluation firm to help with their work. This could bring about uniformity within each county while at the same time have local people that are familiar with the area and the people doing the revaluation, thus creating trust and confidence.

It would further require the municipal tax assessor to use the valuations established as a result of the revaluation. It also provides for the tax assessor to appeal the use of such valuations to the County Tax Boards and then to the State

Division of Tax Appeals.

One of the main objections, I expect, will be the cost of doing each municipality at least once every five years. However, most experts will tell you that that is a reasonable length of time. Another might be that the cost should be borne by the municipalities and not the counties. Others might even suggest that the State pay for it all since it is they who are requiring it be done.

By making the cost a county expense, we will be retaining home rule rather than having State domination. It would reduce the expense to the taxpayers who now have to pay revaluation costs in one tax year by spreading the payment out on a countywide basis. If revaluation is established on a countywide basis the cost per line item should be stabilized. Now we find the less complicated jobs costing less and the more difficult jobs costing more. With a countywide system, this would not be the case. If 2 or 3 firms are now operating in any given county, they have 2 or 3 times the basic expenses that a single firm would have, such as rent, heat, light, telephone, etc. There are certain operations of revaluation that could be combined with the present County Tax Boards, such as the use of the same computers, duplicate tax books and records, thus eliminating an additional expense which outside firms now incur.

Attached are the breakdowns of Atlantic, Essex and Sussex Counties for the last five years so that you might get some idea of the costs involved. Also attached is a copy of an editorial from the New Jersey Herald, dated October 20, 1970. For those of you who don't know, the New Jersey Herald is a daily newspaper in Sussex County.

(The breakdowns and editorial mentioned
by Assemblyman Littell can be found
on pages 36 and 37, respectively.)

I don't expect this idea to be a panacea to all of our revaluation problems, but do hope that it will bring together the efforts of the Legislature and the Executive Branches of government in our State to work with the assessors,

County Tax Boards, Freeholders and municipal governing bodies to provide a suitable solution for the tax-paying public.

Now I didn't attempt to break down for you all of the costs. I have a file here and I am sure we can get a duplicate copy if the members of the Committee would like to have it, listing all of the revaluations done on a municipal basis in each county for the last 20 years. Some of them have done a very extensive and very thorough job; others have done a rather slight job and probably inadequate.

The biggest factor that I find is that when you get into counties, the municipalities end up using different firms and, as a result of that, you have got to have different figures. You can't have uniformity with different people doing things in a different manner.

I understand you had some testimony about equalization this morning on another piece of legislation. So I am sure you are very well versed in that particular subject and I am not. So I won't attempt to tell you about it.

Thank you.

ASSEMBLYMAN DICKEY: Thank you, Mr. Littell.

Are there any questions?

ASSEMBLYMAN FIORE: Assemblyman, you say in your statement we penalize people that improve their property and keep it up and we reward those that let their property deteriorate. Let's say I have a five-room house and I decide to add two rooms on it. I bought it for \$20,000. I put the two rooms on. Does the value of my house increase or does it stay the same as far as assessment?

ASSEMBLYMAN LITTELL: If you added two rooms to your five-room house, it would increase. That wasn't what I was intending by that statement. If you want an explanation, I will be glad to give it to you.

ASSEMBLYMAN FIORE: I would like an explanation.

ASSEMBLYMAN LITTELL: If you and I had identical houses, side by side, and you kept yours painted and kept the grass cut and everything ship-shape and kept the roof from

leaking by repairing it when it needed it, etc., and I just let mine go, obviously I would have a lower assessment over the years and yours would increase. So we would be penalizing you for keeping your place in better repair than my house, which I let deteriorate.

ASSEMBLYMAN FIORE: Again I am not familiar with evaluation, but don't you evaluate a piece of property --- For example, if I have a seven-room home and I keep it in A-1 conditions and the owner of the house next door doesn't keep it in A-1 condition, why should that affect the assessment of my property? That's what I don't understand. Or how does it affect the assessment of my property? Let's put it that way.

ASSEMBLYMAN LITTELL: In theory, if you use the argument that all property is revalued on the cost to replace it, that wouldn't happen. But the human element certainly is part of our problem and the situation is if you take an area where houses are similar and identical, those that have been kept up you will find have higher assessment than those that have been let go, which have lower assessments. This is a fact of life that is with us.

ASSEMBLYMAN FIORE: Assemblyman, may I ask this: Say we built two seven-room houses in 1950 and I maintain mine and you do not maintain yours. I was told earlier by someone from the County Tax Board that the assessment is based on the square footage and the similarity of the homes. Now if your house needs a paint job, does that mean you deduct from the valuation? Basically the houses have the same foundation. Now we are starting from the foundation up.

ASSEMBLYMAN DICKEY: Mr. Fiore, I don't think that is germane to his bill. He is trying to establish a County Revaluation Board, not to get into the mechanics of how revaluations are made.

ASSEMBLYMAN FIORE: All right. Assemblyman, you have in your statement: These board members would have to meet minimum qualifications as established by the Director of the

Division of Taxation. They would have the power to employ appraisers, etc." Who is going to pay for all of this?

ASSEMBLYMAN LITTELL: It would be paid for on a countywide tax rate.

ASSEMBLYMAN FIORE: Would it increase the county tax rate?

ASSEMBLYMAN LITTELL: It would depend on how the program was established, Assemblyman. If, for instance you took Essex County, for the last five years they spent \$884,500; now you ought to know better whether three men and an office staff could do that work for that amount of money over the last five years or whether they could not. The point is if you had a countywide firm or a countywide board responsible for either hiring a firm or doing the job themselves -- and this would vary from county to county, again based on the size of the county. In a county like Sussex, they might very well find that a three-member board might be able to hire enough field people to do the work themselves. In a county like Essex, they might have to go out and contract with a revaluation firm or several firms to do the job. But then they would have a similar system for the revaluation throughout that county, so that Essex County would not have Newark doing a revaluation under one system and Belleville or Cartaret or East Orange or some of the other towns in Essex County doing it under another system. That is the basic idea.

In order to bring about uniformity, I feel somehow you have to get this thing on a countywide basis. Maybe a countywide board is not the answer. Maybe you have a better answer. But I believe we have to have uniformity in revaluations on a countywide basis.

ASSEMBLYMAN FIORE: Thank you, Assemblyman.

ASSEMBLYMAN DICKEY: Mr. Littell, you have mentioned in your statement a five-year period. Do you think that is a realistic time interval?

ASSEMBLYMAN LITTELL: I have talked, Assemblyman Dickey, to assessors and some people in the revaluation business

and they indicate to me that a five-year period is a reasonable length of time in light of our present inflationary spiral, in light of the increasing land costs and other things that cause real estate property to go up. I am not an expert in the field, but that is what people that have been involved in it said to me was a reasonable length of time.

ASSEMBLYMAN DICKEY: With reference to the Revaluation Board, I think you have certain qualifications spelled out in your bill as to who could be appointed; is that correct?

ASSEMBLYMAN LITTELL: Yes, sir, on page one, "The Board shall be composed of three members appointed by the Governor, with the advice and consent of the Senate. Each member shall be a resident and citizen of the county in and for which he is appointed," - that's a requirement - "and shall possess the minimum qualifications for membership on the Board established by the Director of the Division of Taxation," - that's a requirement - "No more than two members shall belong to the same political party." That's a requirement. "A person who does not possess the minimum qualifications may be appointed to the County Boards of Revaluation and shall have one year to obtain said qualifications. If such person does not obtain the minimum qualifications in one year, his appointment shall be revoked and the vacancy shall be filled as herein provided." That's a requirement. Of course, it goes on to spell out that the terms are five years and tells how the first time they be staggered on a 1-, 3-, and 5-year basis. Basically those are the requirements set down in the bill.

ASSEMBLYMAN DICKEY: In other words, it delegates rule-making power to the Director of the Division of Taxation; is that right?

ASSEMBLYMAN LITTELL: Yes, sir.

