

NEW JERSEY TAX POLICY COMMITTEE

TASK FORCE C

ASSESSOR'S ASSOCIATION MEMBERS AT  
MEETING OF TASK FORCE "C"

Trenton, New Jersey  
May 7, 1971  
New Jersey Manufacturer's  
Conference Room

COMMITTEEMEMBERS PRESENT:

LEONARD C. JOHNSON, Chairman  
MRS. ROBERT KLEIN, Vice Chairman  
JOHN W. DUCKETT  
FREDERICK H. GUNTSCHE  
MARRIOTT HAINES  
PHILLIP H. MOWERY

ALSO PRESENT:

ROBERT VON SOTHEN  
WILLIAM MILLER  
MARTIN T. DYKE  
DR. HENRY J. FRANK

ASSESSORS PRESENT:

BILL BAILEY  
SAM BEFARAH, JR.  
RANDY BROKAW  
CLARENCE DELGADO  
ACKLEY ELMER  
AL GREENE  
NORMAN HARVEY  
ED MARKOWICH  
ROBERT SMITH

PETER C. MASSARO, S. R.

RICHARD A. MERLINO & ASSOCIATES

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## I N D E X

<u>SPEAKERS</u>	<u>PAGE</u>
Al Greene	3
Bill Bailey	36 & 83
Norm Harvey	39
Sam Befarah	67 & 109
Norm Harvey	73
Clarence Delgado	114

### APPENDIX:

#### Papers Submitted By

James A. Arnold, Jr.  
William T. Bailey, Jr.  
Samuel Befarah, Jr.  
H. Randolph Brokaw  
Clarence Delgado  
Ackley O. Elmer  
Alfred J. Greene, Jr.  
Marriott G. Haines  
Norman Harvey  
Edward P. Markowich





CHAIRMAN JOHNSON: Let the record show that after the introductions by Messrs. Haines and Johnson, the chair ruled that the Task Force would hear formal statements by Messrs. Befarh, Greene, Harvey, Elmer and Bailey, before going to a question and answer session.

Now, are there questions of Mr. Greene?

DOCTOR MILLER: I have a few questions, probably two kinds. One to clarify the effect of what you propose, and another for alternatives.

As far as clarifying, you point out which we all appreciate that assessors have been using base year methods for a long time, and that being so, how would you propose to change the present law in any specific way?

MR. GREENE: The present law, it doesn't permit, even though the assessor is doing it, actually the district doesn't permit him to do this. The law still reads full and per value, and whatever the law established by the county on an annual basis, even on a revaluation program. It takes a year by the time that is on the books, those values are now two years old. So in effect, they're still doing it. All the assessor actually is doing, once that program is in effect and the problems ironed out in it, and

in the interim years, as he's able to revise the tax roll, he's taking all other values back to that level basis. But in so doing it, it creates the problems I attempted to show in the illustration of the income producing properties on appeal.

The effective tax rate rise, and that property under appeal gets the current assessor rate in his capitalization rate, in addition to the equalization ratio, the director. So that in effect I am saying that without some standards employed here that class of property is being subsidized by all other property owners in the district.

DOCTOR MILLER: Entirely aside from the effect on the income producing property, would you say that what you would like to see in the law is a statement full and fair values six years ago?

MR. GREENE: I don't. The ideal way of doing it is to take the most stable period of our economy--

DOCTOR MILLER: We did that for a long time and all the values got so far out that we had to start out all over again. Prosperity was just around the corner.

MR. GREENE: I don't know when we really did it, Doctor. I might have missed something.



I didn't know we were--

DOCTOR MILLER: After the great depreciation there was a tendency to try to hold the values.

MR. GREENE: That's true. Many states did that, and they used just the pre-war years as the level. As a matter of fact, some of them continued up until recently when they revised it. I say that to coincide with the rates the county boards have established, the county ratios every three years. Then it should be if we are doing it, it should be in multiples of three years. Three years I think is too short. Six is the least desirable. But this would permit all the properties going back to whatever that ratio be, whether it be a level established by a county or the state or the legislature enacting these guidelines. And in the meantime with this additional work, the assessor can then be in the process of up-dating this so when they revise it, he would be able to submit the rolls on that level basis.

DOCTOR MILLER: Let's say you have a fixed year, full and fair value of 1960 or 1964. They used the six year period. Is that what you're proposing?

MR. GREENE: I am not saying go back. I am saying it could be worked that way, mechanically, I would say. We recognize the problems today, or whatever, whenever this possibly might be enacted. I would say that would be the starting point. But even if it were 1960 or '64, everything would be worked back to that, to that level. All conditions and everything. It isn't quite practical to go backwards, because you don't have the history of the expenses as of that period of time.

DOCTOR MILLER: So you would have everything to be valued for the next six years according to the full and fair value for 1970.

MR. GREENE: That is correct.

DOCTOR MILLER: And this, no matter what happens in the meantime.

MR. GREENE: Well, that's--that's--

DOCTOR MILLER: You have two areas in your one municipality, forget everybody else. One is booming, and the other is declining very rapidly. They would both be assessed according to the same--

MR. GREENE: I am saying with those changes that are recognized. You have to recognize changes in neighborhoods or economic changes, deteriorating neighborhoods. That has to be recognized and



be brought proportionately on the same level of value as the other property. You have to recognize deteriorating influences or values that are upwards or a great spiral. This does not negate that thing at all. Otherwise, we depart entirely from equities of tradesmen or any concept or market.

DOCTOR MILLER: Then let's take new construction where apparently the investment is justified according to the cost of the--today's bills, otherwise, it wouldn't have been started, I take it.

MR. GREENE: Under normal conditions that would be true.

DOCTOR MILLER: So how do you value that according to 1970 base period, regardless?

MR. GREENE: Yes, sir. It would be-- it would be cost--let's say it was 1976. We are using a base year of 1970. It would be the cost basis trended backwards for the 1970 level, or it could be that cost as of that date with the index backwards. Of course these are published.

DOCTOR MILLER: Isn't a new construction an economic change just like the rising neighborhoods or declining neighborhoods?

MR. GREENE: It might be. It could be.

DOCTOR MILLER: So it gets hard to administer.

MR. GREENE: I don't believe so, Doctor.

DOCTOR MILLER: You have to decide whether that new construction was warranted, whether it was a misplaced improvement.

MR. GREENE: Oh, yes. It might even be an underimprovement at the time it's built. But these are the--the things we consider right now and at all times in valuing or assessing properties. So this doesn't depart from that concept at all.

MR. HAINES: Can I interject a thought here? I just happened to bring with me the assessors bible. I think the question that the Doctor has asked was from a legislative standpoint. Wasn't that what you were leading up to?

DOCTOR MILLER: More to sharpen up what we were talking about.

MR. HAINES: I think what Al is trying to answer would require an amendment in 54:4-24 on page 85 of our pocket part, where the duties of the assessor and the determination of the taxable value are set forth by legislation. I think it would require an amendment in this section of the law.



MR. GREENE: Oh, yes. I agree. I am glad that you pointed that out.

I think any departure along these lines would require a legislative act.

MR. HAINES: Right.

DOCTOR MILLER: A couple of other questions. Because the problem with using current capitalization rates and the very good demonstration we make of what it does, is there any other way you could suggest of avoiding that?

MR. GREENE: I don't think we are ever going to negate the income approach to value. But I think with the resources we have available, not only from our own association, but particularly through the research of the local property tax manual, that the petition of the cost manuals that we update in their cost industries that they have an easy source to what the market is in the given years on keying into the prime locations of what the interest rates would be demanded in those areas. I think it would--this would be a supplement to the bureau and would be a--would be so at any given time with the rates changing, this would be the same published material that we now have under the cross industries set up. It's easily obtained through the larger

lending institutions.

DOCTOR MILLER: Is it really the rate?

MR. GREENE: It's both. It isn't so much the income, Doctor, because that can be handled. It's a net income on income producing properties. But it's the--

DOCTOR MILLER: It declines.

MR. GREENE: It's both the interest rate as one that fluxuates. We have just gone through a period of this. And the other, the very important thing is the changing budget effecting the effective tax rate. They're used as part of the capitalization rate that puts that property presently at a distinct advantage over all other properties.

DOCTOR MILLER: Even if you had a stable tax rate or you had a state policy change which relieves real estate of a considerable burden which hopefully will reduce the tax rate, that of course, is a factor which is independent, but if you are going to use a base period, you should use a base period beyond capitalization rate, too, I take it. Do you not?

MR. GREENE: Yes.

DOCTOR MILLER: How do you in 1976 compare to 1970 know what that is going to do?



MR. GREENE: We don't know in the future.

DOCTOR MILLER: If we legislate now that we shall now on through 1976 use the 1970 capitalization rate, I assume that was the scheme, how do you know what you're doing when you do that?

MR. GREENE: Well, I think if--if the interest rate and the money, and that's developed from, frequently from the market on what the lending institution will grant on properties, if the interest rate can be built up from that method, if this is true, without considering some of the things that go on in Trenton or in Washington effecting that policy, this also has a direct result of an effect on all other classes of property, even in regards to residential property. You can do it in reverse. We have put all properties on an income analysis. As long as you have values and know the rate, you can assign the net income to a residential property. All we are concerned about here is something that is practical and workable, and that every taxpayer shares the fair burden of the budgetary requirement to operate government.

DOCTOR MILLER: Well, what do you do in 1977, when presumably you're starting a new base

period? How do you make the transition if it turns out to be substantial?

MR. GREENE: We--are we now going back to the rate, again?

DOCTOR MILLER: Whatever--the whole system.

MR. GREENE: Well, there is no problem with cost approach or the study out of market data analysis, and market data really only pertains to residential property anyhow. As far as rates, when an interest rate is applied, it's a stable rate. It isn't one that is going to apply from the year 196--76, let's say for us, in 1977. If that rate, because the banks were permitted or the lending institutions were permitted to raise the rates in one given year, it's in the appraisal process. It's a stable rate. It isn't one given year. So you don't get these rapid rises or falls in a--in a rate structure.

DOCTOR MILLER: Well, how about in your cost approach where you have gone through a period of--of very sharply rising costs? And if you happen to hit it at the--at the time, let's say if you did it in 1970, shifting from 1970? '60 which is a very good period, what happens to your new base, and there's a though period of adjustment there?

MR. GREENE: There is no question.

If we--let's use an example that I said, a base year of 1960, and all of the values remain constant for that ten or eleven year period. We are going to revise it in 1970. It is a drastic change in the valuation base, but in--also in respect it's a drastic change in what would happen to that tax rate decreasing proportionately. One ties in with the other. But we do recognize, you would necessarily have to recognize what the market concept or change is as of that period as relative to the prior base year. I--I only cited this as a nine year example in here. I think three years is almost the same as the annual requirement, because as soon as the revaluation is in effect, it's only two years old on the basis of the studies that were analyzed.

DOCTOR MILLER: Which bring me to my last question. We have been talking about revaluations, and some people say three years and some five years. How often is a revaluation justified?

MR. GREENE: That's a very good question. We have differences of opinion with some of the county boards. Some of the people in the room here are directly affected, and I did speak of one county that has ordered, I think as many as three revaluation programs in the six year period. The same municipality.

Now, if you keep this up you can bankrupt that community by ordering continuous revaluations by outside concerns, and the only--and this would be in rising economy in that particular tax industry, because it is because that ratio no longer remained at that hundred percent level. But now it has decreased to, below eighty five percent. But the quality of the assessment roll, let's say if it's ten, that's considered good. But that's a standard they established. If that coefficient exceeded ten, then--and it was below eighty five, they ordered a revaluation. These don't make sense.

DOCTOR MILLER: It's technical judgment, obviously, having done it three times in six years. You didn't get any benefit the first two times. So--

MR. GREENE: This is what happens, and this happens to one of the fastest growing counties in the country. And one of the--one of the really valued districts that's changing from, let's say at one time, basic residential to high rise apartment district. So that all of these things going in it change the value, but the quality of the assessment roll hasn't really changed that much. I believe it's safe to say that it's still below fifteen, which



naturally it's considered good.

DOCTOR MILLER: Very good. Yes.

Well, wouldn't that kind of community react badly to the base year approach?

MR. GREENE: No. I think they would welcome it. It wouldn't effect--it isn't effecting the equity between similar type properties unless it, as in your prior example, saying, well, if that area changed, would it be recognized? Definitely it would have to be recognized. And they are doing that.

DOCTOR MILLER: But the assessor apparently wasn't able to keep up with these changes in the roll from the viewpoint of the county board, and this is the very problem you have.

MR. GREENE: Here's what happens, Doctor. When the sales tax is placed, he's recognizing there is a trend here. Something is changing. So all of the sudden all of these problems are assembled, and now we have a high rise district. But these--but the sales that took place in the past and are used against him, even though he has recognized the change in the subsequent roll and has recognized this trend upwards and has changed these assessments to recognize it. So the reverse is true. He's already

recognized it after the sales have taken place. He knew something was occurring there. He upped his land value and everything else, but the prior land on a different use was used against a sales ratio studies, and the ratio dropped. That's the practice today. And this is what--why I say, I don't think we have any substitute for that method for county cost of government or state school aid, but it does not truly reflect the use of prior sales to assist an assessor in determining the future value of the property or what has occurred. So this doesn't pertain to the district. Fine for county, it's fine for schools, but it reflects the reverse when you talk about whether that municipality has recognized these things and is maintaining equity between taxpayers and recognizing change. Because, even though he's recognized the change as it occurs, the historic sale is used against him and the historic assessment.

DOCTOR MILLER: Well, it's only used once. So he's made his change. Next year he should be in better shape.

MR. GREENE: It's used in the following years sales, also.

DOCTOR MILLER: It's a drag, yes.

MR. GREENE: That's one of the reasons

why under the report many of us, and very particular I was on it, and some of the others in the room, on the sales ratio study when Bill Kinsley was still the director, he undertook that study. I think we worked two years, and I think they have had it three or four years and just Saturday there. But this would do away with some of the sharp rising falls of ratios, because they would phase themselves out, this system.

DOCTOR MILLER: Thank you, very much.

CHAIRMAN JOHNSON: Is your reasons to the question as to frequency that it should be triggered only by what the dispersion picture looks like, or do you have a judgment as to the number of years?

MR. GREENE: No, I think it should be a number of years.

CHAIRMAN JOHNSON: What is that number?

MR. GREENE: I think it should coincide with the county boards judgment. I think three years, when they have the right to change ratios is too short a period. I think every six years should be the minimum. Well, it varies. There's differences of opinion whether it should be six or nine, Mr. Chairman. Some of the states have adopted

a six year basis. Some have adopted a ten year basis.

CHAIRMAN JOHNSON: Other questions for Mr. Greene? Mrs. Klein.

MRS. KLEIN: I was under the assumption that New Jersey has some kind of a constitutional decree, legal decree that all property in New Jersey must be treated the same.

MR. GREENE: Assessed according to the same standards of value.

MRS. KLEIN: How come we have had preference treatment for the commercial properties?

MR. GREENE: Well, it's--the statutes also define the duties of the assessor to value a property as true value as of October 1 of the pretext year and true value to be market value. So in the approaches to value, the cost approach, market approach, market data approach are used. But also on income producing properties, the greatest--the greatest weight in the approach is given to the income approach. So that as tax rates go up, value would supposedly go down on that one approach.

MRS. KLEIN: Is that an approach that--I gather it, but is it valid under the law that we have?

MR. GREENE: It's--the basis, of



course, it gives alternate decisions on whether we agree or disagree.

MRS. KLEIN: Could you explain how residential property could be assessed on that basis? You said it could be done.

MR. GREENE: There are three methods. There are three elements that enter into the income approach. If you have--if you have an income, a net income on a piece of property and you know what the proper rates are, an income divided by rate will equal value.

MRS. KLEIN: I'm talking about property that doesn't have income.

MR. GREENE: We just reverse it. If we know what rate in values are, and we can then assign what that net income would be required for that property. So you would--it's not really an income producing property, but it would have relativity. It's working it backwards. You're playing semantics with the figures. But it keeps them on the same level.

MRS. KLEIN: I gather, the thing that you feel is important is that there should be, it doesn't matter which technique you use, particularly as long as you get equal assessments and equal assess-

ment between facets of properties.

MR. GREENE: Absolutely. I think all approaches, really, Mrs. Klein, would be applied. Whether it be applied on the same basis as of the base year with the other changes in income up or down, being only on the basis of the net income difference. And that could be treated along the lines as I showed in the examples at the rear of that report. This recognizes the change in the structure of those income producing properties.

MRS. KLEIN: The whole philosophy of the property tax is that it's a tax on ownership of property, it's not a tax of income or ability to pay. So why is this--why is this, you know, applied to business properties, this concept that your taxes will be adjusted according to your income?

MR. GREENE: Well, it's not the individual income. It's the net income derived from the property itself. Net income, and that does vary, and the income approach is a very decided and valid method of appraising the market value of a piece of property. It's the only basis, if you have all the data necessary, the net income and all the other things that went into the property, it's the only valid basis income producing property are bought and

sold on. It's what the net yield is to the investor.

