

T235
1977f

GENERAL ASSEMBLY

COMMITTEE ON TAXATION

R E P O R T

ON

ASSESSMENT, EQUALIZATION AND REVALUATION

MEMBERS: RICHARD VAN WAGNER, CH.
WILLIE B. BROWN, V-CH.
DONALD J. ALBANESE
JOHN H. DORSEY
CHARLES B. YATES

STAFF: J. GILBERT DEARDORFF

New Jersey State Library

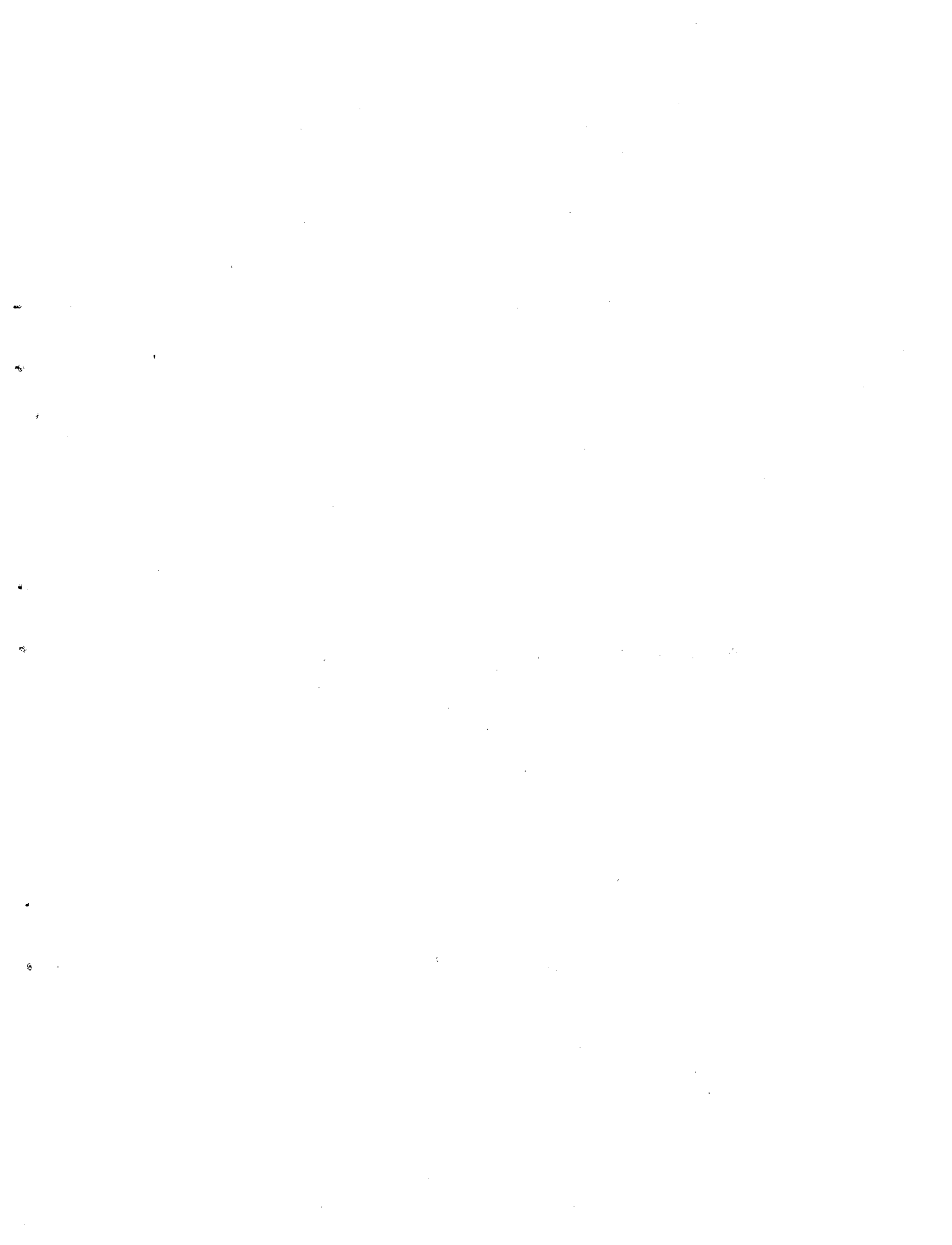


TABLE OF CONTENTS

	<u>Page</u>
Letter of transmittal	1
Acknowledgments	2
Foreword	3
Committee Recommendations	4
Summary of Testimony and Correspondence	5
Part I - Historical Background	8
Part II - Assessment under the Constitution of 1947	12
Part III - Equalization	18
Part IV - Revaluation	27
Part V - Tax Appeals	30
Part VI - State Assistance	33
Part VII - Conclusions	36
Appendix 1 - Persons testifying at public hearings	38
Appendix 2 - Persons submitting testimony by correspondence	41