ASSEMBLYMAN DICKEY: And he would establish the qualifications which might be more stringent than those set forth in the bill?

ASSEMBLYMAN LITTELL: Yes, sir, that's right. I can tell you my reason for that if you would like, Assemblyman Dickey.

I feel if you try to spell out in legislation requirements for employment, first of all, it would be a tremendous problem. Secondly, with the changing life that we are all faced with, you would be forced to come back to the Legislature to change the requirements if it was found to be necessary. I am sure we all have faith and confidence in the Director to establish such criteria, and I think it is best left up to him.

ASSEMBLYMAN DICKEY: In your own County of Sussex, have you made any estimate of what the cost might be to your county?

ASSEMBLYMAN LITTELL: Assemblyman Dickey, we haven't gotten into that part of it yet, but a lot would depend on whether they were on a part-time basis, as your County Tax Boards, or whether they were on a full-time basis and did the work themselves.

This was something I hoped might come out in our discussion here today, to see whether there was any interest in it and whether the thought or feeling might lean towards part-time boards hiring revaluation firms to do the work rather than go into a full-time basis in the smaller counties, and maybe in the larger counties it would have to be on a full-time basis.

ASSEMBLYMAN DICKEY: What would be the advantage of having a County Revaluation Board hire an outside firm? Couldn't the municipality do that anyhow under the present system?

ASSEMBLYMAN LITTELL: Couldn't who hire them?

ASSEMBLYMAN DICKEY: For instance, in my town of Collingswood, we can and we are at this time retaining the service of an outside firm to make a revaluation. What would be the need then, if you are just going to have a County Board of Revaluation to do the same thing, to select an outside firm to do that job?

ASSEMBLYMAN LITTELL: Well, the need, Assemblyman, is that the municipality that you live in is hiring a particular firm. Undoubtedly there are other municipalities in Camden County going through the same process at the same time and I would imagine if you checked, although I am not positive, that you would find there are two or three, maybe four, firms operating at the same time in Camden County doing revaluations. And each of those operates independently and works for the municipality that hired them. Obviously they have to come up with different answers because they are each operating under their own system with no uniformity at all.

With a countywide system, you would not have the local municipality hiring these firms; you would have the County Board hiring them; or you would have the County Board doing the work or it might be a combination of the two. But you would not have a municipality going out and paying a firm to do the job. You would have the county doing it. This would give countywide uniformity so that you would not run into a situation where you have four different firms doing four different jobs and all coming up with 100 per cent valuations.

ASSEMBLYMAN DICKEY: In other words, you feel the value is in the uniformity of the methods that are used to evaluate real property then, or at least on a county basis.

ASSEMBLYMAN LITTELL: -- since there is not any uniformity now. That's my opinion.

ASSEMBLYMAN DICKEY: Beg pardon.

ASSEMBLYMAN LITTELL: Since there is not any uniformity now, except in instances where several municipalities in a particular county hire the same firm to do the job.

ASSEMBLYMAN DICKEY: Well, won't you always have some disparity anyhow because of merely the lapse of time? For instance, if the same firm did my town this year and did Haddonfield next year and Berlin Township the next year, the lapse of time would indicate that there would be some change in valuation because of the progression of inflation. Isn't that true?

ASSEMBLYMAN LITTELL: Yes, sir, you are absolutely right.

ASSEMBLYMAN DICKEY: So when you get around to a cycle of 5 or 10 years, you are always going to have some disparity because obviously it can't all be done simultaneously, I assume.

ASSEMBLY LITTELL: That's right. I would agree with you that probably it can't be done simultaneously.

ASSEMBLYMAN DICKEY: That is why we have the equalization between municipalities, isn't it?

ASSEMBLYMAN LITTELL: That's right.

ASSEMBLYMAN DICKEY: -- so we get a uniform county application of the tax rate, that is, the county rate, and supposedly the uniform payment of State aid to those municipalities where it is applicable.

ASSEMBLYMAN LITTELL: But where you have 3 or 4 different firms doing revaluation simultaneously in the same county, they are very likely to come up with different answers in those particular municipalities. That is my argument.

ASSEMBLYMAN DICKEY: Yes. So that would again call for the application of an equalization procedure.

ASSEMBLYMAN LITTELL: Yes, sir.

ASSEMBLYMAN DICKEY: Any other questions from the members of the Committee? (No response.)

Thank you very much, Mr. Littell.

ASSEMBLYMAN LITTELL: Thank you for your time, sir.

ASSEMBLYMAN DICKEY: Mr. Richard McCarthy.

R I C H A R D F. M c C A R T H Y: I am Richard F. McCarthy, the Tax Collector of Berlin Township, Camden County.

Mr. Chairman and members of the Assembly Committee on Taxation, I wish to express my appreciation for the opportunity to appear before you regarding Assembly Bill No. 2443, which concerns itself with the creation of County Boards of Revaluation.

I have prepared a rather lengthy statement regarding my thoughts on assessments and revaluation. My present comments

will be limited to the highlights of this statement, but I trust that this Committee will find the thoughts contained in the complete statement worthy of consideration.

In your feasibility study of Assembly Bill No. 2443, I respectfully urge this Committee to include the study of the methods and the basis for determining real property assessments, the impact of revaluation on low- and middle-income families, and the cost of revaluation in relation to the financial ability and the need of county and local governments.

Prior to 1947, the State Constitution provided that real property was to be assessed according to its true value. the new Constitution adopted in 1947 provides that the assessment of property be according to the same standard of value. Title 54:4-2.25 defines the same standard of value as true value. True value was rejected in 1947 because of its vagueness. It led to too many law suits. Today, 24 years later, we are still faced with the problem of vagueness and law suits.

Revaluation increases the taxes of the majority of the homeowners and it often causes some of them to sell their homes against their wishes. This situation works against the announced policies of Federal and State governments to provide decent housing for all citizens.

When we consider the high qualifications the State has established for the position of Tax Assessor, County Boards of Revaluation could develop into a very costly government function. In view of the financial problems of county and local governments, I do not believe that these Boards should take priority over other tangible programs that are being delayed or completely ignored.

The purpose of revaluation is to equalize the tax burden among all owners of property. I question whether this purpose is or can be fulfilled, especially when we consider the advantages granted to farmland and to commercial and industrial properties or the exemptions granted to the

senior citizens and the veterans. It must be remembered that every time special considerations are given or exemptions granted, the tax base is narrowed and the burden is shifted to property not so favored.

I do not wish this Committee to regard my statements as those of an expert. I am a layman who is only drawing on 7 1/2 years' experience as a Tax Collector. Therefore, please regard the following proposals only as suggestions submitted to you for your consideration and study.

To eliminate the need for costly revaluation programs and to establish a tax base that the average homeowner can understand, I recommend the following proposals for study by this Committee:

- That all real property be reassessed at the time title is transferred.
- That the reassessment of real property be based on the purchase price of the property in the cases of bona fide sales and on true value in all other cases.
- That the improvements on vacant land be assessed at true value at the time of completion and partially assessed in like manner if construction exceeds one year.
- That all additional improvements within five years of construction, to be assessed according to true value, that only additional improvements affecting the size of the original improvements, to be assessed at true value after the five-year period.
- That veterans' exemptions be replaced by a one-time bonus or that exemptions for out-of-state veterans be eliminated completely.

Again I wish to thank you for your time and your courtesy.

(Written statement submitted by Mr. McCarthy can be found beginning on page 38.)

ASSEMBLYMAN DICKEY: Thank you, Mr. McCarthy.

Any questions? (No response.)

Thank you, Mr. McCarthy.

The next witness is Mr. John Kerr, President of the New Jersey Taxpayers Association.

J O H N K E R R, J R.: My name is John Kerr, Jr. I appear before you as the President of the New Jersey Taxpayers Association, a non-profit, non-partisan governmental research organization interested in efficient, responsive government. The Association's offices are at 104 North Broad Street, Trenton. And I have here with me Mr. Frank Haines, who is Executive Director of the Association.