MRS. KLEIN: In cases where a man leases a property on a hundred year lease or something like that, then the value of that plant would be established on that income?

MR. GREENE: Not on that income. Not on contract income. Income is gross income is always based on economic rent or what that plant would rent for if vacant and available today on comparable rental basis. Because, you can't--that was spelled out in the National Shoe New Brunswick case, I thought that the judge illustrated that very well, of some of the problems that exist if we just dealt with say a Woolworth, a long term net lease such as you describe that was entered into in the, let's say, the late twenties, before the crash. And now we are still talking about that kind of income, but if that property were available today with the decline of the business area, it wouldn't bring any kind of rent like that whatsoever.

MRS. KLEIN: Does your association have any figures on what is spent in state and local county and state level to administer the--

MR. GREENE: No. But I believe the state would probably have, the local property tax

bureau has statistics such as that. I think the treasurer's annual report would include that. We don't have that in here.

MRS. KLEIN: Are we going to get that information?

MR. HAINES: We have the reports.

DOCTOR MILLER: How much did you spend on assessments?

MRS. KLEIN: How much does it cost to administer the property tax? I want to find out for the two billion dollars that we raise in property tax, what are we paying? Just like you figured administrative cost of the sales tax and so forth.

DOCTOR MILLER: Well, you would have to add up three sets of numbers, and some of them are a little unclear, particularly what is spent in the local offices, assessments, because the way it's recorded, not that you can't find it, but just the way it's recorded.

MRS. KLEIN: And included outside--

DOCTOR MILLER: No. That turns out to be very--it varies from year to year. But we might get an estimate of it.

CHAIRMAN JOHNSON: Are there further questions here?



DOCTOR MILLER: Could I just get back to the question of valuation for property according to its income? The courts haven't always limited the valuation to income. This is one approach.

MR. GREENE: That's correct.

DOCTOR MILLER: And you have market and cost, and in any event if you're looking for what the willing seller and buyer would exchange for, the big question is; why the confidence factor that the buyer has that the income now projected will continue, and the seller's lack of confidence in it or vice-versa? Now, to take a pure arithmetic calculation of income value and say currently this is what it is, current cap rate is this, and tax rate is this, this is what its capitalized value is. It seems to me that if that's what you're facing, and it's very serious, of course, in many of the downtown areas which are declining, it should be possible to take all that problem directly. I don't know how. I am not an assessor. But if you are able to legislate to us a base period concept, why can't you legislate the formula for valuing commercial property, require equal <sup>weight</sup> / to be given to the three values everywhere in the state by all assessors?

MR. GREENE: You mean the three

approaches?

DOCTOR MILLER: Yes. As a matter of fact, it's not original with me, because the New York courts years ago used to do that in different economies.

MR. GREENE: Well, they are supposed to consider the three approaches.

DOCTOR MILLER: I know. Consider is a rough word. Consider and disregard.

MR. GREENE: I don't think you can give equal weight or proportionate weight to any one. Because any member of the appraisal profession is supposed to use all three approaches. But his final judgment, and this is a judgment factor of which of the approaches truly effects the willing buyer and willing seller concept, as the one he's going to give greater reliance on. I think from experience we found that in New Jersey, or my experience, I think probably the majority of the assessors in the room, have found that all of the sudden the court is just short cutted the other three down to the one, and that decision is based on the income approach.

DOCTOR MILLER: That's what I'm asking. I'm asking whether if you're going to legislate anyhow where there wouldn't be some approach to this

problem which would avoid or try to avoid that kind of notion of value. Particularly when any one of them always has built in the expectation of the future. What you're discounting for that or not.

MR. GREENE: Right.

DOCTOR MILLER: So we are not looking at it as a mechanical thing. Self assessment would do it. Is there any possibility we could write in your judgment a rule to go by which would, and of course we have to face the constitutional requirement which would improve the present situation?

MR. GREENE: I think--I think what we would actually be doing there is if we negate this approach, it is very valid, we would actually be going to classification, wouldn't we, doctor? If we did this? We say forget that, and as long as everything is on the same basis, we actually in effect, through the back door--

DOCTOR MILLER: We would write this rule for all properties.

Mrs. Klein's question, or both my thinking about it, you have this single family residence which doesn't have actual income as computed income, and you use that formula for that property, too.

MR. GREENE: Oh, it could be done.

DOCTOR MILLER: And you use it for all of them, and, of course, you still need to know market sales involved, but there would be a third of the factor.

MR. GREENE: The point you're going to in using this, this substituted method is very valid in the market approach, because I have a firm conviction that the only ones where you get the true history of sales in the state are the residential properties. You don't know all the considerations gone in the disposal sale or vacating of a plant, or some of the downtown or older taxing districts. We don't know the reasons or all of the reasons behind the sales of a commercial piece of property. And some of those contracts that are into, I defy any assessor to those--so I really know what the real thinking is behind the purpose or sale of some of these properties. So it is a weakness--

DOCTOR MILLER: Couldn't you make the process a lot more tangible, a lot more objective, if you had a formula to apply to all properties? Under the present constitution according to the same standard of value, it would mean the same standard of value, but you select a formula for your standard of

value which would give due weight, mainly one-third to a current capitalized value, one-third to a current reproduction cost less depreciation, and one-third to sales of comparables, if you have it. Since you don't have them, you may have to drop them for the type of property you're talking about.

MR. GREENE: I have never thought of it--it never even entered my mind, Doctor. But it seems to be contrary to the appraisal process itself. It seems to violate it.

DOCTOR MILLER: Of course it does, but it's violated everyday by the people that are doing it.

MR. GREENE: That's true.

DOCTOR MILLER: This is all with due respect to the expert. We know you just can't get all the facts.

MR. GREENE: That's true, Doctor. I would say that as whatever the law might be, and being concerned primarily with the one thing, equity in taxation, I think it's safe to say that every assessor in this room would be for a method that would assure that and make the administration of that possible. If this could be worked out, I don't say yes, but I am not sure about the one-third, one-



third, one-third.

DOCTOR MILLER: I am not, either. But I will have a question coming later to one of the other gentlemen related to the same problem. And that is, it isn't only Nader's Raiders that is pointing out the regressivity, and it happens that someone can't be cured by the technic you point out, you don't know what the value is, and if you have an objectiveness like this, it would be used in that context, too.

MR. GREENE: We just--as a matter of fact, four of use just attended an international association forum in Chicago discussing these same problems, and we know that Washington and Muskie's subcommittee is looking in to it. They had their representative there, but everything was averaged so far. Maybe my impression is wrong, Sam or Randy, or Norm can correct me. It seems to me that the pressure groups are the ones that when all of this is done, I am not saying here, I am not talking about the State of New Jersey at all, I am talking about some of the things that we heard out there from the other states and Washington, and the ones that are going to get the preferential treatment is such without--our saying it, are the real pressure groups going

before those subcommittees in Washington, and that's why they are looking into the state rolls now.

MRS. KLEIN: Which--

MR. GREENE: Preferential treatment to the community, or the one thing of aid to the community with--I forget the title, the no strings attached thing for the government, because they thought they--the revenue sharing, no strings attached, because they thought the federal government had a more stable tax rate than the states, or the taxing districts, and I said; holy cats, now I said, the federal government is playing the tax rate game. Because, now we have money, we will give it back to the communities with no strings attached. I won't repeat the comments.

CHAIRMAN JOHNSON: You're on the record. Are there further questions of Mr. Greene?

MR. GUNTSCHE: I have a further question. I think most of the questions I already have, how do you in your example, Al, how do you reconcile the fact or justify the fact that assuming the income approach is a valid one that a--that eleven percent increase in income results in a sixty six or two thirds increase in tax?

MR. GREENE: Well, this was--all this

was was taking the tax rate of the base year, what the other tax rate is, and find out what the obligation for the increase in taxes would be to any given class of property. That's all that was, just to prove that the method, in my thinking, is valid. I am saying that everybody has an obligation to share increased cost of government, whether they be residential, commercial, or industrial, or special purpose properties, and this is one method that would go out. Well, this tax game that is done on appeals, on tax rates. We're the only class of property that can employ it.

CHAIRMAN JOHNSON: Are there further questions?

A SPEAKER: I may make one comment. I would like to refer to the statute that Marriot referred to, and I think one of the biggest falacies to the statute is that the assessor must assess all property according to its market value. Now, this is almost an impossiblity in most of the taxing districts throughout the state. As of October 1st, the present tax year, in order to comply with that, he would have to revalueate every single year, and this just cannot be done. And maybe some of the smaller taxing districts with five hundred, this might be

accomplished. But certainly it can't be, and I think this is one of the reasons Mr. Greene pointed out that most assessors have been staying with the base year, rather than trying to comply with the law which is impossible.

CHAIRMAN JOHNSON: Right. Thank you. Let's have a recess for lunch and cut it.

MRS. KLEIN: We had some testimony when we over in Fort Lee about--from people who live in houses which are in an area which has become a high rise area and it probably has increased in value astronomically. Although I am not positive that someone owning a small parcel of land in an apartment high rise area would have a comparable increase of the value of that smaller parcel, you know, if it wasn't available for high rise. These people testified that they've been living in these houses all their lives and want to stay there. Because they changed them to high rise, they are being forced--well, they can't say it, their taxes have gone up. It figures you just--now, I wasn't aware of that, that we had--that our taxes were, you know, based on the assessed usage of land, that we had a land tax. And to me this sounded very much as though that practice was applying to land tax, saying, well,

you live on this property, this property to be used for high rise. Based on that, it is worth much more. Therefore, you're taxed at that level. And I was really surprised to hear that. I thought until the land was changed for that new use that it retained its value as a residential piece of property.

MR. GREENE: I think I am familiar with type property you're talking about in Fort Lee. And that would be the property that would fall into, if they were going to develop it into high rise, would fall into a--assemblies plots, so it's a small piece of it. But under the zone up there, we must recognize the highest and best use of the land as the zoning permits, whether it's a small piece. It isn't going to have the value it could have if it were part of the entire tract permitted, permitting this high rise use. Although, the value is of by virtue of the zoning, the change in use and everything else. But then the building itself has a negative value, and the value of that building on it probably detracts from the land value. Although this is true, and this is true not only in Fort Lee, it's true all over the country. It doesn't permit the value for the use on which property is put. It is market value. So, value, even though the person that lived in the home

and raised all her children wants to live there, if the economy has changed and everything changed in that community, and that value is upwards, you have to. And that's true. And I don't know what the simple answer to that is. It is not under its present use. It's what the value of that property is.

MRS. KLEIN: Have you given any thought to placing a tax upon the transfer of real estate? A good capital gains kind of tax at the time of transfer would be better--

MR. GREENE: I know you heard a lot of things to the contrary. You heard people saying go away from the property, and we will go to an income tax. The only fair tax, really, if you look at it in the administration and loopholes, the only fair tax is the one that is according to its value, the property tax. It's the only one that--that it was left with the people by choice. You have no other tax that they have any control over whatsoever.

MRS. KLEIN: They don't have any control on the property tax, either.

MR. GREENE: They have the right to do with the property. They don't have to--they don't have this choice on anything else.

CHAIRMAN JOHNSON: I believe Mr.

Mowery has a question.

MR. MOWERY: Mr. Chairman, I have a special request. This is the first meeting I am going to have to--I have to leave at one thirty. If you allow me five minutes, I would like to respond to Mr. Bailey. I am vitally interested in his--if you overrule me, I would--it would take me five minutes, I think, to respond. I know--I don't know whether this would be out of order, but I must leave at one thirty.

CHAIRMAN JOHNSON: Okay.

MR. MOWERY: I appreciate the opportunity to make a few comments, Mr. Bailey, because I happen to be a farmer. I think there's been a tremendous misunderstanding in this farmland assessment act.

First, I think I would like to suggest that we change to the open space assessment act. You made a couple of recommendations here, whether you are aware of it or not, but maybe one percent of the farmers would be eligible for the farmland assessment. I point this out, you're suggesting a gross of one hundred dollars per acre. I don't know what county you're from. In north Jersey we have land, if it has a gross of thirty dollars an



acre, it's not doing too badly.

Now, to clarify this, we have vegetable crops in south Jersey that are very high income, gross income producing per acre. In north Jersey, from here north, we have land where we are restricted. We can only grow low income crops. For instance, wheat, barley, we are mainly dairy. Wheat. If you get an average yield of forty bushles to an acre, and I have seen the price we got, a dollar a bushle. So you can figure that out. We are mainly dairy. So this would make practically every farm--there is no farm that I know of in north of Trenton that could produce a hundred dollars gross income per acre.

Another thing you're saying here is that the--there had been abuses of the law, mainly the land speculator who, as a tenant farmer. I am no longer farming my land. I had to quit. But I--if I want to farm it, I have to look to a tenant to farm my land. Now, here's what's happening in this agriculture economics. We heard that land that the farms have disappeared, so many, you know, this is not true. Land is not disappearing. It's still here. What's happening, we are having a small operator, a hundred acre farm, their disappearing because of the

price of equipment to operate. You can no longer operate a hundred acre farm. So what's happening, the farms are still there, but they're tenant farmers that are representing, instead of a hundred acres, maybe five hundred acres or more, with the large tractors and equipment, economically they could not farm a hundred acres. So, under the farmland assessment, I am paying my full share. I don't know how much longer I can do it. But I just wanted to point this out to you. I think you should take--take this into serious consideration, if you look into this, under the farmland assessment act, of your recommendations. I don't think it would be one percent of the farmers eligible.

So, mainly the whole intent of that act was to maintain open space. Thank you.

MR. BAILEY: Could I just say one thing?

CHAIRMAN JOHNSON: Sure.

MR. BAILEY: As I said at the beginning, Mr. Mowery, these are not necessarily my opinions. These are consensus of opinions of the hundred dollars per acre. Also, if you remember, I said about this advisory committee that was established by law that sets up values of property which

is affiliated with Rutgers University, and they established the farm values per year on certain types of soil. I am from Middlesex County, and I understand the problems up in Hunterdon County, because I have been talking to individuals up there, the northern part of the state.

Now, when they established these values, they could establish criteria on the type of highest and best use of the soil, soil capability maps, the capability between assessing flume and sassafras or plain clay or swamp, or whatever type of individual land that is involved becomes into a capability. Perhaps, a typical incident would be that you have sassafras flumed land which would be the highest capability of soil, to get the best product, and the best produce out for not the farmer himself, but also for the state of New Jersey and the consumer. That individual will start a nursery, which is not the highest and best capability. Therefore, under the woodland portion of it, there is a different value--different values that are established in comparison to crop land harvest. This is a study that has to be done in the entirety by this farmland committee, headed by Doctor Luke from Rutgers University Agricultural School. And these individuals

that could have the study and make it available to the individuals that are responsible, and there is nobody that is better responsible to administer the farmland assessment act than the assessor himself, because he's the one that knows the community better than anybody. And as far as your tenant farmer is concerned, again, I think you've got the wrong conception of what I tried to bring forth. What is happening is corporations such as typical incidents, let's pick Bell Telephone is here. We will pick on Bell Telephone. Bell Tele goes out and buys a hundred acres, and Mr. Befarah, so he goes out and farms it. There is nothing wrong with that. But the law should be specifically, it should be clear and make known to the assessor which is the administrator of this law, that it's owned by Bell Telephone, but it's farmed by Mr. Bafarah, and make substantiating evidence known as part of the application to the assessor. And this is what I was referring to, Mr. Mowery.

MR. MOWERY: I didn't mean for you to answer me. I imagine this afternoon there will be further questions.

MR. BAILEY: I just want to get you straight before you leave.

CHAIRMAN JOHNSON: Gentlemen, we are recessed.

(At which time there was a recess for lunch.)

CHAIRMAN JOHNSON: May we resume the questions with Norm Harvey, please. Whose going to start off?

MR. HARVEY: Mr. Chairman, may I-- during the questions that were put to Mr. Greene, I had several thoughts, and I discussed these with Mr. Greene regarding the base year, and why we are --while we were having lunch. There are a couple of points that I could very briefly make, and I would like to do so at this time, if I may.

CHAIRMAN JOHNSON: All right. Proceed.

MR. HARVEY: There was a question about the effect of the base year which seemed to have the thrust of being related primarily to a period of time, three years, six years, nine years. What I would like to emphasize here is that when we are discussing base year in terms of assessing practice, what we really are talking about is lengthening out what is already a base month, so to speak. There isn't any question as value changes during the twelve month period between one October 1st, and the next, which is the basis for New Jersey statute. But that

what we are suggesting is that a year's change in valuations is not long enough for the observation of the kind of permanent trend effective property valuation, which would be properly recognized in a change of assessed value. And this is one of the bases that we have for recommending base year assessment.

What we are saying is not so much the change from one year, a unit, to three years, three units, but changing it from twelve months to thirty six months, and that doesn't seem like such a radical proposal on those terms.