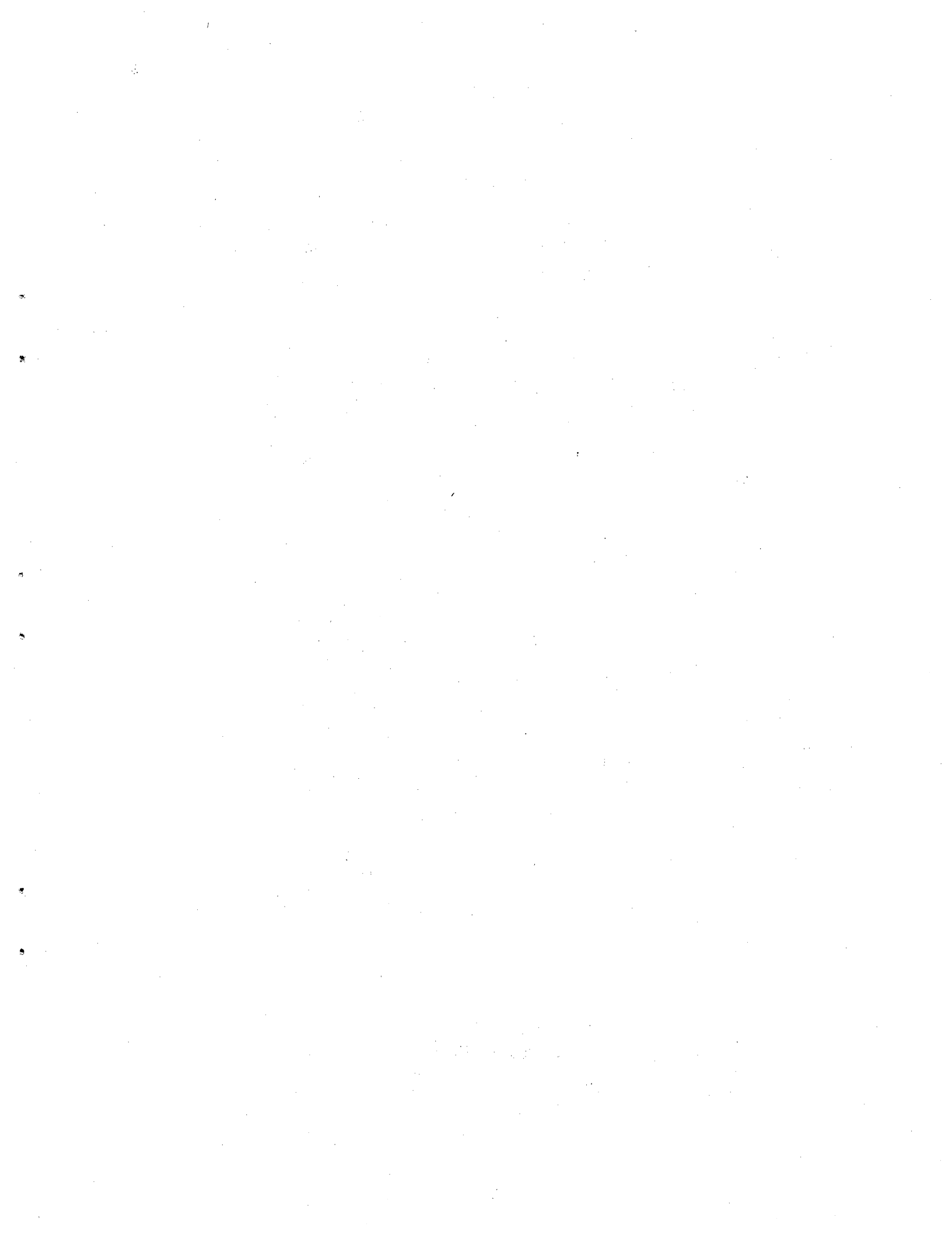
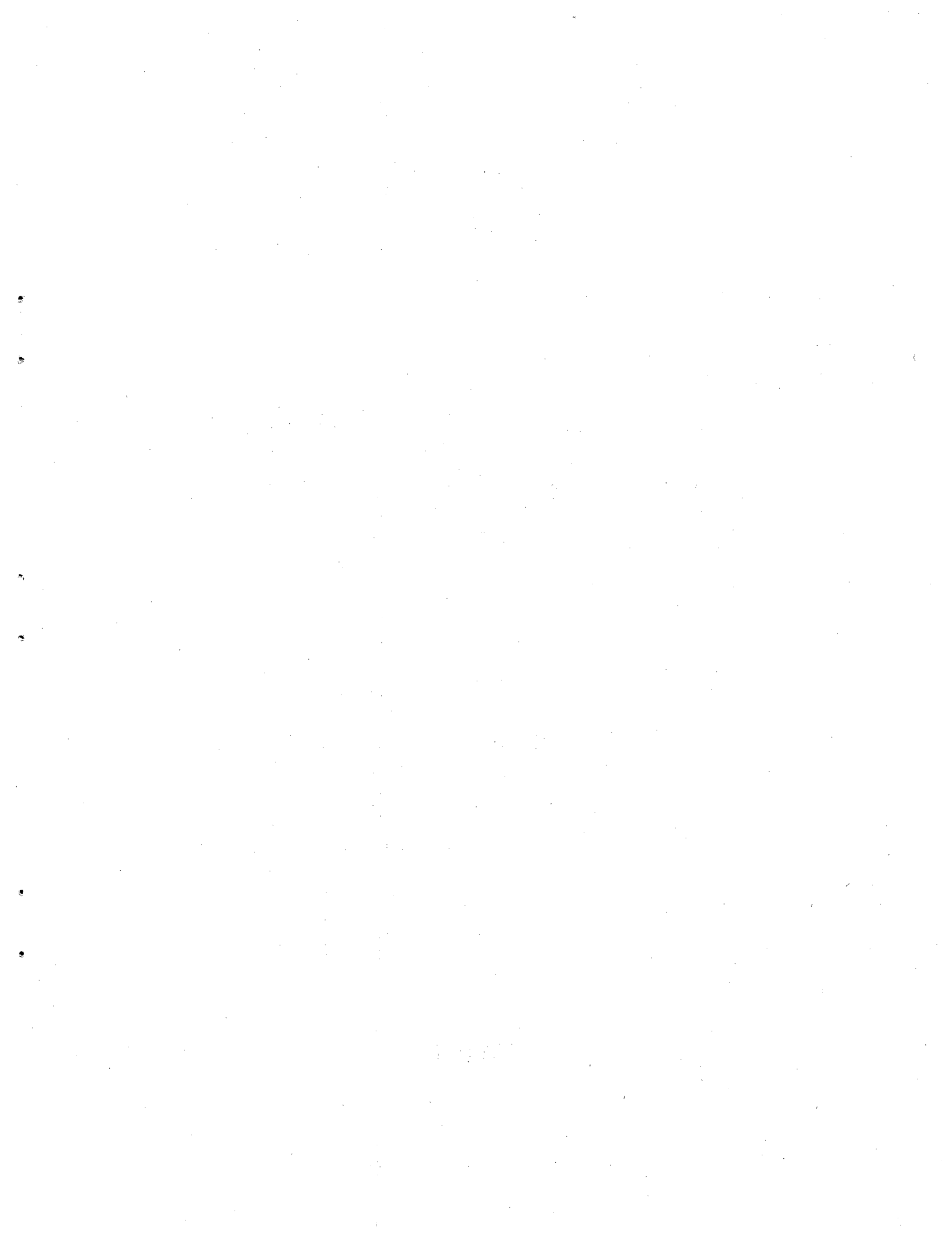


TABLE OF CONTENTS

	<u>Page</u>
Letter of transmittal	1
Acknowledgments	2
Foreword	3
Committee Recommendations	4
Summary of Testimony and Correspondence	5
Part I - Historical Background	8
Part II - Assessment under the Constitution of 1947	12
Part III - Equalization	18
Part IV - Revaluation	27
Part V - Tax Appeals	30
Part VI - State Assistance	33
Part VII - Conclusions	36
Appendix 1 - Persons testifying at public hearings	38
Appendix 2 - Persons submitting testimony by correspondence	41





State of New Jersey
NEW JERSEY LEGISLATURE
GENERAL ASSEMBLY
COMMITTEE ON TAXATION

RICHARD VAN WAGNER, CHAIRMAN
WILLIE B. BROWN, VICE-CHMN.
DONALD J. ALBANESE
JOHN H. DORSEY
CHARLES B. YATES

J. GILBERT DEARDORFF, STAFF ASST.
SUITE 232, STATE HOUSE
TRENTON, N.J. 08625

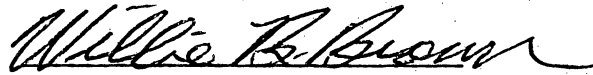
To the Honorable Members of the General Assembly of
the State of New Jersey:

Pursuant to Assembly Resolution No. 3003 of 1977,
the Assembly Taxation Committee hereby transmits, as
directed by said resolution, the final report of its
study of assessment, equalization and revaluation.

Respectfully yours,



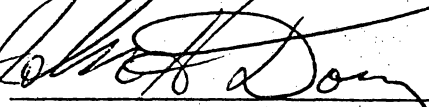
Assemblyman Richard Van Wagner, Chairman



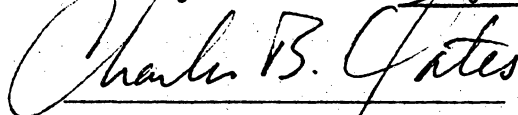
Assemblyman Willie B. Brown, Vice-Chairman



Assemblyman Donald J. Albanese



Assemblyman John H. Dorsey



Assemblyman Charles B. Yates

ACKNOWLEDGEMENTS

In an endeavor such as that undertaken by the Assembly Taxation Committee, the success of such an undertaking lies to a great extent upon the assistance given by other individuals and organizations.