Assembly No. 2443 would -

1. mandate creation of a three-member county board of revaluation in each of the State's twenty-one counties, appointed by the Governor with Senate consent, with responsibility for conducting property revaluations in any taxing district in the county at the request of the taxing district, or on the initiative of the county revaluation board, if there had been no revaluation in the taxing district for four years;

2. require each taxing district to have a revaluation every five years;

3. require county freeholder boards to fix salaries for the board of revaluation and its staff, and provide funds for its operations.

NJTA Position

NJTA does not view creation of such an agency as a constructive addition to the structure for administering the New Jersey property tax.

Among major reasons for not favoring this bill are:

1. The power to conduct revaluations should not be the responsibility of a county government agency with revaluation as its sole purpose, particularly an agency such as would be created by this bill, with -

- a. appointment by the Governor with Senatorial consent;
- b. qualifications as determined by the Director of Taxation, but not required for initial appointment;
- c. salary and operating appropriations fixed at the discretion of freeholders who have no policy control over the agency;
- d. power to order revaluation which conflicts with powers of the county board of taxation to order revaluation (R.S.54:3-16), in fact fails to consider the relationship of the county board of taxation, except on appeal from use of the revaluation to the county tax board by the local assessor.

2. The bill fixes a mandatory period of five years for revaluation in each taxing district.

There is presently no general law in New Jersey requiring periodic revaluation. Realizing that such a statute may be desirable, we do not agree with provisions of section 4, lines 6 to 12. It is our opinion that the minimum period for revaluation should be more than five years, preferably eight or ten years. Further, discretion should be permitted within the period if evidence demonstrates the necessity for a revaluation. In other words, if it is so felt, it could be for a period even less than five years. We think a statutory definition of "revaluation" is also an essential addition to the existing assessing law.

3. We find no fiscal note for the bill. However, we recognize that because of the general nature of the bill, numerous assumptions would be needed to estimate the cost. We suggest that the amount will be far in excess of cost of operating county boards of taxation which was slightly over \$1.5 million in 1969.

Moreover, we question whether a municipality which contracts for and pays for its own revaluation will be willing to accept sharing the cost of revaluations which might be performed by the county revaluation board for other municipalities, since financing of the costs of the office in the county budget are apportioned

among all municipalities in the county. There is no provision in the bill for the county revaluation board to contract with a municipality to charge for revaluation services performed.

Suggested Alternatives

NJTA believes that there are more desirable alternatives to Assembly No. 2443 and offers these alternatives:

1. Regulation of revaluation firms and review of contracts by the Director of Taxation as provided in Senate No. 2195 now waiting action in the Assembly.

2. Establishment of an office of county assessor in each county headed by a qualified, full-time assessor appointed by the Director of Taxation serving in place of the present Board of Taxation. The county assessor would have the responsibility for assessing all real property in the county at the same standard of value and would be authorized to utilize the best qualified municipal assessors available to serve on a full-time basis. Revaluations would be made under the supervision of the county assessor using his own staff or contracting for professional assistance. The county tax board would become solely an intermediate appeals body with its present administrative duties assigned to the county assessor.

We hope that the Governor's Tax Study Committee will recommend administrative reforms in the property tax. Therefore, we suggest that any action on legislation that would alter the property tax administrative structure be held in abeyance until the Committee's report has been received later this year.

Thank you for the opportunity to appear before you today.

ASSEMBLYMAN DICKEY: Thank you, Mr. Kerr. Are there any questions? (No response.) Thank you very much, sir.

The next witness is Mr. Lawrence Lasser, New Jersey State Chamber of Commerce.

L A W R E N C E L A S S E R: Mr. Chairman and members of the Committee: My name is Lawrence Lasser. I am a Newark attorney. I have been active in the field of State and local taxation for a number of years and I am appearing on behalf of the New Jersey State Chamber of Commerce.

It is the position of the New Jersey State Chamber of Commerce that we would oppose this bill. The reason that we oppose this bill is principally because it introduces an unneeded level of government, a level of government that is now either handled by or may be handled adequately by the assessor, the County Tax Board and the Director of Taxation.

We point to Senate Bill 2195, which has as its purpose the implementation of the powers of the Director of Taxation by providing that the Director of Taxation should fix standards for revaluation companies and should review contracts of revaluation companies.

The State Chamber of Commerce favors vigorous compliance with the property tax statutes. They favor periodic revaluation by competent appraisors. They agree with Assemblyman Littell that the principle of uniformity should be nurtured and fostered in the development of our property tax law. But they feel that this can be best accomplished through the use of independent specialists who are working throughout the State, that is, the existing private revaluation companies. We feel that the approach to be used should be the approach of using these experts who are presently available rather than imposing upon the property tax system a governmental setup to be substituted for this. In other words, we would prefer to see the private sector utilized and regulated rather than moving the entire function into the governmental sector.

The reason that we would advocate this position is that the utilization of the governmental sector for this task will be at extremely high cost. To accomplish complete revaluations every five years at the county level through the use of a County Board of Revaluation will result in a

proliferation of governmental jobs, questionable expertise -- I might note parenthetically that in the qualifications as set forth in the bill, the Board of Revaluation is composed of people either who have the qualifications or who can obtain them within a one-year period. I think that the one-year period is entirely unrealistic. Assessors go through rather stringent and lengthy courses and programs of training. Appraisors similarly go through this type of educational setup. It would appear to us it would take a great deal longer than one year for anyone to obtain expertise in the field.

So we feel that the addition of this new level of government not only will result in added expense, but it will result in a shifting of this expense from the municipalities who now bear the cost of the revaluation to the counties. Shifting the expense from the municipal level to the county level may not be completely warranted.

The question of not only the complexity but also the possible conflicts when we have all of these different boards operating in the same field - the County Tax Board, the Board of Revaluation as well as the assessors, the Division of Tax Appeals and the Director of Taxation - all operating together, may result in some conflict. I might even venture to say that there could be a possibility that when one political party is in power, it may turn out that revaluations are accomplished of municipalities which may favor the opposite political party and perhaps vice versa when there is a change in political parties.

We also question the need for a legislative mandate that there be revaluation every five years. We think the question of the time period between revaluations should be left to administrative discretion. We agree that there should be periodic revaluations, but the exact time period depends upon the municipality, the economic activity, the state of the real estate market and the excellence of the job done

by the assessor between revaluations.

I would also like to point out that the bill raises some question. Can the County Board of Revaluation use independent appraisal firms? The bill isn't clear as to whether they can use revaluation firms or whether they must use their own staff. There is a provision in the bill that indicates that the municipality may use independent appraisal firms and, if they do so, apparently they must bear the cost themselves. I don't think the municipality would be likely to do its own revaluation if there was a county organization available to do it for them for nothing.

I might also point out that there is a procedure in the statute for appeal by assessors to the County Tax Board, but without any of the procedural requirements necessary with respect to such appeals. In the administration of the property tax, time periods are very important - the assessing date, October 1st; the date that the tax duplicates must be submitted to the county, January 10. All of these have to be taken into consideration and a specific procedure would have to be enacted into legislation to provide for the procedure for the assessor to appeal from the determination of the Revaluation Board with respect to that revaluation. I think for that reason, if this legislation were to be adopted, it would have to have that type of procedure added.

I say, therefore, in closing, that we would favor Senate Bill 2195, which we think will accomplish the same purpose and accomplish it in a more efficient, less costly way, that the Director of Taxation, who has certain expertise in this field, should use that expertise for the purpose of preparing and enforcing standards among revaluation companies.

Assemblyman Littell referred to the fact that different firms have different figures, different systems. I think that this criticism can be corrected by providing for standards which all revaluation companies would adhere to in making their revaluations.

Thank you, gentlemen.

ASSEMBLYMAN DICKEY: Thank you, Mr. Lasser.
Any questions? (No response.)

Mr. Arthur West, President of the New Jersey Farm Bureau. (Mr. West is not present.) I think Mr. West gave us a statement which we will put into the record.