Second of all, one other question as to the class benefit embodied in the principle of the economic approach, or in the income approach, the valuation, Mr. Greene agreed with me that it should be pointed out for the record that it is not an intentional class benefit that is being granted to income producing properties. Rather, the income producing property is assessed by the income approach and their counterparts, the cost approach, and the market data approach, but that certain inequities grow out of appeals which are filed by members of that class, and where judgments are made with the greatest weight being given to the income approach,

as an indicator of market value which is the same standard of value which is required by the constitution. So that it is not so much that the assessors are granting these special favors to income producing property, but that they are--they are not being given a reasonable basis for defending the valuations they have on the books. When that kind of property is appealed, and when evidence is brought in based on a current situation which is not related to the same standards or the same base of valuation as other properties in the district. I think with that on the record, I have--

CHAIRMAN JOHNSON: Yes, you've made your point well.

MR. HARVEY: I have clarified those points we felt were missed in the earlier session.

CHAIRMAN JOHNSON: All right. Now, do you submit to questions?

MR. HARVEY: Surely.

DOCTOR MILLER: I think by way of clarification, also, Mr. Harvey, in your papers you make the point which certainly I think is easy to agree with that the ratios were provided for a given purpose, and now we are trying to use them for some other purpose. What I don't see very clearly, I



don't see at all in fact is that if you eliminate the use of ratios in appeals based on discrimination, where does the property owner go to use to show anything other than his own value, being shown that, or what is he going to use to show discrimination?

MR. HARVEY: Well, I think, that's of course, of concern. But the degree of--the degree of inequity is really the problem. Not whether there is an equity, to be able to establish by the use of fixed ratios to the second decimal point, no less, that this ought to be my assessed value, because I am a taxpayer in a given district is wrong. I think it has to be recognized that it is not an exact science that the legal basis for, is the opinion of the assessor after all, that this has to be reasonably related to what the property would sell for. But when we have to defend our assessment against the contention, not by unrepresented taxpayers, but by attorneys who are saying that our--our clients property is valued at ten thousand dollars, but your assessment ratio is seventy percent, so we are hereby applying for a reduction to seven thousand dollars. I am sure that those of us who are here at the table having been exposed to all the intricacies of property valuation would recognize the falacy in that.

DOCTOR MILLER: Sure.

MR. HARVEY: Unfortunately, the falacy isn't always recognized by the appellant bodies that hear these cases, and it's to do away with that kind of approach.

DOCTOR MILLER: Well, quite a few years ago, I had something to do with a bill known as S-2. I don't know what the present version of it is, which was to acknowledge that the best assessment possible, really a well conducted office over a period of time probably would turn up coefficient variations of perhaps fifteen percent, so that if you fell out within the band, you had to--if you go outside the band then perhaps you should be brought down. And brought down to where? I would say brought down to the edge of the band, not to the actual average. But, would such a scheme satisfy your problem?

MR. HARVEY: Yes, very definitely. And I have the agreement of my colleagues. On this very point was discussed--

DOCTOR MILLER: I notice they are all shaking their heads. Well, then that would answer the question I put. Mainly, we wouldn't want to go back to the days before in re: Kantz, or even before

it. What do you call it, the Mrs. Swits case, when the only way you could get relief in discrimination was to prove what everybody was assessed, and then have yours raised to theirs.

A SPEAKER: Theirs raised to yours.

DOCTOR MILLER: No. Yours raised to theirs. Or if you were higher, then theirs raised to yours, yes. That scheme was really bad. So you are not suggesting that I take it?

MR. HARVEY: No. Not at all. And there are, I think, good evidences of the fact that we have long passed the point where anything like that would be possible today. The county boards are much more alive to the significance of ratios than the corresponding coefficient of dispersion, but the coefficient itself is an indicator of a broad discriminatory situation, not necessarily a practice, but a reflection of a market which has placed these assessments in that position which can be criticized and should be changed. But we are now talking about the individual, the individual property owner who bases an entire case, and sometimes to a great deal of money, and the better held they are, the bigger the property they own, and the more negative effect it will have on the revenue of the taxing district

to have a case based on a ratio and having that ratio accepted as evidence--

A SPEAKER: The Feer case.

MR. HARVEY: Right. I have no objection to a taxpayer, a homeowner, and ask me what my ratio is, and asking me what I think his ratio to true value is, and having an application made to me personally that I ought to be given an adjustment. I would be susceptible to that, but you have a large property owner not even speaking before the hearing then clought me with the opposition that his property is worth "X" number of dollars, and he ought to be assessed at some percentage of that, it negates my whole function as the city assessor.

DOCTOR MILLER: Well, I think that the only next question obviously is along the line you're already talking, that is what assessed--would an assessor be able to pose a quick and cheap appeal for the smaller property owners who feels agrieved? Now, he may not be agrieved, we understand that. But right now, accept that he comes in and some men receive him well, and we know some men take it as something of a reflection on their ability, but is there something formal that would be a good idea to try to install which would give a quick and cheap appeal

to the smaller owner who feels that he hasn't been dealt with fairly?

MR. HARVEY: I personally would like to suggest something of that kind, but I do feel that there would be probably some reaction from the present county board of taxation appeal. I take it for granted that you're talking about a step between the taxpayer-assessor relationship, and the taxpayer going to the county board of taxation.

DOCTOR MILLER: Yes. That was originally designed to be a rather inexpensive and simple appeal. We know now that it's no job for an amature most of the time, and it depends on the board and the circumstances. But if he's going to bring in an appraiser and a lawyer and take the time and go through the steps, it's a little bit more than many small owners can pick up.

MR. HARVEY: Right.

A SPEAKER: I think the problem with the small taxpayer is, what is the value of the property. This is the crux of the whole thing. They're not really aware of what their property is worth. What they are trying to do is take the assessment and apply a ratio against it, assuming that the assessment is the current market value, which in most

cases if you had a recent valuation, it's not the case. You're living in a revaluation six years ago, against that six year old assessment. This is all the property owner knows. He doesn't know the current value of his property.

DOCTOR MILLER: If he needs- if it were possible as a rather simplified exposure and in a systematic way, that will make the thing reasonable to him. I know many men are doing this anyhow. People come in and you show them the cards, and what you did and he goes away sometimes satisfied, but if you think that's enough, maybe that is. Or, perhaps, it would be wise to consider some more formal timetable when it's known to everyone, and you can go in and see the assessor and somebody else and get a review, if you're not happy.

MR. HARVEY: That might be the answer, Doctor. It might be to formalize what is now a suggested procedure. As a matter of fact, county boards, when a taxpayers comes in to file appeals, usually ask them if they have consulted with the assessor. Perhaps to formalize the interview approach. Possibly add someone else to the hearing, to give it the assemblance at least--

DOCTOR MILLER: A little independence.

MR. HARVEY: A little independent judgment. Other than the assessor reviewing his own work. That might be helpful to the--to the psychology of the situation, not necessarily to the solution. I don't think the results would be much different than what they are today.

DOCTOR MILLER: You might be outvoited.

MR. DELGADO: Doctor, did you speak about S-2? S-2 was brought up by Sid Glaser due to the fee or rebill, and we remember that so very well, and we sort of lean to it for this reason, and going back to the little property owner again. The man buys a house for twenty one thousand dollars, and you have it assessed for twenty one five. So right away he's down and wants you to reduce it for five hundred dollars, because you have it in for twenty one five. That sort of would eliminate all that, and a lot of pickiun things that you run into in this facet, or this appeal procedure.

MRS. KLEIN: I don't understnad why you would want to bring him to the edge of the standard deviation. Why wouldn't you want to bring him into the middle?

DOCTOR MILLER: I am speculating, the



middle is an average of a sample, which may or may not be the kind of sample that includes his property. So the first assumption that you make if you bring him to the average is that he has a right to be at a point where most people are not. By definition, an average is where most people are not. You have those below and those who are above. So my only reason for bringing him to the edge of the band, or somewhere in the band, I didn't spell it out that much, is to recognize an average for what it is. It's not a line. If you include all the cases within the particular coefficient of dispersion, you would have a band. And my only thought was that he has not--he has no right to be better off than everybody else whose in the band and can't move because he hasn't got a case. If you're just within the band at all, you don't have any case.

MRS. KLEIN: Since I have been sitting here, I have really been sort of shocked at the general acceptance, the thirty percent difference and tax assessment, because in the--in the old days when taxes on property were low, that would be acceptable.

DOCTOR MILLER: You say thirty percent.

MRS. KLEIN: You're talking about

fifteen percent either way.

DOCTOR MILLER: Average.

MRS. KLEIN: Aren't you talking about fifteen percent standard deviation?

DOCTOR MILLER: That was to a place where you get a reduction, yes. If you took a fifteen percent of the level at which you are, which is true, you have--you could have thirty percent.

MRS. KLEIN: Well, you do have thirty percent, otherwise you wouldn't have that table.

DOCTOR MILLER: Right.

MRS. KLEIN: In the days when people were paying seven hundred, a thousand, fifteen hundred dollars taxes on a modest house, that thirty percent difference between me and my neighbor is a big amount of money. You know, it could be fifty dollars a month. And I just don't think we can continue to consider this a good acceptable level of performance that there would be this much variation within a--

DOCTOR MILLER: If it were possible, I would say that I would prefer to be a ten.

MRS. KLEIN: Zero.

DOCTOR MILLER: Zero, because this is a matter I think everyone would prefer a zero, but

dealing with a matter of judgment, where the assessors judgment however is well informed, it may not be actually on the nose.

MR. HARVEY: I would like to get into that statement right there and name it, because you're not only talking about the assessors judgment, you're talking about the judgment of the buyer and seller who create the ratio in the first place.

DOCTOR MILLER: Of course.

MR. HARVEY: So this is what you're-- what you're dealing with, a percentage of a percentage of people wims and caprices in a market which is in an extreme right now, and which no one can anticipate the direction or the magnitude of it in the next six months, let alone twelve months, and that's where the--the one year assessment cycle embraces. So that we are not dealing with hard and fast figures. We are not--we are not ready to admit that someone who is within this thirty percent is equitably taxed and all outside are inequitably taxed. It could be in very extreme circumstances exactly the opposite, and for various reasons. What we are dealing with is a concept of true value, and these--these may very well be put in quotes, but it's not as silly as it sounds, true value is a very def-

inite meaning, at least in the minds of the people who use it, but with dealing with that versus a market indicator, if we were to use the very most sophisticated technics that we have available today, we could change property values like we change prices in the stockmarket by adding the most recent sale to the data fed into the computer and out would come a perfectly new tax list everyday, every time a sale took place, everything else would change. Now, that's --that's not a reasonable approach to quote true value unquote, because everybody would recognize that the last sale should not have all that effect on all the rest of the sales. But that's what we are talking about.

DOCTOR MILLER: Right.

MR. HARVEY: Any individual sale having all that effect on all the other sales is a reflection on the judgment of a local assessor, in terms of this spread evaluation and so on. So we are not talking about anything that is so minute that we can pin it down to the last two decimal places which is where the director's ratio takes us, and from that point of view, it has to be a pragmatic range that we are shooting at, not a bull's eye.

MRS. KLEIN: Well, we had testimony

in Jersey City that when you have this special legislation that allows people to buy houses without down-payments, some kind of federal housing program, that as a result of that, people are buying houses at highly inflated prices. They abandon them, and--but those highly inflated prices for those houses effect the ratio for the whole community. And it really has a terrible effect on the tax rate. I just keep getting more and more convinced that we are dealing with a very bad tax and taxation is a very bad point of peoples lives, and they have a right to be taxed equally, because, you know, I am sure we can improve it, but I am not sure we can improve it satisfactorily.

MR. DELGADO: You're talking about this range here, and the high inflation. Now, going right back to this subject, where I said with the five hundred dollar differential, if that man applied to the county tax board, the county tax board would say, well, the fair market value is twenty one, not twenty one five. But if the sale was twenty two thousand dollars, you wouldn't be able to increase it. The assessor can't go ahead and increase the thing. So he's only got a one way street, that he has no--he can't knock it down, but he can't go ahead and take it up the other way. So your ratio is being

effected on a downward trend on the other basis, because the sales is going up, and you divide the sales to the assessment and the ratio value.

MR. HAINES: Randy--

DOCTOR MILLER: Mrs. Klein is the chairman in the absence of Mr. Johnson.

MRS. KLEIN: Oh, I am? Please proceed.

MR. BROKAW: Mrs. Chairman, in the question of being taxes equally, I would like to address myself to the remedies available to these modest homeowners as of today. As you know, every year each assessor must advertise his complete tax roll, must be a public notice. And anyone may inspect that and see what assessment has been made against him and all of his neighbors. Now, the owner does not have to be familiar with these ratios and all of this. They can come into the office and inspect this list and see what assessment has been made against their property. And we assume they have a three bedroom cape code with a bath and a half, and it's assessed at fifteen thousand dollars. And they probably have neighbors that have a cape code with three bedrooms and a bath and a half, and they can bring it to the attention of the assessor, the assessment on those

similar comparable properties, and they are entitled to similar treatment, a similar assessment. And I think relief can be granted right then and there in the assessor's office.

I know I have a form and make available to the taxpayers the assessment on their property, and all other similar properties. And if they do not receive relief that they think they are entitled to, it's a very simple matter to proceed to the county tax board of appeals.

MRS. KLEIN: Nobody I know that has ever tried this has said it's a simple procedure. But do you really feel that these books should only be opened, you know, you have this one day that you can go down and look at this and make this appeal.

MR. BROKAW: Speaking for myself--

MRS. KLEIN: With the county tax board, you have a very limited time in which you can make an appeal, right?

MR. BROKAW: Anytime. At anytime.

MR. DELGADO: The law requires one day. I just had a revaluation. My books were opened three days from nine a.m. to nine p.m.

MRS. KLEIN: So we have different administration.

MR. DELGADO: It depends on a certain

situation. I felt the people were entitled--

DOCTOR MILLER: It duplicates as a public record--

MR. HAINES: Yes.

DOCTOR MILLER: And I realize that collectors don't like to have you fusing over them, but they are available all of the time, and until August 15th, you can file your appeal.,

MR. BROKAW: This is a public record. It's available at the county tax board at any time. But I keep a duplicate of that in my office which is available for anyone at any time. And as I said earlier, I don't know in any other field where you have such remedies as you do in the property tax field. I have been--I have cases going back years. But if I am not satisfied with my taxes, and I am involved in other properties in other jurisdictions, I go in, and they give you a decision by a certain date. And I think looking at the whole matter that in this field there is relief, there is immediate relief, and it's quite a good system. It can be improved. I am all for it. But I do think that this modest homeowner has his opportunity and can do it himself.

MRS. KLEIN: He has no way of evaluat-



ing to say how his taxes compare to the garden apartment house.

MR. HAINES: What the assessor--when the taxpayer comes in to the assessor's office, Mrs. Klein, if he wants to check his assessment, he can. And as a matter of fact, I think most of my colleagues will agree, I have my office open five days a week from nine till five, and I tell them they can see any assessment of any property, and I think most of these fellows, where we have an office staff, you see, you're fortunate enough, these men are professional men, they are on full time duty. We recognize that we have a lot of part-time assessors. They don't have an office staff. And the law recognizes that, and they are required to have their books open at least once. And as Doctor Miller's indicated, a copy of that tax list is in the collector's office for them to see. So far as my collector is concerned, he would send them right across to the hall to see me anyhow, and I'd prefer that. We wouldn't have a duplication of the testimony we got in Camden, had those complainants gone to the assessor first, instead of going to the tax list.

But I would like to ask Norm two questions. Norman, in view of your discussion here

about the type of appeal based on a ratio, do you think that if the county boards through some directive or something could be instructed from a higher level that in these cases that they be required to take valuation testimony rather than ratio testimony, that might alleviate the situation?

MR. HARVEY: I think it would be helpful. I don't know that--that--well, put it this way. I am not entirely enthusiastic about the idea of county boards being told to do something that ordinarily would be the function of the local municipal attorney. I think that municipal attorneys should in these cases insist on testimony for finding of "true value" before the ratio can be applied. And that the issue ought to be drawn right there at a county board hearing on value by the attorney. It is a legal question. And I think that's where it ought to--ought to be resolved. If a rule would bring that about, or if county board presiding officials could be stimulated to call the attention to municipal attorneys to the fact that they need to--to arrive at true value before applying a ratio, I am sure that would be helpful.

MR. HAINES: Now, the other question I wanted to ask you. I think you, sir, as a member of

the committee that worked with the director in reviewing the sales ratio, and during the course of your remarks, you mentioned about coefficient. I believe you are familiar with the report of the study that the director completed on coefficient. Would you like to comment on that in any way because, let me tell you that--that Mr. Arnold did appear in this room, I guess pretty near a year ago with that report. And the Task Force is familiar with it. But would you like to comment on it from your standpoint at this time?

MR. HARVEY: Yes, I would be happy to. Because I think it's significant, not only on the basis of what I have said, but also what Al Greene has said. We are dealing with the question of the income approach. It's pretty obvious that the ratio interest tax rates are all part of the problem inherent in this income approach, and the inequities that it may bring about. Coefficient, and I am assuming now that Jim was clear or elucid enough so that you all have a pretty good idea of what a coefficient is. But the report he must have been talking about had the coefficient by class, and they were segmented and stratified and showed that in various conditions or circumstances these could be radically different.