We would be remiss if we did not express our sincere appreciation to those who made the work of the committee easier and more meaningful. We are most fortunate in having the counsel of the New Jersey Association of Municipal Assessors and its Legislative Representative, George Harraka; the suggestions and comments of various members and secretaries of county boards of taxation; and, by no means least, those individuals who gave of their time to appear before the committee at its public hearings and those who submitted suggestions to the committee.

Finally, we wish to thank the Pennsauken School Board, Ocean County College, the Sussex County Board of Taxation, the Newark City Council and the Warren County Board of Chosen Freeholders for providing the facilities in which our public hearings were held.

F O R E W O R D

The Assembly Taxation Committee was directed to study assessment, equalization and revaluation pursuant to AR-3003 of 1977. Although the Committee's study placed emphasis upon these three particular subjects, it became evident that they could not be properly considered separate from many other matters which affect them both directly and indirectly.

Witnesses who attended and spoke at the public hearings held by the Committee, and those who furnished written suggestions and testimony, in most instances included these other elements of property tax administration.

Although there have been many studies made of the property tax in the past, and recommendations made for the improvement of assessment, equalization and all of the other elements pertaining to that tax, for the most part such studies were rather limited in their scope. Subsequent action on recommendations made in such studies were even more limited. As a result the laws governing the property tax and its administration have been dealt with on a piecemeal basis to meet an individual situation and then were relegated to a low priority item until the next crisis arose.

The Assembly Taxation Committee presents this report to the General Assembly with a two-fold purpose: to make recommendations for immediate implementation of those elements which we feel have been thoroughly examined, and to provide the background for continuing examination of those elements we do not feel have been sufficiently examined, in an effort to modernize both the statutes and the administration thereof.

COMMITTEE RECOMMENDATIONS

There were many proposals made to the committee as noted in the following summary. All have been considered carefully and, in most cases, it is our opinion that these proposals have merit and will contribute to the improvement of local tax administration.

However, the committee does not believe it has sufficient data to make specific recommendations for the implementation of all proposals. For that reason we shall separate our recommendations into two parts, those which we believe should be implemented immediately and those which we believe need the development of more detailed information.

There are three immediate recommendations which the committee makes:

1. A Tax Court should be established in the judiciary and the present Division of Tax Appeals should be abolished.
2. The time allotted for County Boards of Taxation to render decisions should be extended.
3. Decisions of County Boards of Taxation should be on the record.

Legislation to implement the foregoing recommendations will be introduced in the first weeks of the forthcoming legislative session.

The second part of our recommendations will be implemented by the introduction of an Assembly Resolution to redesignate the Taxation Committee as a group to further study those areas for which we need more facts, and which will be discussed in the body of this report.

SUMMARY OF TESTIMONY AND CORRESPONDENCE

The five public hearings held by the Committee were well attended and the number of persons who testified gave the Committee a broad cross-section of both local officials and the general public.

In addition to the information derived from the public hearings the Committee received a considerable volume of correspondence from those who were unable to attend the hearings, or those located in areas in which hearings were not held.

One of the significant aspects of the comments and suggestions made to the Committee was the agreement upon many proposals which in the past elicited divergent views from those in various parts of the State.

One of the general areas of agreement was the necessity for improving the appeals process. There was not one dissenting view on the question of replacing the present State Board of Tax Appeals with a full-time Tax Court. There was general agreement that the County Board decisions should be on the record, and that County Boards should have a longer period of time in which to consider appeals.

Another area which elicited many views and general agreement that a change should be made was in the area of Farmland Assessment. However, the proposals and comments on this subject covered a wide number of methods for improvement, therefore, we cannot say there was agreement except that the present Farmland Assessment is faulty.

To a lesser extent there was agreement that there should be a

a better method for handling wetlands and flood plain areas. In addition to the comments on these matters, at our public hearings this year, the Committee has received a large number of comments in the past both at public hearings and through correspondence.

Among assessors there is general agreement that the present method for equalization leaves a lot to be desired. However, there is no general agreement as to the means for improving the system or changing the system. The same may be said about revaluation. It is generally agreed there are many drawbacks to our present system of revaluation but there is no concrete proposal as to the exact way it should be done.

Many additional subjects were touched upon by various persons who testified and who corresponded with the Committee. Although these subjects were not specifically part of the direction given the Committee by AR-3003, they did have indirect influence upon the three specific subjects under consideration and should be given more study. Among these are the relationship of the State to county and municipal officials with responsibility in the property tax area.

As is the case in a number of other non-related areas, there were numerous comments and complaints that many things are mandated by the State but not supported sufficiently by the State to insure the mandates are properly followed.

Here again, the suggestions covered a wide range -- some are concrete proposals, others merely raise questions. In either case a great deal of consideration should be given in the future.

Rather than identifying comments and suggestions on an individual basis, those which the Committee feels to have validity will be

commented upon in other sections of this report and in the suggestions and recommendations for future study.

PART 1 - HISTORICAL BACKGROUND

The history of taxation parallels the history of civilization. Although we may believe that modern man has been ingenious in devising methods of taxation, an examination of ancient societies indicated that our forebears established most of the precedents. This extends to the property tax which has been known since the dawn of civilization; although it has been dressed up and modified the basics are still there including the tendency to be liberal in granting exemptions. Thus, when the present-day property owner complains of high property taxes and decries the increase in exemptions, he is following in a tradition spanning more than one hundred generations.

The origins of the property tax in New Jersey antedate State government. The first property tax was levied by the Assembly of the Province as a quit-rent or rent tax of one-half penny an acre for the support of the central government. With the separation of the colony into East Jersey and West Jersey in 1682, East Jersey was divided into four counties for judicial administration, and to support the counties the revenue was derived from a property tax on land and livestock. Therefore, we see the origins of first, the real property tax and then, the addition of the personal property tax.

In these early years assessment was made by a six-man board in each county. However, it was incumbent upon the individual property owner to provide a "true account" of his land and livestock. At this juncture the tax was a flat tax on land and livestock equally and did not yet constitute an ad valorem tax.

Soon after the delineation of the counties, provision was made for the assessment of taxes by towns for the maintenance of streets and bridges and other public matters. The Assembly of the Province established quotas for each county for the apportionment of the provincial taxes, and for the provincial government's revenues land and personalty were taxed at different rates. Also, land was valued differently in each of the counties.

This system continued to operate within the same framework for more than one hundred years until in 1798 the Legislature defined the rights of the various taxing jurisdictions -- counties and townships were incorporated and taxing powers were stipulated. County freeholders were given the power to raise money and to direct the assessors of the townships to assess property for the amount necessary to support county government. At the local level the voters of the townships were empowered at town meetings to raise money for objects they deemed proper or necessary. The levies for both county and township were assessed in the same manner but were still assessed on a flat rate basis rather than on value.