(Mr. West's statement can be found on
page 46.)

Also Assemblyman William Schluter of Mercer County asked me to introduce into the record a letter from the Tax Assessor of Princeton Township, and he expresses his opposition to the bill. We will make that part of the record.

(Letter from Stuart Robson, Tax Assessor,
Princeton Township, can be found on page 48.)

The next witness is Mr. Samuel Befarah, Jr., President of the Municipal Assessors Association of New Jersey. Mr. Alfred Greene is also listed from the Association, as is Mr. Salmon.

Mr. Salmon, are you going to speak first?

MR. SALMON: Yes, sir.

ASSEMBLYMAN DICKEY: All right. Mr. Walter Salmon.

W A L T E R S A L M O N: Gentlemen, I do not have a copy of the comments that I am going to make. I will have to read these from the notes that I have.

ASSEMBLYMAN DICKEY: Will you first of all give us your title again for the record.

MR. SALMON: I am Walter W. Salmon, Certified Tax Assessor, Assessor of Mount Laurel and Moorestown Townships, and co-chairman of the Legislative Committee of the State Assessors Association.

The immediate question that arises is the need for such law. Present laws on the books already dictate what the assessor is required to do. The Local Property Tax Bureau has produced an easy-to-use manual for guidance and its Appraisal Division is always available to those who need assistance.

Qualified assessors are trained in State law, replacement,

market and income approaches to value, as well as in the use of economic, physical, age, depreciation and various obsolescences.

Secondly, this piece of legislation is a further erosion of the principle of home rule for the municipalities and nullifies the necessity of qualification of assessors. Assessors could become clerks who would handle only citizen complaints.

Thirdly, will the Revaluation Board defend their assessments against appeal? If the present assessors lose 75 per cent of their cases to the compassion approach of the County Board, what could be the result with purely political bodies opposing each other? There is no state in the Union that enjoys the reputation of the State of New Jersey for its property tax administration. This has come about through the constant education and re-education of its assessors. No matter what the shortcomings, we are still tops in our field.

The State of California with its County Assessor system has recently had a literally bloody result within its framework. Eleven of its assessors were convicted of misfeasance and three committed suicide.

Let's take a look at our neighboring State of New York. The system has been on a semi-county basis. However, the quality of assessment needed a complete overhaul, with the result that the privilege to assume office now requires education and qualification with terms of office of six years.

In the State of Maryland, the need for qualified personnel in assessment was so acute that an opportunity was offered to any person and to any assessor who attained the designation "certified assessment evaluator" and he would be rewarded with an increase over the annual salary of \$400 or \$700, depending on the size of the district.

In our own State, there are barely enough available certified tax assessors to meet the requirements of the states 567 municipalities, so few that Senate Bill 2020 was introduced to allow provisional certificates for persons untrained to study and take examinations for certification.

There are pieces of legislation already in the Legislature seeking the qualification of mass appraisal companies and their respective personnel. Many of these professionals exceed by many years the ususally required 10 years of experience in the field of revaluation. Competitively, mass appraisal companies are in two markets. One is the price market which we all can understand. The other is the performance market, a market where there is no second chance for inferior or sub-quality programs.

My own experience with two revaluation programs in two municipalities in which I have served shows that a task force of no fewer than four field men plus the necessary clerical and computing personnel requires three months in good weather or four months in inclement weather to cover 5,000 properties. Each man must do eight properties a day for the firm to break even. Recent bids for a 6,000 line-item community ranged from \$8 per line to \$11, which price includes the printing of three tax books and the defense of assessments at both the County Board of Taxation and the State Division levels, not to mention individual conferences with property owners before the tax lists are printed.

Physically and economically, consider the enormity of the personnel required to cover the literally hundreds of thousands of properties in Burlington County's 40 municipalities or the 70 municipalities in Bergen. Dover Township in Ocean County alone has more than 30,000 line items. Pemberton Township in Burlington County as of 1969 had a few over 20,000 line items, exclusive of exempt properties.

Let us assume for the moment that the 567 municipalities in the State have an average 4,000 line items to assess. That total is 2,268,000. Again assuming that the job is completed on a five-year cycle, the annual requirement would be 467,000 properties per year. If a field man is required to do 8 properties per working day for 240 days per year, the statewide program would require 243 field men to complete a five-year cycle or approximately 12 field men per county, not

including an equal number of personnel in supervision or clerical positions.

If such a law as 2443 is enacted, then we should dissolve the County Boards of Taxation and initiate a Tax Court to deal with only the real property assessments, with the problems of school aid equalization, municipal tax rates, etc., being handled by a central committee of County Finance.

The opinions that I have given must not be construed to be those of the Assessors Association, but I must be emphatic in saying that I have not - and I repeat "have not" - talked to any assessor who has had a revaluation who is in favor of this bill.

I respectfully submit that A 2443 is opposed and should not become law.

ASSEMBLYMAN DICKEY: Thank you, Mr. Salmon.
Any questions? (No response.)

Mr. Greene is next.

A L F R E D J. G R E E N E, J.R.: Mr. Chairman and gentlemen of the Committee: My name is Alfred Greene, Jr., Tax Assessor, City of Clifton; Past President of the Association of Municipal Assessors of New Jersey; and member of the Executive Board of the International Association of Assessing Officers.

We strongly recommend further study of any proposed legislation of this type. It creates another board with vast powers that can greatly add to the already heavy tax burden placed upon all real property taxpayers.

We also urge further delay in this proposed legislation until such time as a report of the Special Task Force on Taxation is completed and filed with the State.

This legislation could very well interfere with the report of the said Task Force.

The minimum qualifications as outlined are too broad and it makes the assumption that personnel can be found in all counties who possess the technical knowledge of the field of taxation and the ability and know-how to realize when a revaluation is needed. I think it is safe to say - and

I see the members of various firms in the room here - that revaluation firms at the present time cannot fulfill the need of hiring sufficient personnel to fill their needs. I don't know how we are going to follow boards with these kinds of standards.

To require revaluation in not less than every five years can be extremely costly and to include this additional cost in county budgets will create extreme hardship and disproportionate costs to communities and their respective taxpayers.

We also believe this proposed legislation takes away the concept of home rule. I know the City of Clifton violently opposes it.

Paragraph 7, lines 4 to 7, states that "the assessor shall be required to use valuations established by the revaluation for property tax purposes unless he shall establish before the county board of taxation clear and convincing reasons for not using such valuations." Comment: To adapt recommended values in toto by someone other than the assessor, himself, makes the assessor a figurehead and supersedes the powers and duties of the assessor. The assessor should at all times have the power to review recommended values and make the necessary changes in order to maintain equality and reflect current market values.

I am personally aware of this. We have just completed revaluation of the City of Clifton and I am now in the process of reviewing each and every one of the 22,000 line items before they are accepted and put on the rolls.

All of the powers in the Board of Revaluation now lie with the County Boards of Taxation and/or the Director of the Division of Taxation. We can foresee financial chaos being created and many other inequities in the field of taxation. We also foresee conflicts not only between the assessor and between the assessor and these County Boards of Revaluation but also between the County Boards of Taxation and the Boards of Revaluation.

The State Association of Municipal Assessors strongly objects to the passage of Assembly Bill 2443. Thank you,

gentlemen.

ASSEMBLYMAN DICKEY: Thank you, Mr. Greene.

Any questions? (No response.)

The next witness is Robert Woodford, New Jersey Manufacturers Association, Taxation Committee.

ASSEMBLYMAN ENOS: Will you please state your name, sir, and your position.

R O B E R T W O O D F O R D: My name is Robert Woodford, Assistant Secretary of New Jersey Manufacturers Association, appearing on behalf of the Association's Committee on Taxation.

Our Committee has reviewed Assembly Bill No. 2443 and has concluded that the bill has many features that are both undesirable and unnecessary. The bill would superimpose a county board of revaluation on our existing system of assessment in each county. It would also require revaluation in each taxing district at intervals of not more than five years.