And the--the necessity for this kind of an indepartment study would be necessary to show what the stratifying coefficient was for each class and what the segmented was. Each had its own meaning in terms of what was right or wrong with the particular district. But more than that, to me and obviously that his group was working with a sample and had brought it down to a relatively few properties, I think you had thirteen all together in the example that he used. But in practice even in a city the size of Englewood, for instance, my class two sales might run as high as three or four hundred a year. Class two being residential property. One family, two or four. But in the--in the breakdown of the class four properties, apartments, for instance, of which I have eighty seven, there might be one sale per year. Now, that's too small a sample for the segmentation or the stratification of the ratio as it applies to Englewood. Fortunately, the value of my class two properties is enough to overwhelm any dilatorious effect I might have from a bad sale in class four. And I think that I could probably get rid of it for one reason or another, if it was a bad sale. But the concern here is that the interpretation of these ratios by persons who are reading

the table have aggregates or some other official document without knowing how those things were arrived at or what the components were that went to make up the director's ratio, and are frequently misled. And this same tendency to be misled shows up in terms of the judgments of the courts.

As I said before, this is not a-- in terms of the income approach, it is not a class preferential treatment. It winds up being preferential treatment only for those who appeal and get judgments based on the same ratio consideration. And that I think is where we are at in terms of the use of statistical data in the assessment field. I think we got a long way to go. I think that the techniques that are now being developed very widely in California are probably going to see some more use in the State of New Jersey. But I don't see that happening if we merely, you know, sweep the problem under the rug by transferring the responsibility to someone else.

MR. HAINES: Well, then you do think that along the lines of the recommendations of--that are contained in this report that something could and should be done to improve our procedure here in the State of New Jersey?

MR. HARVEY: Certainly. Certainly

to refine the validity of ratio and to stabilize it for the kind of empirical quantitative purpose that it serves and, secondly, by--by subduing its effect in terms of evidence. I don't think that it should be ignored in evidence, but I think it ought to be kept in the proper perspective. And if the local profession can't come up with some kind of a recommendation or statutory provision that would put it in its proper perspective in litigation, it would be useful.

DOCTOR MILLER: I--along the same line of improving the ratios, do you have any view on whether it would be useful considering the cost and trouble to supplement the sales each year with field appraisals of those properties that don't sell?

MR. HARVEY: Very definitely.

DOCTOR MILLER: Do you see in it as an administrative feasible technic, considering all the properties there are, and the extent to which when you go out and do field appraisal, you get involved in some other properties?

MR. HARVEY: I see it feasible. I think it's bordering on essentials in districts--in districts where it's--where there is either two situations. Either overwhelming will of the people, so to

speaking, which might override a professional consideration in certain circumstances. This would be the case where voters would be able to change the assessment policies of the town to accomplish a social purpose by their own pressure numbers, overwhelming the professional approach to--demanded of an assessor. The other situation would be just the reverse where there aren't enough concerned people to influence the correct professional approach and demanded as a matter of right under the law. The fact that county boards are now using statistical standards for demanding revaluation programs ought to be supplemented by some objective studies being made in the nature of an audit to determine whether or not the processes of the assessing officer, the local assessor officers were in fact valid when they were done. If the evidence shows that the assessor was guilty of either misfeasance or malfeasance in the preparation of his assessed values and that was the cause of the bad showing in the ratio at the coefficient, then something should be done about the assessor, before the valuation should be rectified, because that's where the difficulty lies. On the other hand, if the assessor had performed all of the required duties and had in fact had exercised good judgment in the arrival at

figures which he used in the tax list, then it would appear to me to be extraneous to have a total revaluation by a more or less and probably less competent revaluation contractor who might in fact come up with a set of figures that were as bad or worse than what was there in the first place. I think that the determination has to be made, the only way it could be made is by an audit of how the figures were arrived at in the first place, in addition to the sales study which is as much an indication of the market as it is of the assessing practice involved.

DOCTOR MILLER: One other question about the ratio practice in connection with the base year method of assessing. You currently use the present, or you're proposed annual receipt of ratios. And you're using the base year method of assessing. How are you going to reconcile the two?

MR. HARVEY: I don't understand it.

DOCTOR MILLER: Well, your base year is designed to stabilize an effect--

MR. HARVEY: Valuations.

DOCTOR MILLER: Yes. Your annual ratios are built from people who don't care about your stability. They're buying and selling property at whatever price they shall exchange, and you're



going to relate that to your base year values with a result you're going to have to get a rise in economy and a decline in average ratio. And in an active municipality, you can get a wide dispersion. In a sense that all those things that Mr. Greene said you do, it's hard to keep up with an annual basis anyhow.

MR. HARVEY: If I may, there are two separate things involved. The declining ratio under the base year should be of no concern, as long as the coefficient of dispersion were acceptable.

DOCTOR MILLER: Yes.

MR. HARVEY: And when I say acceptable, I mean it should be allowed to fluxuate, and it does fluxuate. There's a current misconception that a coefficient of dispersion rises every time the ratio declines, and it's not necessarily true. And it could be true that a coefficient could improve without the assessor doing anything but copying his list, because the market would be the reflection. So that the coefficient, if it were a--a significant indicator of growing trends which were bringing about inequities on a gradual scale, too much to be taken care of by individual appeals, and there always is some responsibility on the part of the taxpayer to look to his own interest and take care of individual deviations by the

appeal process, but if the trends were such that there were indications of the need for a realignment prior to the end of the base year cycle, then I think that provisions ought to be made for that. And I think one of the first persons to realize that this was going to happen would be the local assessor. Except possibly the guy who is sitting at the end of a computer tape reading off the results of a very sophisticated program.

DOCTOR MILLER: Thank you.

MR. HARVEY: And I do see that that is a distinct possibility, and certainly would be, I think, a very viable approach to the implementation of the property tax, and a more sophisticated regime.

DOCTOR MILLER: Thank you.

MRS. KLEIN: Anybody else have any questions of Mr. Harvey?

Oh, you're back.

CHAIRMAN JOHNSON: Yes. Go ahead.

MR. HARVEY: Do you want me to repeat what I said, Mr. Chairman?

CHAIRMAN JOHNSON: No. But if you will write it out for me, I will read it.

MR. BEFARAH: I would like to address my remarks to Mrs. Klein. Is she still the chairman

or chairlady?

MRS. KLEIN: No.

MR. BEFARAH: You spoke about before, about appeals and the processing of them in aiding the small taxpayer.

MRS. KLEIN: For what?

MR. BEFARAH: Aiding the small homeowner. Randy has tried to point out that when most of us, I can't speak for every assessor in the state of New Jersey, but I think that the complexity of the assessor has changed as far as we are concerned. I certainly feel that almost all of them try to accommodate that small homeowner because we recognize what is happening. Just as an example, a taxpayer was at my office yesterday, just dropped in, as busy as I was, I found time for him. I didn't tell him to wait or file a tax appeal. I would rather listen to the case in my office, listen to their arguments, see if they have merit. He met at fifty percent with me. When I felt he was entitled to a small reduction on one, and the other, I didn't see any room for any change. I didn't tell him to go to court with both cases. I told him if he needed any assistance on even filing the appeal, I would help him. And I think that this is really the policy that the assessors

have come to recognize in the state today. Where as years ago, the assessor, as Doctor Miller pointed out, felt a reflection on his ability. I don't think we feel that way today.

MRS. KLEIN: I wouldn't want you to think that anything I said about the property tax is in any way intended as a personal attack upon assessors. I am very happy with my tax assessor, and I think that tax assessors who have appeared before our committee have been outstanding and certainly we have got a--I am just pointing to some of the problems that I think are inherent in a tax when it's--when it has become such a major source of revenue for all services in the state. And that's what I am bringing out. I think that many of the problems of the property tax could be quite tolerable if it was at a low level. But it has become the major source of a tremendous large amount of money.

MR. BEFARAH: No question about it.

MRS. KLEIN: It has for a long time been the major source of income. But now with the type of expenditures we have it becomes a very important tax in peoples lives. And in some cases, it's far in excess of their federal income tax. And so, that's why I think that the problems that are in-

herent on the tax, not the assessor, are something that we have to pay very considerable attention to. And certainly some of the testimony we heard from various parts of the state indicate that a taxing, assessing practices are present here, and most of our communities, certainly not all of the state, and we feel that--

CHAIRMAN JOHNSON: Are there further questions from Mr. Befarah at this juncture?

A SPEAKER: I would like to request a question of Doctor Miller.

CHAIRMAN JOHNSON: I don't know whether the Doctor would submit to questions or not.

DOCTOR MILLER: I would like to hear the question first.

A SPEAKER: It's a follow up on your proposal. Possibly we have field investigations on sales, on properties that aren't sold. One of the things that we could possibly have follow up field investigations, would be maybe to stratify sales into value ranges, for that reason. In Millburn we have ranges of values on residential from thirty thousand to maybe two hundred and fifty thousand dollars. Very few of these houses that sell in excess of a hundred thousand dollars. Very few. But yet, the ratios

that are applied are direct results of the average house selling. This is the fifty to sixty to seventy thousand dollar house. And it becomes quite a burdensome process on us to try to defend an assessment at a hundred thousand dollars, when the average ratio of fifty, sixty, or seventy thousand dollar house is maybe seventy-five, eight, or eighty-five percent. If we do have field investigations, maybe it would be well to test the ratios by stratifying in price ranges, also. Also in a commercial property, I think it's grossly unfair to test any municipality on a credit for ratio by applying a sale price on a thirty-five or forty thousand dollar commercial property against a fifteen million dollar mall complex.

DOCTOR MILLER: Yes.

A SPEAKER: This is utterly ridiculous, and also to apply the same ratios to properties that don't sell, except for extreme cases like country clubs. They never sell. And if they do, it's for a specific reason.

DOCTOR MILLER: Or a residential ratio to a whole row.

A SPEAKER: Yes. Or to water reserve properties in some towns. These properties will never sell, and yet we are applying a ratio to these prop-

erties that are stagnant. They will never sell.

DOCTOR MILLER: I assume you wanted to know if I had that in mind. That was a type of imperfection in the system that I had in mind. I don't know whether we did appraisals, it would be good enough or numerous enough to correct the situation. But obviously that kind of thing is in the raw data that we are using, and, perhaps, we have to look at it. I might say we are making a study which will at least stratify by size, and we will then be able to know at least from those that did sell. You never know the ones that didn't sell. But the ones that did sell, we would be able to know how serious the problem is just that much.

A SPEAKER: Well, the local tax, it has a specific section that was set up for this purpose, and as far as I know--

DOCTOR MILLER: It's a small section.

A SPEAKER: Yes. It's an overwhelming check.

DOCTOR MILLER: Let me ask one more question to all of the assessors. Since I got out of that one without thought, it's on the subject. We have heard the proposal that the state, whoever the state, should assess all industrial property.

And I am sure you welcome that.

A SPEAKER: No.

A SPEAKER: No.

MR. HARVEY: You got to tell us who the state was.

DOCTOR MILLER: I said I wasn't mentioning--

MR. BEFARAH: Or what state?

DOCTOR MILLER: It's a kind of an extension of the notion which is established in many states that unitary properties like railroads and so on is assessed by the state assessing office, and I guess the idea was born there in considering the size of the local property tax bureau and it's inability to do what we are talking about. I suppose it's rather a long drawn out type of possibility but I don't suppose you would think that it would get a better result?

A SPEAKER: Creating great problems.

DOCTOR MILLER: As between the state assessed or locally assessed?

A SPEAKER: Well, you're assessed--

CHAIRMAN JOHNSON: Let the record show that most heads were shaking laterally. Are there other questions at this juncture from Mr. Befarah?



MR. GUNTSCHE: I would like to get on the record from Mr. Harvey, you make a statement in your representation, Mr. Harvey, that going to the level above the local level for assessing purposes, you say raises the question as to which level of government is less--is least sensitive to on risk political pressures. Would you like to comment on that, please?

MR. HARVEY: Well, what I had in mind, particularly, is the current discussion around the state about the exemption of fraternal organizations, as a for instance. I think the approach guideline, of the assessors of the state has been professional. I don't doubt that one could point to certain municipalities where an assessor who are Elks has given extensions to Elks and other organizations, fraternal organizations besides, because they couldn't give it to one, without giving it to the other.

However, that's not the general condition. I believe that's the exception rather than the rule. And I think that assessors are very much on the ball, as far as denying these exemptions. But that hasn't been the experience of these very organizations when they go to the county boards. The county boards seem to be under more pressure, maybe

political is the wrong word, maybe fraternal is the better word. More fraternal pressure than the assessors are, and that they are inclined to be more liberal in the granting of these exemptions. Now, to extend that to valuation appeals, it would be extremely difficult. But I think that in terms of firm and fair which is the quality one always looks for in a local assessor, I think that assessors are usually more firm and more fair than people at the appellate, the first appellate level. This is only a personal impression, and I dare say that it would vary the relationship or the comparison would vary from assessor to board and from county to county. I do think that there's no reason to believe that assessors who may be elected and who now have to be qualified in order to hold their position versus county board members who are appointed on a political basis bipartisan to be sure, but they are appointed as a result of recommendations of political parties, there isn't any reason for me to believe that the assessors are any more subject to political pressure than county board members, for instance.

Now, when it gets up to the level of the state division, I rather have someone else talk about that.

MR. HAINES: Not to prolong this discussion, but right along this line, you have heard mentioned at our various hearings and here this morning about the three normal approaches to value. Well, with all due respect to some of the county tax board commissioners, the first level of appeal, they inject in many instances, and I am sure these men here to my right, maybe I should step over there to make the statement I am about to make, they inject a fourth approach to value, and it's spelled "compassion", with absolutely no consideration to valuations. Nod your heads, gentlemen, and that's what we are confronted with.

MRS. KLEIN: Does that mean we should do away with the county board of taxation? What kind of appeals do you think we should have available to the people?

MR. HARVEY: Qualify the county board members.

MR. HAINES: Qualify.

CHAIRMAN JOHNSON: Now, are there further questions for Mr. Harvey? I took it before there were none for Mr. Befarah. At this point, we are going to come back to him. Any questions of Mr. Befarah?

I have been trying to work down the line, and we got to you, and then we are having a hard time getting there.

Mr. Elmer. Any questions for Mr. Elmer?

DOCTOR MILLER: I have two or three. In your paper you point out there are three approaches to revaluation. One is do it yourself, two is get some outside firm to do it, and three is a combination. There is a fourth which some states have tried in more or less maybe as a combination, also. And that is to have a full time state staff sort of do all the contracting, and do it on a cycle basis where they go around and catch up with the revaluation by doing one after another. I am not sure that how successful they have been, but obviously that is one alternative you haven't mentioned. I wonder if you care to mention that?

MR. ELMER: I think you will find that I did mention it to an extent under state and county assistance to the assessor. As a rule, I would find that probably hiring state employees, unless they were highly qualified in the field, probably wouldn't be the most technically trained appraisers that you could find.

DOCTOR MILLER: Well, I would have to assume that for the purposes of the question that we did have high standards and did attract highly qualified appraisers, the same kind of people that the commercial firms seem to attract, who I would say are not always as, you know, what you would suspect, having the state do better, or you would do better. Now, if you assume the state might be able to employ well trained and qualified people, and who would have the general contractor would do it all the time, go around and do one after the other, and in fact come back and do the same municipality and get a good deal less, less variation in quality, maybe all bad, but you will get less variation in quality. Or it may be all good. And you would also get--avoid the necessity of these contracts, and, well, there are obvious advantages, there are some disadvantages. But I don't want to sell it. I just wanted to raise the question. Do you have any reaction to it?

MR. ELMER: My reaction basically would be the size of the state owned organization or operated organization would be of such magnitude to continually do the work that the assessors or the hired revaluation firms are doing, could virtually double or maybe even more than double the current

assessing staff throughout the state.

DOCTOR MILLER: Well, I assume it would be large and they may well find, as you suggest, they would have to have some assistance, particularly on the bigger jobs, so they wouldn't have to have a crew big enough to do the biggest job, and you would have on the other hand, you would have maybe some saving in costs. I don't know.

MR. DELGADO: May I interject? I have happened to work for a revaluation concern for ten years myself, and I had charge of revaluation of Nassau County which would like--it would be one of our twenty one counties, it entailed over a hundred men of which you had measures around fifty to sixty, you had about thirty field men inspecting houses, and about twenty men who put the final grades and calculations on the property. Now, it took approximately a year to do four hundred thousand parcels. You have to consider you have twenty one counties. How many men would you have to consider, and if you were going to do it in a systematic way, would it take you twenty one years, or you would have to get it set up and then continue it on. If you had outside contracts to start you off to get you going, and then have your state people do the follow up.

DOCTOR MILLER: Possibly. I--I haven't thought it through, obviously. But they would not by any means try to do all at once in any one year. They'd pick the easy ones.

MR. DELGADO: I wanted to give you a picture.

DOCTOR MILLER: About two million, not anymore, I would think. You get some dimension of the jobs.

MR. HARVEY: If I may, I would like to add something to that comment. You mentioned the possibility of setting up a state group to do revaluations on a cycle basis.

DOCTOR MILLER: Yes.