It was not until 1820 that authority was given to the townships to raise money for the public schools. The Legislature had created a Board of Trustees of the School Fund for the following year but appropriated no money until 1829. The Legislature enacted a school law to establish common schools and directed the Trustees of the School Fund to make annual appropriations of \$20,000, and to apportion such monies among the counties in the ratio that taxes to support the government of the State were paid by the counties. The Freeholder Boards in turn apportioned these monies among the several townships in proportion to the county taxes paid by the townships.

The Act of 1829 was significant in that it authorized townships to raise money for public schools and by doing so it became eligible for a

share of the State aid. It provided for the division of townships into school districts and for the licensing of teachers.

In 1838 legislation was enacted limiting the amount the townships could raise for schools to double the amount received from the State, and in 1846 the townships were required to raise a sum equal to but not more than double the amount apportioned by the State.

During this period taxes remained arbitrary in that they were not assessed upon value and as the tax burden grew inequities grew. Finally, in 1851 the Governor called for the passing of a law equalizing taxation. The Legislature responded by changing the method for valuing property under the general property tax. The 1851 Act required all property -- real and personal -- to be taxed "upon an equal ratio according to actual value".

The broadened definition of personal property brought the intangible wealth representing the ownership of corporations under the general property tax. Previously Banks, Insurance Companies, Canal Companies and Railroads had been subject to special taxes.

In 1875 an amendment to the New Jersey Constitution was adopted providing that "property shall be assessed for taxes under general laws and by uniform rules according to its true value" (Article IV, Section VII, Paragraph 12). The most important effect of this amendment was to require assessment of railroad property at true value instead of at cost.

In 1884 the assessment of railroad and canal property was taken from the jurisdiction of local assessors and placed in the hands of a State Board of Assessors. Although assessment improved, an unforeseen consequence of the improved assessment of railroad and canal property resulted in the discrimination against such property. However, the courts held, under the 1875 amendment, that classification of property for tax purposes was permitted and that the exemption of certain classes of property was allowed.

When the tax burden was light the number of exemptions were not important, but the exemption of many types of intangibles -- particularly as time went on -- created greater and greater inequity. Local assessors did not have the facilities nor the knowledge to assess intangibles and thus it was comparatively easy to hide intangibles from taxation, and much of the intangible personal property in the State escaped taxation.

Later on the condition worsened when many assessors failed to enforce the law against large corporations because of competition among taxing districts for the domicile of corporations owning large amounts of intangibles.

Finally, the problems connected with the taxation of intangibles were studied and dealt with by the Commission on Taxation of Intangible Personal Property (1945). Subsequently, as a result of the recommendations of the Commission, intangibles were removed from the general tax base. In lieu of other taxes a tax on corporate net worth was adopted.

Although this solved one aspect of the property tax it did not relieve the growing problem of the taxation of tangible personal property. It was not practical to remove the tangible personal property from the general property tax base for the simple reason that the total revenues involved represented 13% of the entire property tax revenues at the time. The growing inequities in the taxation of tangible personal property was not solved for more than two decades when in 1966 the State assumed the assessment of business personal property and set the flat rate of taxation on a Statewide basis.

PART II - ASSESSMENT UNDER THE CONSTITUTION OF 1947

Although it was never really articulated in so many words, many felt that the problems which had beset assessment and equalization of the property tax would be solved with the adoption of the 1947 Constitution. However, quite the opposite proved to be true. For the next decade there were more studies, formal and informal, undertaken in an attempt to resolve the problem.

The property tax was simple in Colonial times. Administration was simple. Then, as society became more complex, the tax became more complex and administration began to present an even greater problem.

When we speak of the problems of administration, we do not refer to day to day record keeping and making up tax duplicates. Administration in the context that we are studying is a subject that has been addressed by many Governors, many Legislatures and many study commissions.

Perhaps, the best description of the problem as it existed in the early 1950s is contained in a statement in the Sixth Report of the Commission on State Tax Policy (1953). In its appraisal of property assessment, the Commission stated:

"The general property tax in New Jersey is no longer general and there is beginning to be some question whether it is a tax or a negotiated contribution for the support of government."

The decade of the 1950s gave rise to a number of attempted improvements in the administration of the property tax.

By Chapter 157, Laws of 1945, the State created the Commission

on State Tax Policy. The Commission was established as a permanent non-salaried organization made up of two members of the Legislature, one from each house, and five lay members, chaired by Professor John F. Sly of Princeton University.

On an intermittent basis, the Commission was directed to study elements of the State's tax structure. Initially the Commission devoted itself to studies of business taxes, Intangible Personal Property (1945), Financial Business Taxes (1946), Taxation of Tangible Personal Property and the Corporation Business Tax Act (1947), and the Taxation of Railroads (1948).

In 1950, the Commission submitted its Fifth Report, Taxation and Public Policy in New Jersey, which dealt in part with the real property tax for the first time. The Commission devoted only a relatively small part of its attention to the real property tax in this report, but its observation that the property tax was high could not have been stated more clearly.

Perhaps the most significant part of the study relevant to the present study was the consideration of alternative methods for local financing. The report quoted a statement which had been made in a hearing by a representative of the New Jersey State League of Municipalities as follows:

"A program of new and adequate revenue resources in the form of 'home rule' tax legislation of a specific nature, providing for State administration of locally imposed taxes within the framework of uniform tax measures would provide an orderly development of local financial independence.

Just as the State would prefer a reallocation of tax resources as between the Federal and State Government, to get away from the need of going hat in hand to Washington, begging for the return of a few

of the dollars that New Jersey's citizens have paid in tribute to the Federal Government, so we, in the municipalities would recommend that the broadening of the tax base should carry with it the recognition of local autonomy."

The third report of the Commission on State Tax Policy to deal with the property tax was the Ninth Report issued in 1958. The study was undertaken primarily as a result of court decisions culminating in *Switz v. Middletown Township*, 23 N.J. 580 (1956).

The decision in the *Switz* case probably has had more influence on assessment and equalization than any other single development in modern times. It was the culmination in a series of decisions which dealt with equality of treatment in the distribution of the tax burden among individual taxpayers rather than equalization of the tax rolls among taxing districts.

Equality of treatment under the tax law is guaranteed under the Constitution, whatever the standard, and the rule of equality will prevail over the legal standard. However, the legal standard of assessment would be enforced by the courts and as long as the legal standard was set by statute at 100 percent, the courts would mandate that standard.

When the Court mandated 100 percent assessments, the average ratio of assessed to true value in the State was 29.1 percent. The range was 8.31 percent to 77.61 percent. Within the districts, regardless of ratio, individual taxpayers were being assessed above and below the average. The litigation was directed toward those below average. Inequalities were so great that only a complete reassessment could correct the situation.

After the *Switz* case decision, there were many proposed

methods to meet the problems posed by the decision and to bring some equity to the property tax system. One of the more popular proposals was for a tax convention which had been proposed for a number of years. The Legislature looked upon the necessity to assess property at 100 percent as the immediate "crisis", but that the situation called for a fundamental revision of the State and local tax system.

On December 27, 1956, the Legislature adopted S.C.R. 28 requesting the Commission on State Tax Policy to make a special study of the impact upon the State tax program of problems related to the taxation of real property.