Presently, primary responsibility for district-wide revaluation lies with each municipal governing body. Failure of the municipality to revalue at reasonable intervals can result in a county board of taxation or court-ordered revaluation. While it can be argued that frequent revaluation will lead to more equitable assessments, the cost, work involved and frequent controversy surrounding such a reappraisal, discourage revaluation at too frequent intervals. Good assessing practices often can make frequent revaluation unnecessary.

The community revaluing all real property may rely on its own local assessor or board of assessors or may contract with an outside appraisal firm. Recently, New Jersey communities were authorized to enter into agreements to provide for multi-district assessment. Conceivably, a group of municipalities served by a single assessor or board of assessors could provide for district-wide revaluation in alternating years. Most districts, operating with a single assessor or a board

of assessors serving only one district, have turned to outside firms of appraisers for district-wide revaluation.

Assembly 2443 seeks to add one further alternative to the single assessor, joint assessor, outside appraisal alternatives. To do so would require a new salaried board of revaluation and a county staff of appraisers. The question arises whether this alternative provides anything to the overburdened property taxpayer other than an indefensible additional tax burden.

Qualifications of Board Members

Under the provisions of Assembly 2443, the Director of the Division of Taxation would establish minimum qualifications for membership on a board of revaluation. Persons failing to meet the minimum qualifications could nevertheless be appointed to serve for a period of one year, after which time they would be removed if they continued to fall short of minimum qualifications. The unqualified member, stepping down at the end of one year of service, could be replaced by an equally unqualified successor.

Functions of the Board

Each county board of revaluation would have the power and the duty to perform comprehensive revaluation of real property, although they may lack the qualifications to perform that function. While given the "power and duty" to revalue real property, county boards of revaluation would have the power to revalue only (1) if they were requested to revalue by the governing body of a taxing district or (2) if real property in a taxing district had not been revalued for four years and the taxing district had not undertaken or arranged for a revaluation during that period. If all taxing districts in a county complied with the bill's requirement of a revaluation "not less than once every 5 years" and chose not to avail themselves of the services of the county board of revaluation, the board of revaluation would serve no function whatever.

As has been mentioned by other speakers, if a number of communities within the county chose to use the services of the Board, those municipalities not using the services of the Board would nevertheless pick up a part of the cost in their county taxes.

Does Assembly 2443 provide an intelligent system and an improvement over present revaluation practices? If establishment of a maximum interval for district-wide revaluation is desirable, it can be accomplished without the creation of more salaried governmental positions. If revaluation, as performed today, is performed by insufficiently qualified persons, the establishment of standards and certification procedures for appraisors remains the logical response.

We urge your Committee to reject Assembly Bill No. 2443. Thank you.

ASSEMBLYMAN ENOS: Are there any questions? (No response.) I have no questions and thank you, sir, and we have a copy of your statement.

Is Mr. Anthony Panaro present?

A N T H O N Y P A N A R O: Members of the Committee, my name is Anthony J. Panaro. I am the Secretary of the Mercer County Board of Taxation and I am the Vice President of the New Jersey Association of Tax Board Commissioners and Secretaries.

The suddenness of these hearings did not allow our Association to either meet or take any stand on 2443. So I appear here speaking on behalf of the Mercer County Board of Taxation, of which I am the Secretary.

At the risk of being repetitions - some of the objections were previously recounted - I would like to just generally outline my personal objections to 2443 on two grounds, number one being the tremendous cost that would be borne by the county governments which are already faced with tremendous burdens of expenses; and, number two, I would like to address this to what I believe to be the superseding

of County Tax Board powers. Under the costs that would be borne by the counties, a reading of the bill would give some indication as to what these could entail in the hiring and paying of salaries for the Commissioners of the Board of Revaluation. The County Board of Freeholders would also be obliged to provide and furnish suitable offices and pay for all equipment and supplies. The big cost, of course, would be for the conducting of the revaluation programs and the hiring of professional appraisors and other personnel to conduct the revaluation programs.

This leads me to the second point of my objection, the superseding of the County Tax Board powers, and it seems to me that the County Boards already have the power to order and conduct such revaluations as they deem fit and proper and necessary, and that has been upheld by various court rulings and opinions by the Attorney General. I can cite the Belleville Case for one and the Cedar Grove Case for another. In the Belleville Case it was determined that the County Boards can in fact order revaluations to be made; and the Cedar Grove Case specifically spells out that such costs should be borne by the municipality in which that particular revaluation is ordered.

It seems to me that Senate 2195 is the more logical bill to adopt because it would still maintain the spirit of impartiality that only outside appraisors can put into revaluation, and also spells out certain guidelines and rules and regulations that, if adopted by the County Boards, can bring about uniformity within the county, which was one of the objections, I believe, of one of the sponsors of this bill.

Another unfair item in this particular bill is the fact that the costs of revaluations are to be borne by the entire county, and municipalities where such need does not exist are being forced to participate in the spending of sums of money to conduct revaluations.

The five-years phase seems to me unfair in that perhaps five years is too long a period in some particular

districts and perhaps not long enough in others.

Another point which I don't believe has been brought out by any previous speaker is the fact that under appeals by taxpayers, the County Board, it seems to me, would be put in a position of conflict in adjudicating an appeal in which they may very well have upheld a revaluation program that was conducted by the Revaluation Board.

So, gentlemen, I humbly recommend that 2443 not be moved at this time.

ASSEMBLYMAN ENOSE: Do you have a copy of your remarks?

MR. PANARO: No, my remarks are made off the cuff. I would be glad to give you a resume however.

ASSEMBLYMAN ENOS:: Your remarks were taken stenographically, but I thought if there was a copy available, we would have it in our hands before we got the transcript. Thank you very much.

MR. PANARO: I speak, Mr. Chairman, as an individual. I am not representing the New Jersey Association of County Board Secretaries, although I am its vice president. We have not had an opportunity to discuss this bill nor have we taken a consensus of our members. I simply speak as the Secretary of the Mercer County Board of Taxation.

ASSEMBLYMAN ENOS: Thank you, sir, and that statement will be noted on the record. Are there any questions? There are no further questions. Thank you very much.

ASSEMBLYMAN DICKEY: Mr. Joseph Solimine, Secretary of the Essex County Board of Taxation.

J O S E P H I N E S O L I M I N E: Mr. Chairman and gentlemen, my name is Joseph Solimine. I live in Newark. I am a former member of this House, Freeholder and have been Secretary to the Essex County Tax Board since 1951.

Gentlemen, a few hours ago I had the pleasure for the first time of meeting Assemblyman Littell. I had the pleasure of knowing his late dad and serving with his late dad in the Legislature. He was one of the most able legislators

who ever served in the House, witty and humorous. He always bragged that the best apple came from Sussex County. I being from Essex with no apple orchards could never refute him. But this is not a good bill. This is a very bad bill.

There are some good points in the bill, however, that the Legislature might adopt in a special measure.

Now revaluations as such have not been new to Essex County. If you will check the act, you will find that revaluation is not mentioned at all in any of the legislative enactments. The only place that revaluation is mentioned is in the special statute permitting municipalities to finance on a temporary base notes for a five-year period; otherwise, it is a reassessment program.

The County Boards have the power to regulate reassessments or revaluations and I regret to say that up to the present time very few boards have used their powers over assessors. It has been as a result of meetings of our Association over the past five or six years that other counties are now following suit and revaluations are proceeding in other counties.

I, like Mr. Panaro, cannot speak as Past President of the Association for the Association, for I only learned about this bill last Monday in Trenton at a dinner given to the retiring Director of the Local Property Tax Bureau. So we have not had any meetings. But we do have a committee, and as President last year I appointed the committee, to set up standards for revaluation together with the Director of the Department. And that committee is functioning and will report in September at our next meeting.