MR. HARVEY: I think it's worth observing that part of the problem in the cost of revaluations today, and it is the fact that we seem to be revaluing properties that really don't need it, because a municipality of even moderate size with a bad coefficient, if it was investigated, it could be found that there was a very concentrated problem within the municipality that could be eliminated by a very small program, and the balance of the properties adjusted by a constant factor of some kind. I think Jim touched on that in his report. To make that kind

of approach a possibility might be a great deal of progress, if the statutes were drawn in such a way that it would validate that kind of adjustment, so that the courts would not have to assume that this was discriminatory treatment if just a section of a municipality were revalued to eliminate inequities.

DOCTOR MILLER: Thank you. The other question I had in mind, Mr. Elmer was in view of the approach you are taking, isn't it essential that specifications for the revaluation contracts be much more detailed and much more professional than they are now?

MR. ELMER: That's my contention, right. Very definitely.

DOCTOR MILLER: I guess you made that point, and that's what you would like to see.

MR. ELMER: That's right.

DOCTOR MILLER: It's to be some kind of uniformed standards that the assessor would get together--

MR. ELMER: Minimum standard. That would have to be adhered to.

DOCTOR MILLER: Thank you.

MR. GUNTSCHE: Mr. Elmer, Doctor Miller touched on it, but I would like to expand a little bit.



Would it not be a practical thing to have expert people at state level assist local assessors upon request to appraise commercial properties that are complex or highly complexed--

MR. ELMER: They have it now.

MR. GUNTSCHE: You do have it now?

MR. ELMER: Yes.

DOCTOR MILLER: You only have three men.

MR. ELMER: Well, it changes. In true fact they have that now.

MR. GUNTSCHE: You have that now, three men, is that it?

MR. ELMER: I don't know what size of a section it is.

MR. GUNTSCHE: Do you have the ability to call them in and assist?

MR. ELMER: Yes.

MR. BEFARAH: One point I would like to make is when they do come in town they will make an impartial appraisal of the property, but they don't have to defend that value in the event there is an appeal.

MR. GUNTSCHE: They won't appear.

A SPEAKER: No.

MR. HAINES: No.

MR. GUNTSCHE: I suppose you can't force them to. But it seems to me that they would volunteer.

MR. DELGADO: If they did what you suggest, and set it up so that it would appear, I'd buy that.

MR. BEFARAH: But, here again, they have to utilize what we as the base year know what our assessing practices are in that town and not just walk in coldly and take a lot--take a look at that building and start to appraise it. Because for us to accept an appraisal that might be a hundred or two hundred thousand dollars out of the way, and they're not going to defend it, it might not be the right thing to do, whether it's a conversion factor or some other point that might throw us in the kilter.

MR. GUNTSCHE: I could appreciate that problem. Yes.

MR. BEFARAH: But I think the idea is good. Especially in this day when some of the fellows are part-timers, it's an aid for them.

MR. GUNTSCHE: All right. I am surprised at a local tax assessor would be able to keep with something like that. I mean, it seems to me it's

beyond not only his ability, his facilities, he doesn't have the staff or the time.

MR. HARVEY: We help each other.

A SPEAKER: You're talking about specialized buildings? This is where I run into them all the time.

CHAIRMAN JOHNSON: Are there further questions for Mr. Elmer?

All right. We will move now to Mr. Bailey.

Are you going to lead off, counselor?

DOCTOR MILLER: The farmland assessment act, yes. I have a favorite question.

I don't know the answer, usually, I know that.

MR. BAILEY: Maybe I don't, either.

DOCTOR MILLER: Are there any data to show that farmland assessments have actually had the effect of postponing land sales when there was a market?

I know it postpones them when there is no market.

MR. BAILEY: From my municipality, anyway, East Brunswick, Middlesex County, there is numerous industrial properties that are being qualif-

ied as farms, as farms which having that industrial list having tenant farmers farm that land, and qualify under the state statutes under chapter 48. This subsequently has made this property, and speaking from my municipality again, have individuals that have been looking for industrial land, the price of the land itself in that specific location, and with all my sales and market data available from my office, I have arrived roughly at a conclusion that this land should be worth twenty thousand dollars an acre. And from all values throughout the other comparable sites, this land has not been sold. It's primarily because, in my opinion, again, because of the low assessment and the low tax rate on this individual, the individual himself has asked thirty to thirty-five thousand dollars an acre. This is just from experience of my own municipality.

As far as the other municipalities are concerned, under this situation, the same thing, I don't--I can't speak for them. In my municipality, East Brunswick, we have a hundred and twenty one qualified farms.

DOCTOR MILLER: Yours is a good example. We all know your township where you have very extremes of land use.

MR. BAILEY: Yes, sir.

DOCTOR MILLER: Well, what you're saying is that he hasn't sold his because the price isn't right, not because he's safely protected from taxation?

MR. BAILEY: Well, as I said before, Doctor, that from all my studies and all my review that comparable pieces of property have sold for twenty thousand dollars.

DOCTOR MILLER: Well, you take the industrial owner of the tract that you mentioned, presumably bought it for future use and is not now ready to use it. Did you--

MR. BAILEY: You could look at it at both sides of the fence. I look at it, again, examine the market and examining the comparability for assessments which I have to do. In other words, I have to place two values on my property card, one a fair market value, and one of farm assessment. Because of a rollback condition that might prevail in the future, I have to rollback the current year and the two preceding years at fair market value as the courts have stipulated. Therefore, I have to place a fair market value on that property. And with my sales amortization, my market data and comparability,

it's in my opinion that at that time this land would be worth twenty thousand dollars on the market. Now, the man, the individual comes in and says I want some land. I show him some, I go out, and right away, sure the gentleman that comes to me first is looking for land, and he asks me, give me some sales data, what's the going rate of the land. So, right away, I am not adverse, I will some him twenty thousand dollars, because right around the corner is a nasty individual, and all of the sudden, say it's thirty or thirty five thousand dollars, I have to draw a conclusion, one or two. One, would I say the price isn't right, or one that the taxes are so that that man can hold on to this land under the conditions of the tax preferential treatment that he has which he deserves, because he's a qualified farm. It's always been my contention, put the price of the land where it's supposed to be, and the individual will sell. Because it will choke him in due time, as far as taxation is concerned.

CHAIRMAN JOHNSON: Does the perspective buyer use your estimate of twenty thousand dollars to beat--do you get kick-backs on that kind of thing?

MR. BAILEY: I don't know what transpires between the buyer and seller. I am not part

of it. All I know is that when that perspective individual comes in and wants to buy a piece of property, I figure as a tax assessor, and also a member of the commission in my municipality, I have to try and be fair to the municipality, and as fair to the taxpayer, and also the perspective buyer. And at disposal of my office, again, as my colleagues have said, that we try to have the best public relations that's possible for all people. And if I don't show him that the market data, I could show twenty thousand dollars, he will go elsewhere. Maybe he has the assets to go to the county or some local real estate people. But we as a public servant should afford this opportunity to this perspective individual, which I do.

CHAIRMAN JOHNSON: You indicated in your formal testimony, that you, if I understood you correctly, that you took a hard look at the character of the soil and type of soil and determined whether it was being put to work at its highest and best use insofar as crop, and your form has five classes of soil indicated. Do you determine that type of soil, or would some technical help, or is that a statement of the farmer, or what?

MR. BAILEY: The majority of this is

--this supplementary form, I guess you're referring to, Mr. Johnson--

CHAIRMAN JOHNSON: This is the Bailey form.

MR. BAILEY: This is--if you're-- the farm committee that I spoke before, that establishes values for individual counties on a yearly basis, classifies the individual properties under a, b, c, d, and e. Subsequently, the majority of farmers I have say the legitimate farmers that are under government programs, and that are under state programs, they have maps furnished to them upon their request of a field investigation by a local ASC office showing the exact soils in the colors, red, green, blue, whatever the colors may be. I don't have them with me. But--and this puts them into classification.

CHAIRMAN JOHNSON: These are like sandy and shaly--

MR. BAILEY: Right. And subsequently, as the values show and the report from the advisory commission, from the state agricultural committee, there's different values on different classes of property, on different conditions like sassafras flume, regular flume, and different shales and different things, which they have set up individual values.



Now, to administer the law properly, you have to consider, like in corn, just on that supplement on corn, if it's "a", in Middlesex County, say the true value would be four hundred dollars, I hope I am pretty close to it. And under "b", it might be three hundred and ten dollars--

CHAIRMAN JOHNSON: Is this fixed guidelines or judgments?

MR. BAILEY: Fixed. This is fixed guidelines that are established every year by the advisory commission. That was established by the-- under, I assume, anyway, that was established under the farmland assessment act of 1964, better known as Chapter 48. And if you look in there, Mr. Johnson, you can see the classification.

Now, this is the proper way to administer the law. Again, this is my opinion that I administer this way. Subsequently, I have found in my municipality that has a hundred and twenty one qualified farms. I have no problem with the legitimate farmer. He gladly brings it in to me. Sometimes he could make an "X", he may be seventy eight years old, but he stills loves that tractor, and I might have to help assist him in interpreting the a,b,c, d, e interpretation for this colored map. They all

have this. This is a service rendered from ASC. The problem that exists as I tried to say is that land speculators, qualifying him for the farm. I understand the attempt of the law with the green-- we need the green acres, we need the soil, we need the forestry program. With this day and age, pollution, water problems and everything else is what we need. That land speculator, again, getting back to the fellow--to the telephone company man over there, he should--with his tenant farmer he should meet the same criteria as that legitimate farmer that has been good enough to file all these papers with us. And a typical incident, as I got as a personal aspect, I burned in a state division of tax appeals that said that the man, the individual did not furnish any proof on the local level, no proof on the county level. I have asked him, sent him letters of proof of income, maps, soil classification. All of the sudden on a state level, years later, he comes with proof. And they ruled against me. To me, I thought it was wrong. But this is the courts. And I cannot speak for the judge. I would like to, sometimes, but I can't. But the point is that we should straighten out this law.

And, as I say, I can't say too much.

The assessors are well aware of the problems, as Mr. Haines is a member of your Task Force. He has given a course, already down South Jersey, there is one to be given in North Jersey. He will be giving one in Central Jersey. You can see assessors themselves as administrators of this law are trying to do the best for the constitutionality of Chapter 48.

DOCTOR MILLER: I can see then the answer to my question. In the case of a legitimate farmer, you do succeed in avoiding--forcing him to sell. He's the fellow who wants to work on the soil, who wants to keep the farm. And my holding his tax payments down, you do defend his--help him out of being forced out of farming. How do we take care of the other fellow who is going to use the land sooner or later anyhow? He's waiting his time. For whatever purpose, as I understand, and I guess the answer was that he's not being--the land is not being held open by his tax abatement, but rather it just makes it easier for him. And the question is, is there anything that we should be doing to protect the people of the township?

MR. BAILEY: Well, see, to me, even if he's a speculator or farm owner, and he owns a hundred acres of industrial zoned land, and say an-

other part of it is thirty acres or residential land, this is all vacant land at the present time. And he's farming it. And that the amount of money that the taxpayer has to spend for his services are practically nill, because it's vacant land. There's no school problems. Maybe the police car has to ride by once in a while. There is no extention of water lines, because when that comes through zoning and planning, he has to put his own in. It's a good stop gap, to let the town and the individual to build with more uniformed procedures to not have improper planning and zoning, and subsequently, when he does sell, we have to face the fact that we do get the year, the current year and the two preceeding years, two previous years rollback taxes, which is the difference of the rollback of the qualified farms assessment to the regular assessment that I did put on it. In other words, as I said before, every year we have to put the twenty thousand, and maybe I put down only two hundred dollars for assessment on it, or four hundred dollars assessment on it, on the qualified farm. But that difference is made up on a rollback.

CHAIRMAN JOHNSON: Do you know of programs in any other states which have kindered objectives which might be working better?

! MR. BAILEY: I haven't examined anything in the entirety, and I couldn't speak with any expertise on that. They have it, a lot have it. I know I have spoken to one or--assessors up in New Hampshire, and they have--they have zones particularly R-1--I mean F-1. That would classify it as farm, class-A-1. And then they have two, farm class two. These are farm--strictly zoned farming.

CHAIRMAN JOHNSON: Statewide designations?

MR. BAILEY: Statewide designations. But then they have problems again under the state designation. Being the state is working in conjunction with the farmers, they are involved in federal funds and other problems that exist.

CHAIRMAN JOHNSON: What's the purpose? Is it to treat them differently?

MR. BAILEY: The special purpose is to keep New Hampshire and Vermont, the White Mountains, I think it's the White Mountains, all them resorts up there as green as they can, because I am--I am just gathering from my talks with these individuals, from the resort type of trade they get and the type of communities they want.

MR. BROKAW: There is a report avail-

able from the association of officers, dealing with this. And then also in some of the states the land there is no constitutional prohibition. They may value the land in use, and if it's being farmed, they value it as it's valued for that purpose, which accomplishes what we are accomplishing here. But we need the farmland act in order to do that.

MR. HAINES: I might state, I don't know whether Doctor Miller is familiar with this study that just was put out by Rutgers. I just received this last week. One of our speakers at the hearing in New Brunswick was supposed to leave a supply of these for all the members of the Task Force. Have you received them yet?

MR. DYKE: Not yet.

MR. HAINES: This will give us the benefit of it, of New Jersey's act.

DOCTOR MILLER: I think New Jersey has one of the most sophisticated approaches to this problem than any of the other states, and there are as a good many states, you say, that do it under a strict valuation basis, and it's hard to tell what they come up with. But I was looking for, I thought I detected a sense that there were some abuses of the system, and I was looking, Mr. Bailey, really for

those places where you believe that there are abuses, so we could direct our attentions to those.

MR. BAILEY: Some of the abuses are that where the land speculator has the tenant farmer and, again, as I related before about that, my own experience on a court case of coming up after the fact. Now, this should make it clear, and probably a revision of our farm assessment application is in order to make it clear as I said in my report, if you are a speculator and you're the owner, the tenant farmer, and who the tenant farmer is, and supporting evidence of proof of that this individual is being farmed. Because what is happening today is everybody is well aware of the high tax situation, and they ride by and say: oh, look at that woodland over there. It's a qualified farm. He's only paying nineteen dollars an acre for assessment, and a hundred percent of tax rate, nineteen dollars, or whatever it might be on his assessment, on his taxes. There is abuses. But if they try to get away with it--but I know from speaking for myself, we are well versed with the law, and when these problems exist to the individual, when certainly word got back to the assessor, and the assessor looked in his files and have all these in his files and could substantiate the

values, there is no problem. The abuses is that also where a man has a hundred acres of woodland and he says I am cutting down some logs, and I am going to sell them at twenty dollars a cord for the people in the neighborhood for their fireplace. Now, again, as I said on my report, in order for this situation to prevail, it's my opinion that the individual should be required to go under a forestry program, because how do we know for the good and welfare of the community and the woodland that he's cutting the right trees down and he's doing the right thing? He might be cutting them all down in one section and causing an erosion problem or be causing some other type of problem onto the neighboring community. He should be under a forestry program, a systematic type of thing. And I have four in my municipality that have gone under it, and they tell them how to weed it out and how to keep it neat, and what's good for the whole forestry and the erosion problem.

CHAIRMAN JOHNSON: Are there further questions?

MR. GUNTSCHE: Mr. Bailey, I don't know how long you have been an assessor--

MR. BAILEY: Since '66.

MR. GUNTSCHE: Well, then you should



have some idea what your farm acreage was in '66 versus the farm acreage in 1970.

MR. BAILEY: The farm acreage in 1966 was approximately three hundred and fifty acres, if I am not mistaken.

MR. HAINES: Is that all?

MR. BAILEY: Qualified, yes.

MR. GUNTSCHE: What have you got now in the way of qualified?

MR. BAILEY: In fact, I think I have more.

MR. GUNTSCHE: You mean it's grown?

MR. BAILEY: Because the law has been implemented in seven years. And before an individual farm could be qualified, they have to have a past history of two years. In other words, I have had people come in and buy raw land up, say in 1966-67, so they would have to farm it in '68 and '69 in order to qualify for '70. Therefore, I have increased my base, because this is a statutory requirement.

MR. GUNTSCHE: The reason I asked this question--

MR. BAILEY: I could be wrong with the three hundred and fifty acres.

MR. GUNTSCHE: Last week we had an

individual testify he thought the farmland act was working very well, and possibly needed some minor changes, because he agreed there were some abuses. But then he presented a sheet of statistics which indicated in 1940, I don't know how valid these figures are, statewide we had one million seven hundred and sixty thousand, rounding off figures, farm acreage available. In 1960 it had gone down to one million two hundred and sixty thousand. Now, a half million acres lost in a twenty year span. From the last ten year span, 1960 and 1970, we got ten hundred and sixty thousand, which is another half million acres lost in a ten year span. So I am questioning whether or not, and Doctor Miller, I think posed this question initially, whether or not the act is working as a deteriorant to the loss of farm land acreage?