The study undertaken by the Commission was undoubtedly the most comprehensive ever undertaken on the assessment problem. Public hearings were held throughout the State and perhaps the complaint most often heard was protesting the establishment of 100 percent assessment.

The lack of understanding on the part of the public was difficult to overcome. The average homeowner believed it would be inevitable that his property taxes would double or treble. Of course, this would be true if the assessment on a residence was at one-half or one-third the general level of the assessment in the municipality, but in most instances it was an unnecessary fear.

Objections by local officials, however, were based upon a legitimate fear; that the establishment of a true value level of assessment would shift the local tax burden from business to residential property in those municipalities which had consistently assessed business property at a higher level than residential property.

After much deliberation, the Commission recommended that the level of assessment be made at 50 percent of true value. It stated that it felt this would not create the local problems attendant upon fixing the level at 100 percent.

However, the Legislature found it difficult to get agreement upon the level of assessment to be established and compromised by allowing the individual counties to set the assessment level for property within their several jurisdictions at not less than 20 percent or more than 100 percent of true value.

This proved to be satisfactory as a transitional method to bring all property to 100 percent. During the 1960s, one by one the counties gradually adopted the 100 percent level which now has been state-wide for almost a decade.

Subsequent to the legislation dealing with the level of assessment, additional problems were addressed.

In the early 1960s, increasing concern for the encroachment of development upon farmland led to the passage of a proposal to amend the Constitution to allow qualified farmland to be assessed at a different standard of value than other property. The amendment was approved by the electorate in the General Election in November 1963.

Throughout the deliberations on the level of assessment there were comments about the improvement of the assessing function. The Legislature responded by establishing standards for assessors, requiring training and certification. Equally important, assessors were given tenure after a second four-year appointment or election.

The problem of taxation of business personalty still persisted.

In 1966, the Legislature enacted a new program to tax business personalty on uniform basis throughout the State.

Although a great deal has been done to improve the assessment process, there are many problems which persist. If we are to achieve true tax reform, these problems must be overcome.

It is to these problems that this Committee has addressed itself.

PART III - EQUALIZATION

The equalization of property valuation has a significant bearing on the equity of the property tax in New Jersey. At present, there are two instances in which equalization is used in an effort to provide the equitable distribution of tax monies. These are the equalization for the apportionment of county taxes and the equalization to determine the distribution of State school aid.

Although guidelines are laid down for assessors to assist them in their assessment of real property, there still remains a certain degree of subjective judgement utilized by assessors. This is particularly true in the assessment of property which does not fall into any normal pattern, property such as large commercial and industrial complexes.

The equalization by the County Board of Taxation for county tax purpose and the equalization by the Director of the Division of Taxation for State school aid purposes are attempts to provide equity.

Both equalizations are made on the basis of similar information, sales ratio figures. It is obvious that the classes of property in which the greatest number of sales are made will provide a better basis for the evaluation of assessments than those classes in which the number of sales is minimal. Thus, it follows that the basis for equalization on residential property and on vacant land will be broader than that for other classes of property, generally. However, even these figures will vary widely among different areas of the State and among individual municipalities.

Hitherto, we have been dealing with municipal averages. We must look at these same problems from the point of the individual taxpayer. If the Director says that the ratio of assessed to true value in municipality X is 87 percent and that in municipality Y is 107 percent, in effect he is saying

that property in municipality X is being undervalued and that in municipality Y is being overvalued.

However, these promulgations are based upon sales ratios within the respective municipalities. In municipality X sales figures indicate that the assessor is assessing below true value and in municipality Y is assessing above true value. Does this mean that this is true on every parcel? Are not some properties assessed at 80 percent, some at 90 percent and some at 100 percent? If this is true, and there is every reason to believe that it is, if a Statewide tax is imposed and the ratio of assessed to true value is placed at 90 percent, those properties assessed at 80 percent will not be paying their fair share and those assessed at 100 percent will be paying more than their fair share.

The immediate question which arises is, "How can we avoid such inequities?" Undoubtedly, we cannot avoid every vestige of inequity, but we can and must endeavor to bring them to a minimum.

First, we should examine the characteristics of property in the State. At present, an "unusual sale," one which involves a large commercial or industrial complex in a municipality can alter the ratio of assessed to true value on every parcel of property in a municipality. If the selling price of such a piece of property indicated that it had been assessed at 80 percent of its value, does it follow necessarily that other types of property are being assessed at the same ratio? That is doubtful.

At present, there are about 2.2 million parcels of property in the State. Of this number, 1.6 million are residential and only about 117,000 are commercial and industrial. It would appear more logical if we would consider sales of property within the various classifications separately in arriving at our ratios.

This might best be illustrated by a hypothetical sales year in a municipality. Because Cherry Hill Township in Camden County is a fast-growing municipality with a mobile population, we can expect a significant number of sales in that municipality. There are 18,361 parcels of property in Cherry Hill. Of this number, 15,664 are residential, 541 are commercial, 91 are industrial and 1,956 are vacant land. The average assessed value per parcel in Cherry Hill is \$35,525; the average assessed value of residential property is \$25,363; of commercial is \$334,755; of industrial is \$366,259; and, of vacant land is \$17,218. If ten average commercial properties and two average industrial properties were sold in the course of a year, they would represent the equivalent of 160+ residential properties or 236+ parcels of vacant land. It is obvious that the weight of a commercial or industrial property sale is far more than that of a residential sale.

Furthermore, except in certain areas, the ratio of assessed to true value on vacant land is lower than it is on residential property. In fact, in some areas the ratio on residential property appears to be higher than on any other class of property. Where this is true, the promulgation of assessment ratios mitigates against the homeowner. In an even greater number of municipalities business has been assessed at a higher ratio of assessed to true value than other classes of property.

Even within classes of property there appear to be discrepancies between municipalities. This is to be found within counties in some instances and certainly between counties.

One of the most flagrant discrepancies within one class of property is that to be found in farmland, particularly that not eligible for farmland assessment. In some areas farmland 3A (regular) is assessed at or below the per acre assessment for 3B (qualified).

An examination of the sales price for tracts of vacant land and the assessment on such land is a further area in which there are flagrant abuses. This leads to the subsidization of the land speculator by other property owners and distorts the ratio of assessment when such properties are sold.

While our present system of equalization represents a tremendous improvement over past practices, it still leaves a great deal to be desired. Let us examine some steps which might be taken to improve the process and thus reduce the inequities.

Existing Problems

One of the major difficulties facing us in dealing with the problems of assessment is the large number of individuals involved at the level of original assessment. Each of the 567 municipalities has an assessor or a board of assessors. In many of the smaller municipalities the assessor is a part-time official whose remuneration is such that he cannot be expected to devote an appreciable amount of time to his job as assessor.

Although legislative enactments have provided for the professionalization of assessors through education, the competency varies widely. Also, despite professionalization and State guidelines for assessment, there remains the fact that there is a certain amount of subjective judgement on the part of each assessor. As the number of assessors increases, variations in the judgements made will increase. This is not meant as a criticism of such judgements as are made, but to illustrate the difficulty in reaching a uniform assessment procedure throughout the State.