Now about revaluations - Essex County started about 1952 and the County Board tried to do it itself. We hired 25 of the top appraisors in the county and we picked the business districts because we had information that the assessors had not raised the assessments in the business districts and had given them a different ratio than the other properties in the taxing district on the grounds that they had carried the load during the depression. We upped

the assessments of all the business districts in Essex County in the famous Baldwin Case and the Supreme Court said that it was spot-assessing and overruled the Board. We did not stop there and proceeded to advise every town in Essex County that they had to revalue. By 1963 when the figures for Newark were filed after a two-year court litigation, every town in Essex County had revalued at least once.

It was not an easy task. Bloomfield was the first one to fight us and would not revalue and we had to go to court and we won that case. Our hand was strengthened later on by the ~~St. Switz~~ ^{St. Switz} versus Middletown Case, in which Justice Heher in that opinion said that the assessor should reassess every parcel of property in that taxing district to 100 per cent. He knew that it was physically impossible for the assessor to do so and said in his opinion "preferably by an outside commercial firm." That again strengthened the County Board's hand and we kept pushing the towns for revaluation and we had very, very little trouble. The cost at that time was about \$6 to \$7 per item. It is up to \$10 to \$12 per item as of this date.

The next obstacle we had was in the Town of Belleville where the assessor wanted to revalue or reassess his district and the town fathers would not give him the money. Again we went to court and the court in the famous Belleville versus Essex County Case said that they had to pay and we had that other item licked.

We had on our Board the Late Judge Shapiro, who was Commissioner. And what this bill proposes, we attempted to do. We sat down with five or six revaluation firms at the Downtown Club in Newark. We asked them if it was possible to revalue the whole county at one time by a joint effort. They said it was under the uniform set of standards that the County Board would set up. They said they could. We went to the County Board of Freeholders - the cost was \$1,300,000 - and they turned us down. We thought at that time if there could

be a county revaluation at one time, which would take, we estimated, about two years, that we would accomplish one thing at one time without bothering each municipality, but we couldn't get the money. Now there is a phase that the Assemblyman sets forth in his bill that might be picked up by the Legislature.

We have had no problems in Essex County because we have set up a set of standards and we don't need an Equalization Board. You say, "Well, what standards have you set up?" Well, the Legislature authorized the Local Property Tax Bureau to come up with an Appraisal Manual. We spent a lot of money - appropriated a lot of money for that manual and it is being used today. It has been updated. We insist of every appraisal company that they use the New Jersey manual.

This creates equalization at all levels because if you have two municipalities separated by a common street, it is the same on one side of the street as it is on the other side.

We have had appraisal firms say, "Our manual is better than the State manual." We are not interested in that. The legislative mandate was that we had to equalize taxes at the local level for the local taxpayer and equalize at the county level for the contribution of county taxes by the various municipalities. Therefore, if we were achieving uniformity at that level by the use of the State Manual, that is what we were looking for. So that was one of the standards that we set up.

Number two, we wanted to know before they began if they would use the three forms of valuation - sales, income-producing property and reproduction - and we wanted it in writing as to whether they would use the three methods. And we get it in writing before they begin.

We want to know also, after they get going, what is the cap rate that they are going to use on income-producing properties. We want to be able to review the cap rate in various areas of the municipality before they start using it,

and that has been done.

We also have a fourth rule that no assessor or any municipal official be affiliated with any of the revaluation firms because of the conflict of interest. You ask, "Why was that necessary?" And this is one of the points that was discussed here today and a very, very serious one. You ask, "Why can't an assessor do it himself?" He can't. He can't do it himself. We had one experience in Maplewood where he was a top-line assessor. He taught assessing practices. We begged him not to do it himself. He had at that time - and one of the representatives is here today - the Municipal Revaluations. He was the owner of Municipal Revaluations. We asked him, please, don't do it yourself. Well, he said, it would be a reflection on me if I don't do it myself and he did it. He did it and there was a taxpayer's suit and he had to change 800 line items out of, I think, about 1200, and he died subsequent thereto because of the aggravation over this thing. That was one proof positive that it ought to be done by an outside independent firm.

Another situation we had was in Cedar Grove. The local assessor who also had a revaluation firm told the municipal fathers that he could do it for \$4,000. He was being paid as an assessor and he was going to get \$4,000 for a revaluation. We called the municipal fathers and told them about it. We told them that we thought it was conflict of interest. They told us to go chase ourselves. Well,

Now we examine every revaluation after it is completed and filed with the County Board. After the equalization hearings on February 1st, we go to each town where the revaluations have been performed and filed with us. We want to see proof that they have complied with our standards. Cedar Grove didn't. Cedar Grove raised 80 per cent of the line items, which is the norm under a revaluation. In other words, if they don't reassess 80 per cent of the line items, it is not a revaluation. All he did was add \$200 here and

\$100 there. We said, it is not a revaluation under our standards, and we would not accept it. He went to the State Division and lost. He went to the Appellate Division and lost and the Supreme Court wouldn't certify. So that was another area where the County Board was successful.

We have a form, and most of the counties throughout the State are using that form, which has been upheld in the Bloomfield and the Belleville cases and it is working out very, very nicely.

These revaluations, as I have said, have served many purposes, not only to equalize at the local level and for the county basis. They pick up the "do-it-yourself kits." You would be surprised how many parcels of property have been omitted from taxation even in counties like Essex County. It is only a revaluation of the whole town ratables that picks these up. We are now in the process of convincing most of the county boards that they ought to do it.

I spoke in Burlington County about a month ago and, you know, some of the areas don't have tax maps, they don't have land value maps and there is a lot of land in the area that is not even taxed. None of this will be done until this conforms. But we are getting there and we are coming along all the time.

I don't think that this legislation is necessary. The County Boards have the power if they will usurp the power. Some of the County Boards don't even know that they have supervision over the local assessors and this is one of the causes. But because of these monthly meetings that we are having now - we had a seminar for the first time at Rutgers this year on June 1st and June 2nd for all the Commissioners - they are starting to realize what their duties are and that this is not a job where you are appointed by the Governor, confirmed by the Senate, collect your check and don't show up. So a lot of the County Tax Board Commissioners now realize that they are there to do a specific job.

May I please respectfully suggest that there have

been many hearings. For instance, there was the Apy Commission. I testified for two hours before it. I didn't testify before the present committee because five minutes is not sufficient to expound on any theory.

You gentlemen passed the exemption statute, which I can understand, having been in political life since 1926. I don't think it was a good bill. But nevertheless, it has been passed. There were other formulas that could have been applied to that bill.

ASSEMBLYMAN DICKEY: Which exemption do you mean?

MR. SOLIMINE: Of fraternal organization.

ASSEMBLYMAN DICKEY: Well, that hasn't been signed by the Governor.

MR. SOLIMINE: No, that hasn't. The Apy Commission asked me what formula I would recommend. Well, I gave them a formula.

ASSEMBLYMAN ENOS: Excuse me, but is that pertinent to our discussion here?

I would respectfully ask, Mr. Chairman, that we confine our remarks to the bill in question. It is getting late.

ASSEMBLYMAN DICKEY: Will you do that, please.

MR. SOLIMINE: I respectfully suggest - I just went off there a little bit -- I respectfully suggest that no new legislation be passed on taxation until these committees report, so that the Assembly can have a wider view on this whole taxing problem. You have the recommendation of the 6th Tax Policy Commission for a county assessor. You have the suggestion of the formation of the Tax Court and there are many other things. I suggest that this be held in abeyance and that you not create any other agencies until such time as these other committees report.

Thank you very much.

ASSEMBLYMAN DICKEY: Thank you very much, Mr. Solimine. Are there any questions? (No response.)

Mrs. Ethel Yarnell.

E T H E L Y A R N E L L: I think I can very briefly say I am Mrs. Yarnell and I am speaking on behalf of the Middlesex

County Board of Taxation.

Our Board is definitely opposed to this bill. We feel it will duplicate work and be a tremendous expense on the taxpayer and there will be no benefit by it.