MR. BAILEY: Madam Chairman, in order to answer Mr. Guntch's question, your statistic analysis show a ten year span. I would be interested to know from the individual what these statistics are since 1965, since the enactment of the--of the law. In 1960, you are well aware, we went through a big expansion from '60 to '64, there was big expansion programs, and there was a need of this act, because

the legislation at that time seemed fit to put it on a public referendum, and the people in the state of New Jersey recognized this fact and they voted for it. But the statistic analysis, before you could draw any conclusion, would have to be from the enactment of the act---

MR. GUNTSCHE: I agree.

MR. BAILEY: So, therefore, those statistics are a true fact, the same as the gentleman who--over here before, he said maybe there are not as many individual farmers, but the farmland is still there. Because--

MR. DELGADO: There are more. I think you have more smaller ones.

MR. BAILEY: You have the five acre tract that the little individual that had maybe before he might have had twelve acres. And he might have gave a part of that to a son or his daughter, and they moved on the side of him. He still maintains his five acres, individual parcels of property owners, and in conjunction with a report like this would have to be more statistically analyzed before any conclusion could be drawn, in my opinion.

MR. GUNTSCHE: Well, my understanding was that the smaller farms are disappearing and

merging with larger farms. So this means we are retaining the farm acreage, but I am questioning the number of acres available, not the number of farms.

MR. BAILEY: As I said in my report, if this committee should be reactivated to start the farm assessment act at the beginning and with the history behind them, there is no doubt in my mind the statistic analysis that they could come up with, it would be beneficial for your committee or any committee to analyze. And on this committee, it would have to be the prime individual that administers the law, would be the assessor. And I think in my opinion, I have just as much acreage today, if not more today. A typical instance, I have this individual that I was talking to before, he had about--he just went through a major subdivision three years ago. There was approximately a total of a hundred and ninety five acres involved into this. There was individual, two lots, three lots, four acre zoning, some fifty acres. But it all encompassed, it was nineteen line items on my tax duplicate. He combined them all, nineteen, into one. It consisted of a hundred and ninety four acres now. And since then he's got a tenant farmer, and this is the first, 1970, was the first year that he could qualify for

farm assessment. And before, none of it was qualified.

DOCTOR MILLER: I don't understand that. I understand it, but I don't understand whether that is good or bad. It seems to me that is the very abuse you're talking about. Let's take--

MR. BAILEY: The--

DOCTOR MILLER: The real estate section of the New York Times tells you what the major dealers in America, mass housing, are looking for. A few months ago, why is it they're coming to New Jersey? We have such a terrible property tax. Well, they discovered in that the acreage in Connecticut or Long Island costs too much. So they come down in New Jersey and find it's still available, low cost acreage within market. You're going to have acreage in market. But they're not yet ready to build. So they buy the acreage, and it's sort of their stock and trade. They are hanging onto it. Now, they are going to keep it open until the market for housing is good. They will built if they get the right zoning, which they seem able to get. Now, how does it giving them a tax abatement and putting their burden on everybody else help public policy?

MR. BAILEY: But if it's a qualified

farm, there is nothing wrong with it. The way the law is written.

DOCTOR MILLER: Technically, it may be qualified farm. But isn't it the kind of farm we don't want to have qualified and have their tax burden put on the next roll?

MR. BAILEY: If it wasn't qualified, then the individual would have to develop it, right.

DOCTOR MILLER: No. Because there is no market.

MR. BAILEY: We look at it--

DOCTOR MILLER: He has the market for houses or industrial plants.

CHAIRMAN JOHNSON: Maybe he won't combine it in the first place.

DOCTOR MILLER: This is what I don't know.

MR. BAILEY: This is some of the abuses that must be analyzed by the committee when they review the farmland assessment act. I am stating specific reason of this individual that combined all these little lots into one big one and now he's qualified. He had to wait until the third year before he qualified.

DOCTOR MILLER: Now he's a farmer.

MR. BAILEY: Before he belonged--

DOCTOR MILLER: It doesn't keep anything open. He's keeping it open because he isn't ready yet.

MR. GUNTSCHE: Strictly a profit motive.

DOCTOR MILLER: But just by holding, not doing anything with it, is far greater than the need to be just from the tax alone--

MR. HAINES: I have two suggestions. New Jersey was one of the pioneer states when it came to adopting preferential farmland treatment statutes. Most of the other states in the union have had in their farmland assessment acts from New Jersey, the State of Texas went a little further, and our committee, Bill and I are serving on the same farmland committee, have considered what they did. They have written into their farmland act that among the requirements is that the owner of the land in order to qualify must receive the major portion of his income from agriculture. That is one suggestion that we have to consider. Another suggestion is that the owners should live on the farm.

Now, I think Doctor Luke, whose one of the experts in this field, in fact I believe he

helped write our farmland act, is leaning towards the idea that the owner should live on the farmland.

DOCTOR MILLER: That's Vermont.

Vermont has done that, too.

MR. HAINES: Yes. In order to qualify.

Bill made some mention in his paper about the amount being increased. I have talked with one of the delegates who were at our hearing in New Brunswick Tuesday, and they are supposed to supplement the statement that Mr.--Mr. Shelegwick presented with additional papers to come into Marty, in which they are going to make a recommendation for consideration for increasing the amounts from five hundred dollars upwards, a sliding scale. I haven't seen it--well, it's supposed--it's on its way in. They want to be made part of the record, and as soon as we see it, I will see that our committee, when I say our committee, our special farmland assessment committee gets a copy of it to study as this will be submitted to the Task Force for study. So, I think that will give us something additional to consider besides what Bill has presented here today.

MRS. KLEIN: I would like to add that it seems to me that when the farmland assessment act was passed, it was not really the purpose to



preserve open space. I mean, that really wasn't very much in the consciousness at that time. We were --they were thinking of the farmers as--

MR. HAINES: I think that was the primary--

MRS. KLEIN: Then if that is the case, why land such as Boy Scouts camps or wooded areas as described to us in East Brunswick, why is that land not included in this kind of arrangement? And is this something that we should consider, whether there should be some kind of incentive for cluster zoning which allows open space and some kind of consideration for a camping and wooded land, and this kind of open space?

MR. HAINES: At the time the act was drafted, the thinking didn't go that far. The thinking was along the lines of preserving the land for open space, primarily farmland, and what is now commonly referred to as green acres, if I stand corrected.

DOCTOR MILLER: Green acres would be opened, because it's bought and paid for. We have also general problems of what remains of the tax base if you achieve your social objective by exemption, abatement, and--it has to pay for the total cost

of government. So it's a matter of balance.

MR. BROKAW: What you mention, there are presently bills in the legislature for preferential treatment for recreational land which would accomplish open space by this basis, but as Doctor Miller pointed out, it becomes a matter of shifting the burden of the cost of government.

DOCTOR MILLER: It only goes one way, too.

MRS. KLEIN: But I think it's one of the things the committee is going to have to consider, I think in making tax recommendations, is it dwindling--the dwindling of open space in this State.

DOCTOR MILLER: Dwindling the tax space, too.

MR. GUNTSCHE: Yes.

DOCTOR MILLER: That's all dwindled together.

MRS. KLEIN: I do have a question. I don't quite understand, on page three, the last paragraph of your--I think this is the same thing we were presented with the other day, and I want to be sure I understand it. How does the qualified farm land effect the ratio? What is it that you're saying here that I don't quite get?

MR. BAILEY: What I am saying here is that under a state statute which is a classification of property, and the qualified farm properties considered a three dash b classification. Three dash b is to amount of qualified farm value that you have in your municipality. All the sales under the twenty six categories that is promulgated by the state make it non-usable for qualified farm. When there's no sales in that specific category, the class two ratio is the one that prevails. Now, the farm qualified is vacant land. There is two values to qualified farm. And the non-qualified, where they get for the rollback. Therefore, when you apply for--a class two ratio to a 3-b classification, it's unjust for the municipality, because nine times out of ten, say your common level is a hundred percent and your house is gone down to eighty percent, you have a hundred thousand dollars, and you're giving it to eighty percent, and when you equalize the value, it goes up. But if you use the common level, it's still is a hundred.

MRS. KLEIN: You're giving credit for more ratables than in effect you have.

MR. BAILEY: Right. And there's nothing that you can do to change the valuations of

these individual parcels, because it's by state statute.

MRS. KLEIN: How could we amend that?

MR. BAILEY: Amend that through a directive by the proper legislation, I guess, or a recommendation through the local property bureau to Mr. Glaser. Marriot probably can answer that better than I could.

MR. HAINES: This would have to be considered in conjunction with Norman's comments on the ratio report.

MRS. KLEIN: Could you tell me, please, what this reference is, the repeal of the eminent domain?

MR. HAINES: Under the original farmland assessment act, any sale of qualified farmland --I shouldn't say sale, but any land taken by eminent domain of qualified farmland was not subject to a rollback tax, until we had this section of the act repealed. Any land, any qualified farmland that is now taken by eminent domain/<sup>is</sup>subject to rollback tax.

MRS. KLEIN: Okay. I didn't know that we had two more papers to hear.

MR. HAINES: At least two.

MRS. KLEIN: Whose next?

Mr. Markowich.

MR. MARKOWICH: My presentation has presently to do with the assessor rather than with revisions in the law.

(At which time Mr. Markowich made his presentation.)

MRS. KLEIN: Thank you. Are there any questions?

DOCTOR MILLER: No.

MRS. KLEIN: All right. Then the next one is Mr. Befarah.

MR. BEFARAH: Suppose I go on now and it will tie in with this.

MRS. KLEIN: All right.

MR. BEFARAH: Some of this may be repetitious. I will try to delete any of it. Ed has touched on the formation of the educational program.

(At which time Mr. Befarah's statement was read into the record.)

MRS. KLEIN: Thank you.

DOCTOR MILLER: Since this is the end of the line--

MR. BEFARAH: We have one more.

DOCTOR MILLER: I don't know whether

this is--what's the next subject?

MR. DELGADO: It's on the elective against the appointed--

DOCTOR MILLER: Well, perhaps my question would fit in either way. I can ask it-- at the league meeting I asked what assessors thought was the proper ceiling on tax rate? If he had to name one, at what point does the tax rate become too high? Is there any consensus about that?

MR. DELGADO: Can it really be answered, Doctor?

DOCTOR MILLER: Well, somebody has to answer it, because we are told that taxes are very high. Property taxes are too high. Well, short of abolishing the property tax entirely, we have to find some place which we want to lower them to.

MR. BEFARAH: I would like to answer that, if I may, or attempt to. I have taxpayers that screamed when it was high, when it was three dollars in Asbury Park, and it's seven dollars and twenty five cents now. And they are still screaming. I don't know how you can really--

DOCTOR MILLER: Well, somebody said four percent of true value, an effective tax rate of four percent. Is that too high, or is that the high-

est--

MR. DELGADO: That's high enough.

I think it would be confiscatory around five percent, in my feeling.

DOCTOR MILLER: I see.

MR. HARVEY: I don't have an answer, particularly, but I have a comment. This question is like the fellow whom I know who always says when asked: how's your wife? He says: compared to whom? When you ask how high is too high, as compared to what? If you're talking about a twenty percent rate of income tax or forty percent, or an eighty percent, and a progressive tax, you can't very well pin it down. I think it's a terribly difficult question to answer. I would duck it, if I were--

DOCTOR MILLER: But somebody has to answer it if we are going to do anything to eliminate --

MR. HARVEY: Yes.

MR. SMITH: Mr. Befarah, in Asbury Park where they have all kinds of municipal services versus a rural community where maybe their biggest financial problem is their school district. It's quite hard--

DOCTOR MILLER: Of course it is.

MR. SMITH: To say four percent.

MR. GUNTSCHE: Why did you decide four percent?

MR. DELGADO: I am thinking--I am four percent now with a brand new revaluation, and it's plenty high, and I think it's getting very close to the breaking point.

MR. GUNTSCHE: Let's say you have to go to four and a half next year. Hopefully not. Say you do. Are the people going to pay their taxes or what? Will there be a tax revolt or what?

MR. HAINES: I would like to make a comment in response to the Doctor's question for the benefit of the assessors.

In North Jersey we have had testimony suggesting that in one municipality five percent should be the upper limit. Now, when we get down to South Jersey, we had testimony that three percent should be the upper limit. So--there is a bracket--

DOCTOR MILLER: And gone--now, four percent is just right.

MR. DYKE: Now, let me say that not everybody in North Jersey agreed with that. That was Hudson County.

MR. MARKOWICH: This three percent



and five percent, is that on the market value on the property?

A SPEAKER: On true value.

MR. MARKOWICH: Well, if the economy continues to go up and the salaries go up, I don't know how you can limit it on the basis of market value. Certainly nothing else is guided as to a percentage of what a loaf of bread should be or anything else. I remember when a loaf of bread, when it was eight cents. It's up to forty cents now.

MR. DELGADO: Yeh, but you are only getting fifty cents an hour then, too.

MRS. KLEIN: Yes, sir.

MR. BEFARAH: I would like to point out, we just got back from Chicago in this forum last week, Doctor, and they were talking about two percent. And there was a good cross section of the United States there. So I just wanted to throw--I hear Del talking four and five, and they were talking too. I can tell you that almost every state today is faced with the same problems that we here in New Jersey are faced with, spiraling tax rates.

MRS. KLEIN: Why are they talking about two, and we are speaking about four?

MR. BROKAW: That's because we have

been there already, and they are just getting there.

MRS. KLEIN: That's what I thought.

We have another paper. Just one more.

MR. DELGADO: All right.

(At which time Mr. Delgado read his statement into the record.)

MRS. KLEIN: I thank you.

MR. DELGADO: I thank you.

MRS. KLEIN: Are there questions?

MR. HAINES: Del, you don't have any statistics on how many elected versus appointed single assessors. Do you--

MR. DELGADO: Yes. It says here about three quarters of New Jersey taxing districts have single assessors, while the rest use boards. Now, this is from our manual, Marriot, of the individual acting as municipal assessors throughout the State. About two-thirds are appointed and about one-third elected.

A SPEAKER: That's what the--how old are those figures, Del?

MR. DELGADO: As long as we--

A SPEAKER: I got more up to date figures than that, Marriot, because I made quite a survey last year on that. But I don't have them with

me.

MR. DELGADO: This is all we have.

MR. HAINES: Could you make those available to us?

A SPEAKER: Yes.

MRS. KLEIN: How big an area do you think a tax assessor can handle on a full-time basis? I don't know how to put it in terms of property or geographical or what.

MR. DELGADO: You mean, possibly one girl helping or two girls in the office? I would think that a town about the size of Ridgewood is about thirty thousand, twenty-five, thirty thousand, one assessor could handle it.

MR. MARKOWICH: In line with that question, I think it depends on the type of community, also. If you have a highly industrial community compared to a residential community, because you will need a little more assistance, because of the complex problems involved. It depends on the community involved, how many people you will need or how much personnel.

MRS. KLEIN: Would it depend on turn over?

MR. DELGADO: I have a very highly

transit down there for the fact that being next to the metropolitan New York, and the desirability of a good school system, we get anywhere from eight hundred to a thousand transfers a year. However, we do have--it's strictly a residential town, but we have more residences than if you did have an industrial town. You would have less items, line items, but you have bigger projects of specialized properties. Do you think so, Bob?

MR. SMITH: Yes. I think mainly a lot of the problem, it's coming up, and I don't know whether you fellows agree or not, but more in areas like Marriot's and some of the more real rural areas. Now, there is where I would be interested in how many real rural areas could an assessor handle.

MR. DELGADO: Take Lacey Township. It's got eighty four and a half square miles, but how many vacant lots in the place. You're talking--you run a lot of line items, but nothing--

MR. SMITH: That's it.

MR. DELGADO: That's why I think seventy--

MR. MARKOWICH: That's a rude question, because you can take eighty-five square miles and one assessor can handle it without any problems.

But if you get an influx of developments in one year, then he's going to need a lot of help. The area is not the problem. The population is not the problem. It's the change, usually in a rural area, you have tremendous changes in zoning taking place. And this is where the problems crop up. You have a lot of industrial building going on and residential building. But this is where the work is involved.

MRS. KLEIN: I think what I am thinking is you are recommending full-time certified assessors, and mostly it's municipalities that provide for their own assessments, right? You do have some arrangements where municipalities can get together.

MR. DELGADO: That's right. That's the statute law.

MRS. KLEIN: I was just wondering how this could be written so that--

MR. DELGADO: What towns are you from?

MR. SMITH: Caldwell in Essex.

MR. BEFARAH: Little Silver in Shrewsbury Township.

MR. SMITH: Warren Township and Bernardsville are now going together.

MR. HAINES: I am interested in their comments about board of assessors versus a single assessor. Bob, in Monmouth County do you still have several boards?

MR. SMITH: Yes.

MR. BEFARAH: You know that New York just abolished boards, I believe, is that right, Doctor Miller?

DOCTOR MILLER: For twenty of twenty-five years, at least, the International Association of Assessors Officers recommended the single assessment. But that doesn't impress some of the people on boards.

MR. BEFARAH: I know.

MR. HAINES: I was wondering if you wanted to comment on that, Bob.