If we examine assessment procedures in other states, we find a considerable variation in the practice from that in New Jersey. Full-time county assessors have been established to make assessments in some instances and in others to supervise local assessors where they have been retained.

In states which levy a state property tax, a permanent official or body has been established in every state to supervise local assessments and increase their efficiency.

There are 28 states in which assessment is done at the county level. In a number of these, certain cities have their own assessors or assessment boards. Of the states usually considered the "Northeast," only Pennsylvania and Delaware do not rely on the assessment of property at the local level. This is, of course, logical because in the majority of states outside of the northeastern states, incorporated municipalities occupy a minor part of the land area and, thus, the county is the only governmental unit below the state level which has jurisdiction over much of the property.

Approaching the problem from the standpoint of the local assessor, there is insufficient assistance given him at both the county and State levels. To some degree, the State provides assistance through the Local Property Tax Bureau. The county provides little or none.

At the time when the assessor needs assistance most, he is on his own. That time is during the appeals process. An examination of the outcome of appeals on assessments demonstrates that most adjustments on the average residential type property are nominal and have little effect upon the total valuations in a taxing district. However, reductions in the assessments on large commercial or industrial properties in many

instances have resulted in sizable tax losses to municipalities which subsequently have required an increase in the tax rate for all property owners in the same municipality.

While there probably are many instances in which the assessment of commercial and industrial complexes may have been too high and the adjustments therefore justified, the assessor is at a disadvantage in defending against appeals on such property. Corporate enterprises retain experts in every factor relating to such appeals and such expert testimony weighs heavily with the court. The assessor, on the other hand, is left to fend for himself, so to speak, unless the municipal governing body sees fit and is able to retain experts to assist in opposing the appeal. This is seldom the case.

It should not be necessary for a local assessor to be forced to oppose appeals without expert assistance, nor should it be necessary for him to "go outside" for help. Such help should be available to him at one of the upper echelons of government where a staff of experts could be maintained to assist him at any and all stages of the assessing process. This, of course, is predicated upon the assumption that the present system of local assessment is retained.

What are the alternatives to the present system? Should we look to an alternative and, if so, what alternative might provide the most equitable use of the property tax?

The Alternatives

The first, and most obvious, alternative to our present system is to establish the county as the basis for an assessing district. As has been pointed out previously, the county is the basic assessing district in 28 states.

There are distinct advantages to county assessment. The county would be financially able to maintain a full-time staff of qualified assessors, together with experts to back them up. County assessment would equalize assessments throughout the county in a more meaningful way than the present system of equalization. The reduction from 567 assessing districts to 21 districts would facilitate Statewide equalization. Revaluation could be made a continuing and continuous process through a greater use of EDP.

Disadvantages in county assessment would be more political than technical. Local assessors, naturally would oppose such a move and the existing laws affecting the tenure of assessors would be difficult to repeal. Large taxing districts will contend that they are already geared to operate on a level equal to the counties. This, of course, could be countered by making exceptions based upon population or valuations as is done in a number of states with county assessment.

A further variation which would be more feasible politically would be the retention of the assessing process at the local level with direct supervision by the county through a county assessment board or through a full-time county board of taxation.

On a logical basis, the third major alternative is assessment by the State. The advantages of State assessment are obvious. Equalization could be made more meaningful. The State could employ highly qualified experts and be in a position to challenge appeals on an equal basis with large corporate interests.

The disadvantages to State assessment are almost equally obvious. Such a method would create another large bureaucracy with doubtful efficiency. The average property owner would find initial appeals far

more costly and time consuming than at present and probably far more frustrating. It would be a further erosion of local government.

Undoubtedly, such a course would be politically unfeasible. Not only would it meet opposition from local assessors, but from the counties and ultimately a great number of taxpayers.

The first question to be asked in making any determination as to the best method for improving the equalization of assessments is "Should we scrap the existing system or can we work within that system?"

There is little doubt that there are deficiencies within the existing system. What might be called the "ideal" might be the system of county assessments with certain variations plus closer State supervision. To call it "ideal" means solely in the matter of administration. The practical disadvantages have been pointed out previously.

As far as the establishment of assessment districts is concerned, there seems to be little to recommend this approach. Such districts would have only one advantage over the existing system; the consolidation of the assessing process in the smaller municipalities would provide full-time assessors in all taxing districts. If the system is to be changed, county assessment would be far superior.

It seems obvious that State assessment, as a practical matter, probably would not be feasible. From an administrative viewpoint, it is doubtful if it would provide the taxpayer with anything better and, in fact, it might work to the detriment of the average taxpayer.

While improvement in governmental structure is desirable, the first consideration should be service. In this case service to the property taxpayer, to insure that all property owners are treated equitably, that all taxpayers pay their fair share, no more, no less.

Wholesale change often presents greater problems than it solves. While we should not be wholly bound by tradition and past practices, there is a lot to be said for working within an established system which is familiar to those administering it and those affected by it alike.

Therefore, after weighing the advantages and the disadvantages of the existing system and of the alternatives, it would appear that we should retain the present structure and continue to improve that structure and the procedures of both assessment and appeal.

PART IV - REVALUATION

One of the three major components of the study undertaken by the Committee as directed by the General Assembly, was that of revaluation. It is a subject with a high emotional impact in many areas of the State. As a result it is extremely difficult to develop information on which to base recommendations.

It is quite evident that much of the emotionalism over revaluation results from improper assessment procedures in the past. It has been common practice in many municipalities to over-assess commercial and industrial property and to under-assess residential property. The reason for doing this is obvious. However, when the necessity for revaluation arises after such a practice has been in effect for a number of years the result is not easy to contemplate, for residential property owners particularly, if the overall property tax in the municipality is already heavy.

There have been suggestions that the practice of differentiating either in terms of assessment or of rate between commercial property and residential property should be formalized constitutionally. This would please the residential property owner but certainly would meet with resistance from the commercial property owner. What must be considered in such a recommendation also is the effect such a practice might have on the already depressed condition of industry in New Jersey. Although property taxes in themselves are not a matter of major priority to an industry in determining site location, the reputation New Jersey has in the industrial community as a high cost State, would certainly not be enhanced. Therefore, it is

doubtful if this proposal should be adopted.

The question then remains what can be done to prevent revaluation from having a devastating impact upon residential property owners? The answer to this probably lies in lessening the dependence upon the property tax generally and in alleviating the impact of the tax in those areas in which it is particularly onerous. This, of course, is a matter which does not directly relate to revaluation.

One of the most common complaints about revaluation brought to the Committee's attention during its public hearings, and in its correspondence, was the quality of revaluation in those municipalities in which it has been undertaken. There were usually general comments that the examination of properties was totally inadequate, that many of those employed in the revaluation were not competent and, in some instances, that there was obvious favoritism in the assessments placed upon some property. Wherever any or all of these contentions can be substantiated, revaluation is a farce and certainly does nothing towards providing equity for the taxpayer.

It was quite obvious from the testimony that the role of the assessor varied greatly from municipality to municipality in the process of revaluation. In some the assessor was directly involved and in others he was practically ignored except for the necessity for him to accept the reassessment figures at the end of the process. This in itself, is an indication of one of the problems which appears inherent in most areas which pertain to the assessment of real property, that is, despite laws governing assessments throughout the State and regulations applicable to all assessors supplementing these laws, there is a wide divergence of interpretation and thus of practice.