We favor either Senate Bill 2195, which gives the Director authority to review revaluation contracts, or Assembly Bill 2164 which gives the County Tax Board this right. This will be helpful, as far as that is concerned, but to create a whole new commission which will only duplicate the work that is being done is not.

ASSEMBLYMAN DICKEY: Thank you, Mrs. Yahnell.

Does anyone else wish to be heard on Assembly Bill 2443? If not, I will declare the public hearing closed. Thank you very much.

(Hearing Concluded)

SUBMITTED BY ASSEMBLYMAN LITTELL

SUSSEX COUNTY -- FOR LAST 5 YEARS

<u>YEAR</u>	<u># LINE ITEMS</u>	<u>COST</u>
1971	3,901	\$47,750
1971	1,233	14,500
1968	5,385	35,000
1969	2,205	17,000
1969	9,803	67,000
1970	876	12,000
1970	2,568	31,000
1970	<u>1,557</u>	<u>18,900</u>
	\$27,528	\$243,150

ESSEX COUNTY -- FOR LAST 5 YEARS

<u>YEAR</u>	<u># LINE ITEMS</u>	<u>COST</u>
1968	3,469	\$33,000
1968	1,300	13,500
1966	9,633	59,500
1966	6,200	45,000
1970	2,229	20,950
1971	11,305	120,000
1968	7,874	57,650
1966	1,560	11,000
1969	6,878	67,500
1967	8,493	52,000
1969	9,512	106,000
1966	2,215	15,800
1968	742	7,000
1970	1,737	22,600
1971	11,545	128,500
1969	8,389	93,000
1968	<u>3,380</u>	<u>31,500</u>
	\$96,461	\$884,500

ATLANTIC COUNTY -- FOR LAST 5 YEARS

<u>YEAR</u>	<u># LINE ITEMS</u>	<u>COST</u>
1970	2,698	\$17,800
1970	1,126	3,000
1069	1,343	10,700
1969	13,675	30,000
1968	4,814	20,000
1970	2,753	22,500
1971	<u>519</u>	<u>5,000</u>
	\$26,928	\$109,000



Commentary

Meritorious plan

Assemblyman Littell's proposal for a county team of property evaluators has a good deal of merit. The plan would be to have a small board—possibly three or five persons—to revalue property assessments in all the municipalities of the county on a rotating basis.

The present method is for each municipality to hire private firms to revalue property within each taxing district. This is done on a district-by-district basis without any correlation between districts, except that by chance the same firm may do adjoining municipalities.

Revaluation firms submit bids to the municipality, and the municipal officials chose the firm they think best qualified at the lowest price. It is estimated that this procedure has cost Sussex County municipalities in the neighborhood of \$400,000 over the past 10 years, or an average of \$14 a property.

Under the Littell proposal, a board of qualified evaluators would be appointed by the county or the state to operate on a full time basis under salary. They would serve all the municipalities of the county for periodic revaluation purposes and thus eliminate the necessity for each township or borough to hire a private firm.

Revaluation could be done on a rotating and on a sectional basis so that contiguous municipalities would be on an equal assessment footing at all times. This would keep valuations throughout the county up to date. It would not, necessarily, eliminate the local municipal assessor. He would still be needed to assess and add to the tax rolls new properties that come on the scene between revaluations.

The success of such a plan will depend on the safeguards set up by the legislation to assure that the board of evaluators is composed of qualified, disinterested and unbiased people. Certain professional standards would have to be established; the jobs could not go to political hacks. The board would have to have the respect and confidence of taxpayers to be effective and to make the plan work.

Assemblyman Littell should be encouraged to carry on his study of the proposal and develop a formula that can be incorporated into legislation for early consideration in Trenton.

Presentation To:
New Jersey State Assembly
Committee on Taxation

On
July 6th, 1971
Trenton, New Jersey

Made By:

Richard F. McCarthy
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Mr. Chairman and members of the Assembly Committee on taxation, I wish to express my appreciation for the opportunity to appear before you regarding Assembly Bill No. 2443, which concerns itself with the creation of County Boards of Revaluation.

In studying the feasibility of this bill, I respectfully urge this committee to take into consideration the present method and basis of assessing property, with the objective of determining whether or not property could be assessed on a basis that would eliminate the need for expensive revaluation programs. At a time when county and local governments are financially hard pressed to meet tangible responsibilities, I believe that every effort should be made to reduce the expenditures of intangible functions: and because revaluation increases the amount of taxes paid by the average homeowner, I believe the impact of assessing property at true value, and the impact of revaluation upon the homeowner, should also be a part of such study. I realize that these subjects will probably be a part of the Tax Study Commission report, but I am making this suggestion because it may be the intent of this Committee to introduce this Bill before the report is released.

Assessments, and therefore revaluations, are based on Title 54:4-2.25, which directs that all real property subject to assessment and taxation for local use be assessed according to the same standard of value, which shall be the true value of such real property. I do not believe that this statute reflects the intent and the spirit of the State Constitution, as approved by the people in 1947. Just the term "true value" was part of

the Constitution prior to 1947, and it was changed to the "same standard of value" when the people approved the new Constitution in 1947. To define the basis for assessing property in terms that were rejected by the people constitutes, to me, an amendment of the Constitution itself; not merely an enactment of a law within the constitutional powers of the legislature. To evaluate this thought, I believe this Committee should review the public hearings that were held by the Committee on Taxation and Finance during the 1947 Convention.

The term true value was replaced because knowledgeable tax experts discribed it as being too vague and that it led to too many law suits. Now, 24 years later, true value is still the basis of assessment, and the situation is even worse than before. The legislature defined the same standard of value as true value, but how does the Local Property Tax Bureau define true value? The tax assessor's manual, prepared by the Bureau, itemizes the costs of all the various types of material, the costs of putting them in place with union labor, and within the various economic zones. All assessors are supposed to assess property according to this manual. If all property was so assessed, then similar homes within the same economic zone should have similar assessments. An examination of the tax records of the various municipalities within these zones will show that this is not true. As a matter of fact, variations exist even within a single municipality. While it is possible that County Boards of Revaluation will correct these inequities, there are still other factors which make the present basis of assessing property a threat to the individual's right to own property.

Depreciation and obsolescence are consideration in all assessments, but apartment dwellings, industrial and commercial are assessed according

to prefixed federal and state schedules. No such degree of consideration is given to residential properties. Therefore, on the basis of the true value theory, residential properties carry a substantial amount of the tax burden that rightfully belongs to these subsidized income producing properties.

When we consider the various allowances that are granted to commercial and industrial properties, to farm lands, to veterans, to senior citizens, to railroads, and the exemptions granted to non-profit corporations and publicly owned properties, we can realize how narrow the tax base has become. In view of these considerations, it is essential that we ask; first, if it is right to use property as the basis for supporting the largest portion of the costs of governments; and second, if it is right to assess property-particularly residential property- at true value, in today's inflationary market. It is hoped that the present inflationary trend will be reversed, and that property values will be adjusted accordingly. However, an owner will not realize the true value until it is sold. If he pays taxes on property whose assessment is based on today's market, and then the market declines, he would have been paying taxes on a false value, compounding the injustices previously described.

The present basis of assessing property, and the property tax burden itself is archaic and it undermines the political and social realities of this day and of this age.

While both the federal and state governments have developed programs to provide decent housing for all the citizens, (New Jersey Housing has recently authorized over 28 millions of dollars to finance new low cost housing for low and moderate income families), revaluation, and the resultant tax increase, is forcing the very same type of families out of the homes they already own.

The purpose of revaluation is to equalize the tax burden among all property owners, in accordance to the true value of their property. While on the surface this aim seems proper and just, I believe the underlying hardship revaluation causes does not receive sufficient consideration. Whenever there is revaluation, the taxes of the majority of the homeowners increase, and this situation adversely affects families on fixed and limited incomes. To these families, the amount of their monthly payments is a very real consideration as to whether they will or will not buy a home. If they do buy, and their taxes force their monthly payments higher than their ability to pay, they will be forced to sell.