MR. BROKAW: In response to your question about the size, I think many times people think of the assessor as being a person who makes valuations alone. But there are many other things, especially today in the assessor's office, such as the exemptions, the senior citizens, deductions, the veterans deductions, the air pollution and water pollution, special treatment, the added assessment, the omitted assessment, the appeals, these are all

additional duties aside from valuation that are duties of the assessor. And then also the information that must be submitted to state and county, the SR-1 as they are called, which investigates every sale of property from which they develop the ratios, but they are all additional time consuming duties aside from the valuation and assessing functions in the assessor's offices, which would have some effect on it. You  $\frac{1}{2}$  say how much area or how many line items, or how many parcels can be handled. This would also have to be considered with that.

MR. DELGADO: We will give you an R.P.A. course, Mrs. Klein, that will give you the picture.

MRS. KLEIN: I am getting one.

DOCTOR MILLER: The computerization of the roll upon the office operation--

MR. DELGADO: It doesn't ease the load.

DOCTOR MILLER: It makes it harder. But when you change, when you first get on, then, of course, you have corrections and a lot of bugs to get out of it. But once it gets going, does it relieve you at all?

A SPEAKER: No.

MR. HARVEY: Not really.

DOCTOR MILLER: So all it has is speed. It's faster.

MR. GUNTSCHE: I would like to back up a little bit. Del, you've undergone valuations in Ridgewood recently. What was your experience? You had an outside firm?

MR. DELGADO: Well, no. I--look, I spent time with it, and I have had this--this is the third one I have had in Ridgewood. And I would say as your revaluation is about as good as the man you have working for you. Situation is that it's like a construction job. You have an awful lot of turnover, and the percentage of the revaluation company and as brought out before, I think this is very important, and it has to be checked as to the people who are doing the revaluation work. Now, basically, I think the job is all right. There are bugs, and you will always find bugs. But, today, I don't think it's as good as it has been in the past. They are spread too thin. This is what I think.

MR. GUNTSCHE: And, I was going to ask you, because I know Clifton has had quite a--

MR. MARKOWICH: Prior to going to Clifton, I have gone through four revaluations. And



I have found this. I think one of the most important phases of revaluation, and unfortunately the revaluation firms are falling down on, and that is public relations. Because, I have found from twenty years of experience, that when you say revaluation, then everybody is up in arms. Up in arms before you even go into it. And I think what has happened in Clifton and it's happened all over, the public relation program for a number of reasons was not being conducted at the time that the revaluation was being done. It was left for the end. And, of course, when the people got the notices, then the public relation program proceeded, and this was a little bit late, in my opinion, and it caused everybody to be up in arms, and as a result no matter what you said from there on in, it didn't satisfy them. I think that public relations is fifty percent of the revaluation job, and should be started the day you think of revaluation, not when you've finished. Not half way through. But I lay the ground work in the beginning, and explain to people what a revaluation is, why it's being done, how it's going to be done, and so on and so forth. Most of it is fright more than anything else.

MR. GUNTSCHE: Outside of public

relations, what sort of reaction do you get on the quality of the job?

MR. MARKOWICH: Well, we are in the process of redoing it now, and we will review every parcel in the taxing district. And, of course, we have found errors which is normal, however, we have also found that their values are not too bad. In fact, we have found situations where people are asking forty six thousand dollars for a property that was valued at thirty three, and they won't even tell the buyer or the real estate firm what the revaluation figure was. And they are asking anywhere from ten thousand dollars over the revaluation figure. The same people that were complaining about the figures when they first got them.

MR. DELGADO: The same company, too.

MR. MARKOWICH: So it's a normal procedure. Revaluation just scares everybody because they can only see one thing, and that is a tax increase. A good revaluation is an equalization program. Naturally, the one that's been getting away with it for the past ten years or so is going to be caught up with now, and he doesn't like it. And this is what's happening.

MR. HAINES: I am glad to hear your

comments on this, Ed, because two days ago I received an order from my board for revaluation. I am glad to hear that.

Mr. President and Madame chairman, we have one assessor here at the table who completed a study for the Assessors Association, and a copy of his report has been made available to the Task Force by authorization of our executive committee of the State Assessors Association regarding the salaries. And with your permission, I would like to ask John Murrey of Millburn if he would like to make any supplemental off the cuff comment for the benefit of the Task Force members who haven't seen your report that you submitted to us, because this is one of the areas of what the tax administration, that I think could stand a considerable amount of improvement.

MR. MURREY: Thank you, Marriot. I-- specifically, I don't have anything. The figures are a little out dated right now, but in preparing this, with the help of the committee, I was shocked at some of the figures, the salaries that are being paid. Your biggest problem in attracting qualified assessors in New Jersey is the salary. As the report points out, field men working for revaluation firms

are being paid more than certified assessors with all the duties and their qualifications. I think there should be a minimum salary attached to each and every office as the title of assessor and an increment attached to that base salary for the complexity of that municipality. Certainly a living wage should be expected in an assessors office. The same as it would be in an engineer or health officer. One of the problems we have is that we have some assessors that take the position because it supplements their outside activities, either in real estate or insurance, and they are not necessarily in conflict, but it does place their name--and I would like to see recommendations from this committee in line with our suggestion in the report to having minimum salary, and also to follow up on what Ed was saying with the S.M.A., so possibly where you have a certified assessor, other than a C.T.A., which would automatically give him the job, have this an added increment of value attached to his salary. Because he's showing that he's a truly certified assessor, and a professional assessor, and a professional appraiser in many instances.

MRS. KLEIN: Thank you. I have been told that this factory empties out in the near future,

and if we don't have any more to present, I would suggest that we adjourn and get going before the traffic.

Does anybody have anything they want to add?

MR. DELGADO: I would like to follow up with John Murrey, Mrs. Klein, that if anything is done on the salary basis, what the base would be set up on the base in the amount of ratables in a town, or you would have to have some kind of a base --a basis to work from.

MRS. KLEIN: Does his report--does this report have any recommendations?

MR. MURREY: I don't believe so. Not specifically. That would be part of our--

MRS. KLEIN: Well, do you think that your association could make some recommendations on that?

MR. BEFARAH: I think so. It would be rather difficult, but we will be glad to.

MRS. KLEIN: It probably would be, again, more confusion for us, because you're much more knowledgeable about it.

MR. BEFARAH: We certainly will try. It's something that is digestable.

MRS. KLEIN: You're suggesting state aid--

MR. BEFARAH: Well, I think something along these lines would be--well, let's just say we will come up with something.

MRS. KLEIN: Okay.

MR. BEFARAH: At this time, I would like to thank this committee for setting this day aside for us, and I only hope that we have helped the cause.

MRS. KLEIN: I think you have been most helpful, and it's been most interesting. We thank you for coming.

MR. HAINES: Madame Chairman, before you adjourn, I just want to state that one of the assessors who was going to speak about exemptions was a member of the A.P. Commission, wouldn't be here today, and I am circulating among the members of our Task Force a statement, a copy of the statement that I presented to the commission back in 1969 at one of their hearing, and I would like the members to read it.

MRS. KLEIN: Thank you. The meeting is adjourned.

(At which time the meeting was adjourned.)

I, PETER C. MASSARO, a shorthand  
reporter and notary public of the State of New Jersey,  
do hereby certify that the foregoing is a true and  
correct transcript of the proceedings.

DATE:

July 2, 1971  
PETER C. MASSARO, S.R.





A P P E N D I X





TO William Kingsley TITLE Acting Director  
DIVISION-BUREAU Division of Taxation TRENTON ☐ Other Location-Indicate  
FROM James A. Arnold, Jr. TITLE Chief, Tax Research and Statistics  
DIVISION-BUREAU Division of Taxation  
SUBJECT Report of the Committee to DATE September 16, 1968  
Review Sales-Assessment Ratio and  
Equalization Programs

Attached is the final Report of the Committee appointed by you to review the Sales-Assessment Ratio and Equalization Programs. In summary, the recommendations are as follows:

1. adoption of the calendar year method for computing assessment ratios and true values of real property
2. adoption of a revised form SRL-A
3. adoption of an eight-week maximum time schedule for the processing of forms SRL-A
4. publication of a Preliminary Table of Equalized Values before July 1 of each year
5. continuation of the use of weighted averages in the development of sales-ratio data  
(Dissent by Mrs. E. Yahnelt - copy attached)
6. changes in the language of non-usable deed transaction categories 18 and 20

On July 16, 1968, a draft of the Report was sent to all members of the Committee with a request that they indicate approval of the Report or areas of disagreement, if any. Several letters, copies of which are appended to this Report, were received from members of the Committee. Beyond statements of acceptability, Committee members raised certain points, as follows:

1. Mrs. Yahnelt filed a dissenting report to the Committee's recommendation on the use of weighted ratios.
2. Mr. Borden questions the clarity of the two year average and the application of continuing average, as described.
3. Mr. Kiely and Mr. Haines wish to weight prior year averages to avoid extreme fluctuations in the averages. Mr. Kiely made specific reference to his report to the Committee of May 25, 1967.  
A copy of this Report is appended hereto.





State of New Jersey  
DEPARTMENT OF THE TREASURY

DIVISION OF TAXATION

363 WEST STATE STREET  
TRENTON, NEW JERSEY 08625

PHONE 609-292-5185

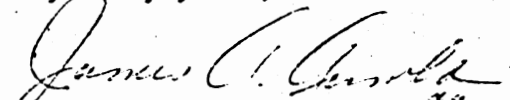
July 16, 1968

TO: ALL MEMBERS OF THE DIRECTOR'S COMMITTEE  
TO REVIEW SALES-ASSESSMENT RATIO AND EQUALIZATION PROGRAMS  
(Membership List Attached)

Enclosed, herewith, is the proposed draft of a report with respect to a review of the Sales-Ratio and Equalization Programs. It is expected that the Report will be submitted to the Director of the Division of Taxation shortly after August 15, 1968. It is, accordingly, requested that, prior to said date, you should indicate your approval of the Report, or the areas in which you may disagree. All comments will be attached to the Report prior to its submission to the Director.

Your cooperation and assistance at the many meetings held by the Director's Committee are deeply appreciated.

Very truly yours,

  
James A. Arnold, Jr., Chief  
Tax Research and Statistics

JAA:aeg  
Encl.

TO: William Kingsley

-2-

September 16, 1968

4. Mr. Holman suggested that further discussions might be desirable with respect to the new Realty Transfer Fee Legislation.

Steps have already been taken to implement calendar year computation of equalization ratios, as well as adjustments for elimination of personal property and application of the Realty Transfer Tax.

Copies of this Report are being mailed to all members of the Committee.

JAA:aeg

## MEMBERSHIP LIST

### DIVISION OF TAXATION

William Kingsley  
Acting Director  
Division of Taxation

Sidney Glaser  
Assistant to the Director  
Division of Taxation

Alan F. Hart  
State Supervisor  
Local Property Tax Bureau

Samuel Temkin  
Local Property Tax Bureau

Robert S. Johnston  
Local Property Tax Bureau

### COOPERATING COMMITTEE OF THE ASSOC. OF COUNTY TAX BOARD COMMISSIONERS AND SECRETARIES

Mr. John A. Borden  
702 Market Street  
Camden, New Jersey

Mrs. Ethel Yannel.  
224 Forsgate Drive  
Jamesburg, New Jersey

Mr. Dante Leodori, Sec.  
Bergen County Board of Taxation  
Administrative Building  
Hackensack, New Jersey

Mr. Michael V. Donovan, Sec.  
Hudson County Board of Taxation  
Administrative Building  
595 Newark Avenue  
Jersey City, New Jersey

Mr. J. Chester Holman, Sec.  
Ocean County Board of Taxation  
Court House  
Toms River, New Jersey

### ASSOCIATION OF MUNICIPAL ASSESSORS OF NEW JERSEY

Mr. Marriott G. Haines  
Assessor  
5 South State Street  
Vineland, New Jersey

Mr. Samuel Befarah, Jr.  
Assessor of Asbury Park  
Office of Assessor  
Asbury Park, New Jersey

Mr. Daniel P. Kiely, Jr.  
Assessor  
515 Watchung Avenue  
Plainfield, New Jersey

Mr. Clarence N. Delgado  
Assessor  
131 N Maple Avenue  
Ridgewood, New Jersey

Mr. Alfred J. Greene, Jr.  
Assessor of Clifton  
City Hall  
Clifton, New Jersey

Russel T. Wilson  
City Hall  
65 Central Avenue  
Hackensack, New Jersey

DIRECTOR'S COMMITTEE TO REVIEW  
SALES-ASSESSMENT RATIO  
AND EQUALIZATION PROGRAMS

The Director's Committee to Review Sales-Assessment Ratio and Equalization Programs, appointed by you for the purpose of making a full scale review of the Sales-Ratio program which was brought into being through passage of Chapter 86, Laws of 1954, submits herewith its Report and Recommendations.

A BRIEF HISTORY

The Director's Committee to review Sales-Assessment Ratio Equalization Programs was formed at the close of calendar year 1965 to conduct a full scale review of the New Jersey Sales-Ratio Program. In the years since the Sales-Ratio Program had been inaugurated, it had come to be widely recognized as one of the better efforts among State programs of Local Property Tax Equalization. Yet, despite the success, Local Property Tax officials became aware of the existence of certain administrative problems in the operation of the program.

It was with the awareness that these administrative problems existed that this Committee was formed from among state, county, and municipal officials who had been closely associated with the program, and its success, from the beginning. The objective of the Committee was to draw upon its ten years of experience in the equalization field to examine the problems which existed and to make recommendations whereby, a good program could be made even better.

A4



# I. Calendar Year Sales Sampling Method

The State of New Jersey's Sales-Ratio Tables are prepared, currently, on the basis of a fiscal year sales sampling period. That is, the sales assessment ratios are developed from sales which occur during a twelve month period extending from July 1 of one year through June 30 of the next year. Thus, since tax books are maintained on a calendar year basis, sales which occur during each of the six month halves of the fiscal year sampling period are compared with assessments from the tax books for two different tax years.

Almost since the inception of the Sales-Ratio program, a technical discussion of some scope has continued among specialists in the property tax field regarding which of two methods for sampling sales data, the fiscal or calendar year method, is better in terms of the accuracy of the results, the needs of the counties and municipalities, and the obligations, both administrative and technical, of the Division of Taxation. The proponents of each of the statistical methods agree that there is merit in both methods; yet, each holds that the method which they propose is better in the aggregate.

Thus, the Committee, in considering the merits of the two methods, was required to make a value judgment in a situation where an absolutely clear-cut, mutually exclusive decision was not possible. The Committee knew that the fiscal year method had been used with good results since the program's inception; yet, the Committee was also aware that even good results can be improved upon. Considering all essential criteria then, the Committee heard, analyzed and sifted all of the arguments presented by the proponents of the two statistical methods.

Among the points of view presented, the advocates of the fiscal year sales sampling method argued that a major advantage of this method is that the data from which the Director's Table is prepared are more current at the time of promulgation than they would be if the calendar year method were to be employed. When the fiscal year method is used, the sales data are accumulated until three months prior to the promulgation of the Director's Table on October 1 of each year, whereas, the sales data will be nine months old if the calendar year method is to be used.

In reply to the objection over the age of the data raised by the fiscal year people, the calendar year group points out that the attempt to use the welter of sales data which is accumulated at a date so near to the obligatory date for the issuance of the Director's Table makes proper administrative screening of the sales data difficult, at best. The attempt to use sales data which is of too recent vintage may actually impede the production of an excellent table which, of course, can only be compiled from reliable, adequately screened data, they argue

Further, the calendar year group argues that the time gained for the compilation of the table by use of its method will enable the Division's personnel to do a much more thorough job of screening those complex sales involving apartment houses, motels, and industrial and commercial properties.

In addition, they argue that the calendar year method will allow for sufficient time for changes to be made to the ratable structure if the changes are certified to the Local Property Tax Bureau by the County Board on form SR3A.

In addition to each of the foregoing benefits, the calendar year group points out that if the additional time is made available the Local Property Tax Bureau will be in the position to produce a Preliminary Table of Equalized Valuations containing Class Ratios, District Weighted Ratios, and True Values. The Preliminary Table will provide the opportunity for all concerned officials to file informal appeals on forms SR6, thereby relieving tax districts of the necessity to file the more difficult and cumbersome formal appeals. (The Committee's deliberations and conclusions on the Preliminary Table are discussed more fully in Part IV of this Report.)

A major argument of the calendar year method's proponents is that otherwise valid sales are lost for statistical purposes in the preparation of the Director's Table when a revaluation program is undertaken by a taxing district as the result of the application of non-usable category number 27 (See list included with Part VI of this Report). The reason that sales are lost when a taxing district undertakes a reassessment or revaluation program is that sample sales must be restricted to that half year during which the new assessment levels apply. Obviously, this occurs because the sales data relate to the fiscal year, whereas the true tax valuation figures relate to the calendar year. The loss of sales data is of especial import in smaller districts where the sample is naturally small because of the limited number of sales which occur. The calendar year group concludes that the statistical reliability of the table is reduced as a result of the loss of sample sales.