The Committee at this point can make no specific recommendation on the subject of revaluation except to say that as done presently it probably creates as many problems as it solves -- perhaps more. There are considerations in the matter of revaluation to which the Committee hopes to give more attention which may provide the means to improve the method of maintaining a proper and equitable basis for current valuations without the necessity for the expenditure of large sums of money now necessary to undertake a revaluation.

PART V - TAX APPEALS

The problems pertinent to the appeals process for taxes on real property have been evident for a number of years. In 1974 the then chairman of the Taxation Committee, Assemblyman Perskie, introduced a bill to abolish the Division of Tax Appeals at the State level and to substitute therefor a full-time Tax Court in the Judicial Branch of government.

The failure of Mr. Perskie's bill to pass the Legislature did not discourage other attempts to do the same thing. His bill was subsequently introduced in this session of the Legislature.

A special committee of the Senate, chaired by Senator Dunn, conducted a study of the appeals process at the State level, held several public hearings and issued a report recommending the creation of a Tax Court. Senator Dunn's Committee also recommended a reorganization of the structure of the County Boards of Taxation proposing that the President of the Board be full-time, and prescribing a salary for such President in different classes of counties.

During the public hearings held by the Taxation Committee the appeals process was mentioned by numerous persons who testified. Generally they agreed that a Tax Court would be an immense improvement over the present system. These observations were made both gratuitously in the testimony or when questioned by the Committee. However, in almost every instance there were also some very specific recommendations regarding appeals at the county level.

The Committee is grateful to Senator Dunn and his Committee

for the immense task that they undertook in developing data pertaining to the appeals process -- an undertaking which, to our knowledge, had not been done previously. The data certainly bears out the contention that there is a need for a change in the present system.

We agree with Senator Dunn's Committee's recommendation for a Tax Court. We also agree that there should be a restructuring of the office of County Boards of Taxation, but we do not agree with the recommendation that the County Board President be made full-time. Our convictions were borne out, in this latter regard, by testimony given by both secretaries and members of the various County Boards of Taxation.

Further, we feel that there should be a great deal more than the restructuring of County Board offices. We believe -- and are supported by most respondents -- that County Board decisions should be on the record. Also, County Boards should be given a longer period in which to consider appeals and make their decisions. Finally, we believe that there should be some accommodation made by the State to fund the office of County Boards of Taxation without interfering with the function of the County Board as a local quasi-judicial agency.

At the present time while much of the direction as well as the responsibilities in the operation of County Boards of Taxation are dictated by the State -- except for the salaries of county board members and the appointment of such members -- the budgetary problems of County Boards are left in the hands of the respective Boards of Chosen Freeholders.

It is only logical that budgetary considerations for the support of County Boards of Taxation are very low among the priorities of

the Freeholder Boards for there are many compelling responsibilities which the Freeholders have to which they devote the greatest part of the county revenues.

Instead of designating the President of a County Board as full-time we recommend that the Secretary of the County Board be redesignated as either the County Tax Administrator or the Executive Director of the County Board; that this job be required to be a full-time job and that the remuneration for the position should be such that it can attract the necessary talent. We further recommend that there be no fixed salary but that the salary be placed within a range based upon the responsibilities accruing to the position depending upon the size and complexity of the county, and that such salary should be funded by the State.

PART VI - STATE ASSISTANCE

An area in the field of assessment, collection and appeal of taxes on real property which was given considerable attention by various individuals who testified at the Committee's public hearings, was that of the role of the State in relation to that of the local and county officials.

The Legislature, by statute, has established the framework within which assessors, collectors and county boards operate. In addition, the Division of Taxation in the Department of the Treasury, and the Bureau of Local Government Finance in the Department of Community Affairs have established rules and regulations governing assessors and collectors respectively. However, there is little coordination between the two.

The County Boards of Taxation are another matter. Other than operating within the statutes, the County Boards are governed to a great degree by the County Boards of Freeholders through the budget process. County Board members are appointed by the Governor with the advice and consent of the Senate. The State specifies the salaries of County Board members and president, and pays those salaries to the county; otherwise County Boards operate within the county budget. The staff required is paid by the county, and salaries, equipment and office space are provided by the Boards of Chosen Freeholders in the several counties.

In a number of instances the situation relative to the County Boards was brought to the attention of the Committee with the suggestion that if the State wished the Boards to operate in a more efficient manner and provide better service to the public and to

the local assessor, the State should then consider subsidizing the County Boards to whatever extent it felt necessary to accomplish these goals. This, of course, is but an additional area of a State-mandated program funded locally. However, the Committee believes that it is one which should be given consideration and will be considered by the Committee in the future with some specific recommendations for its implementation.

In the matter of the assessors and collectors, the situation is quite different than that with the County Boards in so far as State responsibility for funding is concerned. However, it is the considered view of the Committee that there should be a centralized agency with responsibility for the supervision of both assessors and collectors within that agency. In addition, and perhaps even more important, the situation in which an assessor finds himself as regards appeals -- particularly those of large commercial and industrial complexes -- is one of an almost "can't win" basis.

While assessors are given a certain amount of assistance in making assessments by the Division of Taxation, when an appeal is taken there is no support for the assessor in answering that appeal. Where large amounts of money are concerned the assessor is often faced with the prospect of battling high-priced experts retained by the property owner to support his contention. In many such instances the assessor loses on the appeal and his municipality is faced with a dramatic impact upon subsequent property taxes.

If, on the other hand, the municipality feels it is sufficiently worth while to hire its own experts to support the assessor, it becomes a financial drain upon the municipality. Logic would indicate

that neither situation should be allowed to continue. Obviously the local assessor needs expert support, and obviously it is not feasible for municipalities to maintain expert appraisers and engineers on a permanent basis. Therefore, there should be a body of experts available to all assessors to assist them in the first instance, where necessary in reaching an assessment on a complex property, and in the second instance, in providing support to the assessor in answering an appeal on such a property.

In view of the fact that the property tax generates far greater revenue than any other single tax in the State and as a matter of equity, assessments should not depend upon the vagaries of the appeals process in which the cards are stacked against the local assessor in many instances. It would seem that the State should provide assistance to all local assessors when such assistance is necessary.

Proposals have been made in the past to bring within one agency the supervision of assessors and collectors, and a body of experts to assist the local assessor, but have not been given support by the Legislature.

It is the belief of the Committee that this type of agency should be considered and it is a further area to which the Committee intends to devote attention and to make a concrete recommendation for its implementation.

PART VII - CONCLUSIONS

There are two basic conclusions which the Committee has reached in its study. The first is that assessment administration is far better in New Jersey than in most states. The second is that this is no cause for self-congratulation, for there is a great deal of room for improvement.

One point which stands out with regard to New Jersey is that we are fortunate to have the caliber of people we have locally when in so many instances we provide so little compensation.

Property taxes affect every citizen either directly or indirectly. Property taxes provide the largest single source of revenue in the State. We pride ourselves on seeking equity in the imposition of other taxes, yet in this the largest of our taxes, we have only scratched the surface in providing equity.