It may be argued that people should take potential tax increases into consideration before they buy, and this may be true. But what about tax increases which occur as a result of changes which could not be foreseen? Changes such as the extension of a high-speed line, or the construction of a new state highway, or a shopping center, or a land developer moving into the area? Who, for example, could foresee, ten or fifteen years ago, that an atomic plant would be located in Lower Neck Landing?

Let us presume for a minute that two men purchased property twenty miles from each other in a rural area. Let us also presume that the purchases were made twenty years ago, when the men were 45 years old, and that their intention was to retire on the property they purchased. In one area, one or more of the changes I mentioned takes place; in the other area, nothing happens. The valuation of homeowner A's property increases beyond anything he could foresee, and his taxes become greater than his mortgage payments ever were.

However, the value of homeowner B's property increases only slightly, and his taxes remain fairly constant. Is it right to force homeowner A to sell his property after he worked twenty years to own and enjoy it? He did not buy his home for economic gain, but to meet a social and cultural need; the same need that the present government housing programs are trying to meet for all the people. Though this is a hypothetical case, it does represent what is happening throughout New Jersey. To me, this this is de-facto confiscation of property. It must be stopped.

Another bad feature of the true value concept is that it discourages homeowners from maintaining their property at market value, and it discourages others from buying older homes and fixing them up. This is particularly true in the case of a person who wants to buy an older home, either to live in or rent to another. If the older home is purchased and repaired, the assessment and the taxes will go up accordingly. While there are many causes for slums in our urban areas, revaluation and high taxes must be regarded as two of the main reasons. There must be something wrong with a system that makes a man feel that he is being punished for maintaining his property at market value, while others are being rewarded for letting their property fall to pieces.

Aside from the hardships revaluation causes the individual, I think it is only proper that we ask if revaluation can justify its costs, in view of the the financial problems facing county and local governments. In 1970 Berlin Township had the 27th highest effective tax rate in the State. I believe that we will be among the ten highest in 1971 because the State has given so much aid to the cities that their taxes have been reduced. The problems of Berlin Township, and other small municipalities,

have been ignored. Yet, with a population of 5,700, we have only four full-time employees: the Township Clerk, and three men who work for the departments of sanitation and roads. Many of our roads should be reconstructed, we need a full-time police force, and the time is rapidly approaching when we will need to employ full-time firemen. We do not have adequate recreation for a community of our size. Shortly, I hope, we will be faced with the costs of installing sewers. And last but not least, the Tax Office itself lacks the necessary equipment needed for accurate and efficient record keeping.

We do not tax ourselves to meet these demands because our taxes are already too high, and because we do not know what other expenses the state will mandate that we meet.

Should not that level of government that has the responsibility of imposing the tax, also have the responsibility of establishing the policies the tax supports? Or should the State retain the right to establish policies and the right to designate the tax base that should support them, thereby reducing county and local governments to function merely as ministerial bodies of State policies? This is the result of "government by mandate", and it destroys the concept of home-rule. Under these conditions, how can the average taxpayer be expected to fully understand who is really responsible for the taxes he pays?

Our tax system has become so complicated that it is beyond the ability of the average taxpayer to understand, and the taxes themselves are so excessive that this same average taxpayer resents them to the point where he will actively resist paying them. Taxes must become more closely related to the

individual's ability to pay, and government spending must be placed on a priority basis that closely reflects this philosophy.

I do not wish this Committee to regard my statements as those of an expert. I am a layman, but I am drawing on seven and a half years of experience as a tax collector. Therefore, regard the following proposals only as suggestions, submitted to you for your consideration and study.

1. That the assessed valuation of ^{real} property be its purchase price.
2. That all real property to be reassessed at the time title is transferred.
3. That the reassessment of property be based on the purchase price of the property, in the cases of bonafide sales, and on true value in all other cases.
4. That improvements on vacant land to be assessed at true value at the time of completion; and partially assessed, in like manner, if construction exceeds one year.
5. That all additional improvements made within five years of construction to be assessed according to true value, but only additional improvements affecting the size of the original improvement to be assessed at true value after the five year period.
6. That veterans' exemptions be replaced by a one time bonus: or that exemptions for out-of-state veterans be eliminated completely.

Again, I wish to thank you for your time and your courtesy.

Chairman Dickey, members of the Committee, ladies and gentlemen:

My name is Arthur H. West. I am the owner and operator of a farm near Allentown, New Jersey, and appear here today as president of the New Jersey Farm Bureau, representing some 4,000 farm families in 20 counties. Our statement will be brief and to the point.

We have given careful consideration to both of the bills you are considering here today. Our farmers still own a fifth of the total land area in New Jersey, with more than a billion dollars invested in that land, in buildings, machinery and livestock; and for this impelling reason, we have a vital interest in any legislation affecting the taxation of property.

With regards to A-2291, we are strongly in opposition to this bill. This bill is the best way we know of to make progress backwards. This bill would take us back twenty years before we had some property tax reform. As we understand it, this bill would change the law so that the presumption in a tax appeal case would be on the side of the assessor. The property owner would no longer be able to use the State or county-determined local assessment ratio data as a basis for relief from discriminatory assessment. Instead, the appeal board would have to assume that the assessor had assessed a piece of property at the common level; and the property owner would have to prove otherwise without the benefit of the published data.

Let me say that we agree that this state badly needs reform in property tax assessment, and particularly the appeals procedure; but this bill certainly goes in the wrong direction.

What we need instead is to abolish the present appeal boards and create a property division of the State Court to handle these appeals and also eminent domain cases. We are particularly critical of the State Board of Tax Appeals,

since we know of many cases in which it has taken two and three years to get a ruling.

We hope that you will reject this bill in your Committee. In our opinion it does not deserve the consideration of the full Assembly.

Regarding A-2443, we are reluctant to oppose it, because it is sponsored by some of our good friends in the Assembly; but we must in all good conscience oppose this legislation. We certainly do not believe that the creation of a new assessment revaluation board at the county level will bring us the kind of reform we need on revaluations. The present county boards of taxation already have the authority to order revaluations; and it might make sense to provide a means for the present boards to undertake revaluations on their own volition; but we do not favor setting up another politically-oriented board at the county level to undertake this job.

Instead, the Assembly should pass Senate Bill 2195, which would give the State Division of Taxation authority to set up standards for private revaluation firms. We know from experience that such legislation is sorely needed; since some of the revaluation work being done in this state leaves much to be desired.

We appreciate the opportunity to present our views.

TOWNSHIP OF PRINCETON

OFFICE OF THE TAX ASSESSOR

TOWNSHIP HALL

PRINCETON, NEW JERSEY

08540

June 29, 1971

Mr. William Schluter
205 South Main Street
Pennington, New Jersey

Dear Mr. Schluter:

My attention has been directed to an article in the Trenton Times for June 22, 1971 page 11 regarding a bill A#2443 establishing a special board on revaluations for each county.

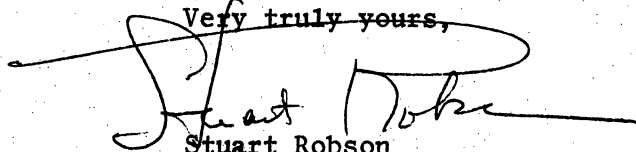
I understand that hearings for this will be on July 6, 1971. I am sure that the New Jersey Assessors Association will be represented, but I do wish also to include my own objections to further County intrusion into local affairs.

You will note that the proposed legislations obliges a local government to accept the revaluation study by the County Board and the appointments are political. The experience of local assessors where the County Tax Board hired a computer firm to put the tax books on computer was one of mass confusion for three years and we are just now beginning to recover in a small measure from this mess.

The proposed bill also means more county expense and at this stage taxpayers have just about "had it" with taxes.

I will be away at the time of the hearings, but do wish to record my objection to the bill.

Very truly yours,



Stuart Robson
Tax Assessor

11/12/20

11/12/20