If the property tax is to be retained (and it is inconceivable that it will be replaced completely), the laws and procedures must be brought into line with present-day circumstances. As we have noted in the body of this report, a number of significant improvements have been made, but it is not enough to continue to strive for farther improvement only when forced to do so. The use of EDP has been beneficial, but we should explore the extended use of this tool in revaluation and reassessment to reduce the coefficient of deviation in property assessments which is so prevalent.

The General Assembly is mandated by the Constitution to be the house of origin for tax measures and the Taxation Committee constitutes the vehicle by which the General Assembly examines and evaluates any

proposed revenue measure. It is only in recent years that that Committee or the General Assembly has become closely involved with the property tax and the administration of that tax. Despite the importance of the tax and the fact that it is imposed and regulated by State law, the State has tended to dismiss it as not being a State responsibility. This Committee believes that this perspective must be changed and has taken steps in that direction. But, a great deal more needs being done.

Therefore, we propose that the Committee in the 1978-1979 Session be again authorized and directed to continue this study and that it be further directed to expand the scope of the study to encompass any matter pertaining to the property tax for which the Committee feels there may be need for legislative action.

To this end, this Committee recommends that the reconstituted committee in 1978 introduce an Assembly Resolution to continue and expand upon this study.

A P P E N D I X 1

Persons Testifying at Public Hearings

Hearing #1 - Pennsauken, New Jersey

Joseph Crane, President Elect
N.J. Association of Municipal Assessors
Deptford, New Jersey
Walter Salmon, Retired Assessor
Mount Laurel, New Jersey
Carl Miller, Former Assessor
Haddon Heights, New Jersey
Richard McCarthy, Tax Collector
Berlin Township, New Jersey
William Sharp, Assessor
Cinnaminson, New Jersey
Albert Stack, Assessor
Hi-Nella, New Jersey

Hearing #2 - Toms River, New Jersey

Richard P. Strada, Deputy Mayor
Township of Dover
Toms River, New Jersey
James W. Clayton, Private Citizen
Silverton and West Orange, New Jersey
John R. Fox, Secretary
Ocean County Board of Taxation
Toms River, New Jersey
James L. Anderson, Assessor
Pt. Pleasant, New Jersey
A. James Reeves, Assessor
Brant Beach, New Jersey
Leo J. Kiernan, Assessor
Seaside Heights, New Jersey
Lorraine Effenberger, Assessor
Bayville, New Jersey
John A. Coan, Jr., Secretary
Board of Assessors Lacey Township
Forked River, New Jersey
George Harraka, Assessor, and Chairman
Legislative Committee for the Association
of Municipal Assessors
Summit, New Jersey

Hearing #3 - Newton, New Jersey

Benjamin Jager, Secretary
Sussex County Board of Taxation
Branchville, New Jersey
Frank Gonzalez, President
Sussex County Tax Assessors Association
Stanhope, New Jersey
Charles W. Fouquet, Chief Assessor
Parsippany-Troy Hills Township
Parsippany, New Jersey

Appendix 1 (continued)

Gloria A. Cross, President
Morris County Assessors Association
Budd Lake, New Jersey
Harold Baumwoll, Secretary
Rockaway Township
Rockaway, New Jersey
Bernardine Silver, Private Citizen
Wantage, New Jersey
Earle Schultheiss, Mayor
Stillwater Township
Newton, New Jersey

Hearing #4 - Newark, New Jersey

Jack Greenspan, Private Citizen
Elizabeth, New Jersey
Honorable Wynona M. Lipman, Senator
District 29
Newark, New Jersey
Bertram R. Brown, Director
Department of Property Taxation
City of East Orange, New Jersey
Marvin Corwick, Business Administrator
West Orange, New Jersey
Kenneth A. Joseph, Tax Collector
Newark, New Jersey
George Harraka, Assessor; Chairman
Legislative Committee for the Association
of Municipal Assessors
Summit, New Jersey
Joseph Frisina, Tax Assessor
Newark, New Jersey
Theodore Murnick, Private Citizen
Newark, New Jersey
Raymond M. Codey, (for Mayor Capone)
City of Orange, New Jersey
Donald Tucker, Councilman-at-large
Newark, New Jersey
Roland Charles White, Private Citizen
Newark, New Jersey

Hearing #5 - Belvidere, New Jersey

Libby Beale, Private Citizen
Hunterdon County
Margaret Woscoe, Private Citizen
Hunterdon County
Howard Shaw, Private Citizen
Washington, New Jersey
Klara Tarsi, Tax Collector
Alpha, New Jersey
Richard Shepherd, Assessor
Harmony Township, New Jersey

Appendix 1 (Continued)

James Williams, Commissioner
Warren County Board of Taxation
Belvidere, New Jersey

Stan Smith, Assessor
Hackettstown, New Jersey

Robert Merritt, Assessor
Lopatcong Township
Phillipsburg, New Jersey

Lester P. Stout, Tax Collector
Belvidere, New Jersey

Reno Minardi, Tax Collector
Pohatcong Township, New Jersey

Ray Bush, Private Citizen
Franklin Township
Hunterdon County, New Jersey

Frank Dillelo,, Commissioner
Warren County Tax Board

Carl Hillbers, Private Citizen
Hunterdon County, New Jersey.

A P P E N D I X 2

Persons Submitting Testimony by Correspondence

<u>NAME</u>	<u>ADDRESS</u>
Ethel H. Dove, Tax Collector	Municipal Building Evesham Township Marlton, New Jersey 08053
Mrs. Joyce Jones, C.T.A.	Manchester Township Board of Assessors 1 Colonial Drive Lakehurst, New Jersey 08733
Georgian Kolber, President	Ocean County Board of Taxation Toms River, New Jersey 08753
Jerome D. Greco, Mayor	The Borough of Verona Verona, New Jersey 07044
Town of Hackettstown	215 Stiger Street Hackettstown, New Jersey 07840
Mr. Frank Naples, Assessor	Township of Clark Clark, New Jersey 07066
Mr. Marriott G. Haines, Assessor	City of Vineland Vineland, New Jersey 08360
Mr. Dante Leodori, Secretary	Bergen County Board of Taxation 123 Hudson Street, Hackensack, New Jersey 07601
Mary E. Sheppard, Municipal Clerk	East Amwell Township Municipal Offices, P.O. Bin F. Ringoos, New Jersey 08551
Mr. Owen R. Lyons, Secretary	Warren County Board of Taxation Court House Belvidere, New Jersey 07823
Mr. Frederick G. Wille, Assessor/Treasurer	Town of Clinton 19 Fairview Avenue, P.O. Box 5238 Clinton, New Jersey 08809
Mr. Joseph Inguaggiato, Tax Collector	Box 277 Califon, New Jersey 07830
Mr. Joseph E. Rauch, Chief Financial Officer	South Brunswick Township Municipal Building Monmouth Junction, New Jersey 08852
Mr. John Wyckoff, Tax Assessor	Township of Sparta 65 Main Street Sparta, New Jersey 07871
Virginia D'Andrade, Secretary	Hunterdon County Board of Taxation Hall of Records Flemington, New Jersey 08822
Mr. Orlando L. Abbruzzese, Secy.	Somerset County Board of Taxation County Administration Building Somerville, New Jersey 08876