An item of primary importance considered by the Committee was the validity of the currently employed School Aid Formulas. The current formula, based on fiscal year sampling methods, has been tested and approved all the way through the State's Supreme Court. For the implementation of the calendar year sampling method, a new formula must be devised and it will, in all likelihood, require testing in the courts, over several years, before becoming fully accepted.

In addition, some members of the Committee were unconvinced that the use of calendar year sampling methods, with all of the additional screening time would, in actuality, produce any more reliable data. Further, they were unconvinced that the use of calendar year sampling methods would result in fewer formal appeals than the currently extant 8 to 10%, even granted the extra time for informal appeals.

One final point considered by the Committee was a study done within the Local Property Tax Bureau which indicated, at least in the years studied, that a statistical loss of non-usable category number 27 does not affect, necessarily, the validity of the sales data. For example, an analysis of a comparison of true values between 1962 and 1963 indicated that 47 of the 150 districts that had revalued or reassessed (i.e. 31%) had a change in true value in excess of 10%, and that 130 of the 417 districts that had not revalued or reassessed (i.e. 31%) had a change in true value in excess of 10%. The study also included figures for 1964 and 1965 which showed that 73 of the 224 districts that had revalued or reassessed (i.e. 33%) had a change in true value in excess of 10% and that 110 of the 343 districts that had not revalued or reassessed (i.e. 32%) had a change in true value in excess of 10%. On

the basis of these figures, some Committee members concluded that the loss of non-usable category number 27 sales data does not affect the validity of the sales ratio study.

The Committee noted that some problems might occur during the period of changeover from the fiscal to the calendar year method. To overcome a possible major objection, a method for handling this changeover period was developed, as follows:

1. In the first year of implementation, the true value will become the latest true value promulgated prior to the changeover, adjusted to reflect added and omitted assessments. The assessment ratio will become the percentage which is derived by dividing the current assessed value (SR3) by the true value which is thus derived.
2. During the second year under the program, a new true value will have been calculated from sales ratio data compiled during a full calendar year. This new true value will be adjusted to reflect added and omitted assessments and will be averaged with the true value which will have been promulgated during the preceding year. The assessment ratio promulgated for this second year will be derived by dividing the current assessed value (SR3) by the averaged true value, as indicated above.
3. During the third year under the program, the second year approach will be repeated in its entirety. Thus, the table will never come to a point where one year is dropped and one added. Instead, it will contain a diminishing element of running average which should have the effect of dampening extreme or abrupt fluctuations.

4. Such an approach will make it unnecessary to distinguish between revalued and non-revalued districts. Also, it will assure that current assessment practices will be reflected by reference to SR3 data for each current year. It will be unnecessary to drop sample sales from consideration because of a revaluation.

After careful deliberations and considerable study, the Committee concluded that the calendar year method for the sampling of real estate sales for the State's Sales-Ratio program will better serve the needs of the individual taxing districts, the county tax boards, and the Division of Taxation.

Therefore, the Committee recommends that the Director of Taxation adopt the calendar year method for computing assessment ratios and true values of real property, for the State of New Jersey, as required by the State School Aid Act, Chapter 85, Laws of 1954.

## II. PROPOSED REVISION OF THE SRL-A FORM

During the past several years, indications of a need for a revision of the SRL-A Form (in use since 1957) have been observed by its users. A major revision became necessary as a result of the Farmland Assessment Act to provide for the recognition of 3A-Regular and 3B-Qualified farmland categories.

Among other changes to be incorporated within the revised Form SRL-A is the addition of ZIP code information to comply with postal regulations.

Each of the changes in the Form SRL-A is described below. Following the descriptive material are copies of the five (5) part Form SRL-A in current use and pictures (blown up in size) of the changed page and the additions which are proposed for the reverse side of the State's and the Assessor's copies. Please examine and compare these pages on both the current and proposed form carefully in relationship to the text.

1. The addition of a code number for both county and district to facilitate data processing operations.
2. The addition of a space for the name and mailing address of the attorney who filed the deed, or whose name appeared on the deed when filed with the county clerk, to facilitate questionnaire mailing procedures.
3. The addition of the words "Zip Code," where required, in the mailing address of the grantor, grantee, and attorney to facilitate our compliance with postal regulations.
4. A space headed "SECTOR" to be added to allow machine sales listings to be made in groups of sales, representing economic trends in homogeneous geographical areas, within a taxing district. The value of such a device in the maintenance

of assessments is obvious.

It should be noted that this approach to using sales data in the appraisal process is endorsed by the Commission on Intergovernmental Relations.

5. Under Property Classification, the categories 3a-Farm (Regular) and 3b-Farm (Qualified) were added to replace category 3-Farm, to reflect provisions of the Farmland Assessment Act.
6. Space headed SPECIFIC PROPERTY USE to be added. This information will be invaluable in expediting screening operations in both the office and the field.
7. The addition of a ZIP CODE notation in the address of property area.
8. Two spaces have been allotted for the assessed value of the property sold:
  - a. Assessed Value (except Farm 3B-Qualified). The information to be inserted in these spaces is exactly the same as that called for on the non-revised SRL-A form. The assessed values for (1). Vacant Land, (2). Residential, (3). 3A-Farm (Regular), (4). 4a-Commercial, (5). 4b-Industrial, and (6). 4c-Apartment will be inserted in this space.
  - b. Assessed Value (Farm 3B-Qualified and Number of Acres for 3A and 3B).

This is an addition to the SRL-A form. This space is to be used by the assessor for inserting the assessed values for the 3B under the provisions of the Farmland Assessment Act. It will serve the assessor in verifying the assessment of a 3-B Qualified Farm and the amount of roll-back taxes chargeable



when the farm is sold for a use other than agricultural or horticultural. This information will also serve the Division of Taxation in supplying, to those concerned, assessed value, acreage, and sales price per acre for all farms that are sold (both 3A-Regular and 3B-Qualified).

9. A new space has been allotted for land data information. Inserting the size of plot assessed, the size of plot sold, and the standard lot depth on the revised SRL-A will serve several purposes, among them:

- a. It will alert the assessor, as well as the Bureau, to subdivisions and split-offs.
- b. It will provide the assessor with information essential to an up to date file of comparable sales.

In addition, the proposed revisions would include the imprinting on the reverse side of the State's and the Assessor's copies of the SRL-A as follows:

1. The reverse side of the white copy (Division's) of the SRL-A form will be imprinted, tumble fashion, with a verification check list to be used only by the field staff. The check list will serve as a means of communication between office evaluators and the field staff.

The printing of a check list on the reverse side of the white copy will serve, also, to remind field staff members, when investigating a sale, of many of the twenty-seven non-usable categories. And further, it will serve as a reminder to gather specific information concerning questions of zoning, property improvement and personal property which have a bearing on the



selling price of the property.

2. The reverse side of the pink copy (Assessor's) of the SRL-A form provides an area wherein the assessor can record much pertinent sales data because there is no tool in the hands of the assessor more important to maintenance of assessment rolls than a good, comparable sale file. Since most assessors in New Jersey do not take full advantage of the sales data available to them as a result of the sales ratio program, it is hoped that by providing this additional space for sales data, which is essential to a file of comparable sales, more assessors will make effective use of it in maintaining their assessment rolls. Again, it should be noted that the Commission on Intergovernmental Relations urged that more effective use be made of the by-products of sales-assessment ratio programs.

After full deliberation, the Committee recommends that the suggested revisions to the Form SRL-A be made and the new form SRL-A, which results, be adopted.

ONLY RETURN BALANCE OF \$500

1. COUNTY TAX BOARD - FILL IN SECTION ONE; REMOVE BOTTOM COPY AND CARBON ONLY. SEND BALANCE OF SET, INTACT, TO ASSESSOR'S OFFICE.
2. ASSESSOR - FILL IN SECTION TWO, REMOVE BOTTOM COPY AND CARBON ONLY. RETURN BALANCE OF SET, INTACT, TO COUNTY TAX BOARD.
3. COUNTY TAX BOARD - REMOVE BOTTOM COPY AND CARBON ONLY. SEND BALANCE OF SET, INTACT, TO LOCAL PROPERTY TAX BUREAU, 219 W. STATE ST., TRENTON, N.J.

**0-57 210M**

219 W. STATE ST.  
TRENTON, N. J.

**DIVISION OF TAXATION  
STATE OF NEW JERSEY  
LOCAL PROPERTY TAX BUREAU**

FORM NO.  
SRI-A

DATE	COUNTY	DISTRICT
<b>DEED REGISTRATION</b>		
BOOK	PAGE	DEED DATE
DATE RECORDED	STAMPS	PRICE
		<input type="checkbox"/> ACTUAL <input type="checkbox"/> COMPUTED
GRANTOR		ADDRESS
GRANTEE		ADDRESS

MAP & TAX BOOK DESCRIPTION				PROPERTY CLASSIFICATION					
BLOCK	LOT	PAGE	LINE	1 VACANT LAND	2 RESIDENTIAL	3 FARM	4A COMMERCIAL	4B INDUSTRIAL	4C APARTMENT

ASSESSED VALUE			
YEAR	LAND	BUILDINGS	TOTAL

ADDRESS OF PROPERTY \_\_\_\_\_

REMARKS: \_\_\_\_\_

FOR USE ONLY BY LOCAL PROPERTY TAX BUREAU			
USABLE — YES <input type="checkbox"/>	NO <input type="checkbox"/>	TO VERIFY <input type="checkbox"/>	QUESTIONNAIRE <input type="checkbox"/>
CHECK	TOTAL SALES PRICE	MORTGAGE	FOR CHATTELS
REMARKS:			

SECTION THREE

VERIFIED BY: \_\_\_\_\_

DATE: \_\_\_\_\_

REMARKS: \_\_\_\_\_

SALES PRICE  
 \_\_\_\_\_

USE REVERSE SIDE FOR ADDITIONAL REMARKS
 

USABLE	N	E	C	I	P	V			
YES <input type="checkbox"/> NO <input type="checkbox"/>									

SERIAL NO.  
  
  
 RATIO

DIVISION OF TAXATION-FILE COPY

314 E. STATE ST.  
TRENTON, N.J.

DIVISION OF TAXATION  
STATE OF NEW JERSEY  
LOCAL PROPERTY TAX BUREAU

FORM NO.  
SR1-A

SECTION ONE

DATE		COUNTY & CODE NO.		DISTRICT & CODE NO.	
DEED REGISTRATION					
BOOK	PAGE	DEED DATE	DATE RECORDED	STAMPS	PRICE
					<input type="checkbox"/> ACTUAL <input type="checkbox"/> COMPUTED
GRANTOR:		MAILING ADDRESS		ZIP CODE	
GRANTEE:		MAILING ADDRESS		ZIP CODE	
ATTORNEY:		MAILING ADDRESS		ZIP CODE	

SECTION TWO

MAP & TAX BOOK DESCRIPTION				SECTOR		
BLOCK (S)	LOT (S)	PAGE	LINE			
PROPERTY CLASSIFICATION						
<sup>1</sup> VACANT LAND	<sup>2</sup> RESIDENTIAL	<sup>3A</sup> FARM-REGULAR	<sup>3B</sup> FARM-QUALIFIED	<sup>4A</sup> COMMERCIAL	<sup>4B</sup> INDUSTRIAL	<sup>4C</sup> APARTMENT
ADDRESS OF PROPERTY				SPECIFIC PROPERTY USE		
ZIP CODE						
ASSESSED VALUE (EXCEPT FARM 3B QUALIFIED)						
YEAR	LAND	BUILDINGS	TOTAL			
ASSESSED VALUE (FARM 3B QUALIFIED)			NUMBER OF ACRES			
YEAR	ASSESSMENT	3A REGULAR	3B QUALIFIED			
LAND DATA						
SIZE OF PARCEL ASSESSED		SIZE OF PARCEL SOLD		STANDARD LOT DEPTH		
FOR ASSESSORS REMARKS:						

VERIFY

SECTION THREE

USABLE	PROCESSED	VERIFICATION		SALES PRICE
<input type="checkbox"/> YES	<input type="checkbox"/> KEY PUNCHED	<input type="checkbox"/> ACTUAL	<input type="checkbox"/> FIELD INVEST.	
<input type="checkbox"/> NO	<input type="checkbox"/> KEY VERIFIED	<input type="checkbox"/> COMPUTED	<input type="checkbox"/> QUESTIONNAIRE	
SIGNATURE		RATIO		SERIAL NO.
		A 15		

## SRI-A VERIFICATION CHECK LIST

☐ Yes      ☐ No☐ Yes      ☐ No

☐ Yes      ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes    ☐ No☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No☐ Yes ☐ No

☐ Yes ☐ No

☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No☐ Yes    ☐ No☐ Yes ☐ No

Nature of Imp. \_\_\_\_\_

☐ Yes ☐ No

Sale Conditional Upon \_\_\_\_\_

☐ Yes. ☐ No

Firm. \_\_\_\_\_ Other \_\_\_\_\_ No Breakdown \_\_\_\_\_

Cash	Mtg. (s)	Total
------	----------	-------

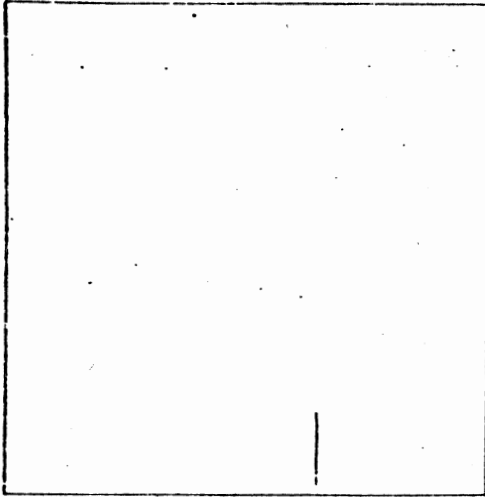
☐ Usable \_\_\_\_\_ ☐ Non-Usable \_\_\_\_\_

REMARKS: \_\_\_\_\_

Signed \_\_\_\_\_

## LAND DATA

### PLOT SKETCH



PLOT SIZE \_\_\_\_\_

TOPOGRAPHY \_\_\_\_\_

UTILITIES \_\_\_\_\_

ZONING \_\_\_\_\_

OBSOLESCENCE \_\_\_\_\_

REMARKS: \_\_\_\_\_

SALE ANALYSIS

SALES PRICE  
PER FRONT FOOT: \_\_\_\_\_

SALES PRICE  
PER SQUARE FOOT: \_\_\_\_\_

SALES PRICE  
PER ACRE: \_\_\_\_\_

OTHER: \_\_\_\_\_

## IMPROVEMENT DATA

FUNCTIONAL UTILITY

STRUCTURAL FRAME

EXTERIOR WALL

STORIES

AGE

CONDITION

APARTMENTS

ROOMS

NO. OF BATHS

HEAT

STORES

ELEVATORS

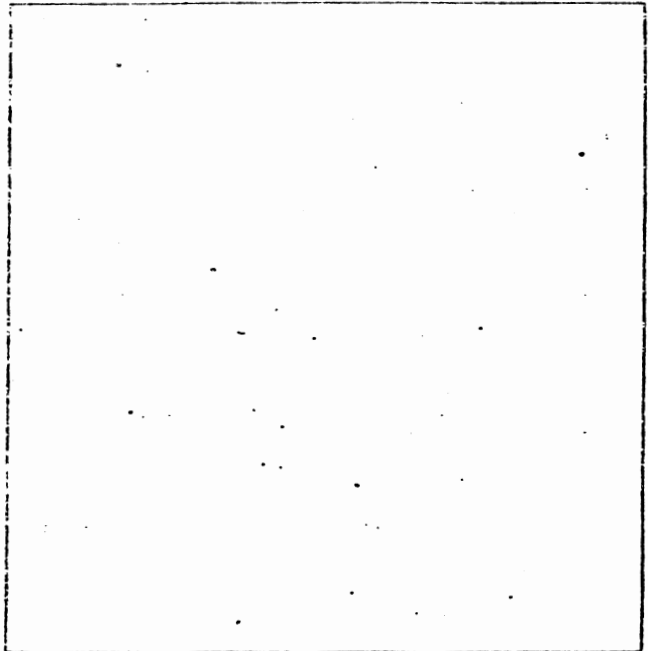
GROUND FLOOR AREA

TOTAL FLOOR AREA

PERCENT OFFICE SPACE

OTHER IMPROVEMENTS

### BUILDING SKETCH



### INCOME DATA

GROSS INCOME

NET INCOME

INCLUDED IN RENT

☐ GAS

☐ HEAT

☐ ELECTRIC

☐ AIR CONDITIONING

☐ WATER

☐ FURNISHINGS

### SALE ANALYSIS

SALES PRICE PER  
RENTAL UNIT: \_\_\_\_\_

SALES PRICE PER  
ROOM: \_\_\_\_\_

SALES PRICE PER  
SQUARE FOOT OF BUILDING GROUND AREA: \_\_\_\_\_

SALES PRICE PER  
SQUARE FOOT OF BUILDING TOTAL AREA: \_\_\_\_\_

INDICATED GROSS  
RENT MULTIPLIER: \_\_\_\_\_

REMARKS: \_\_\_\_\_

REVERSE SIDE of ASSESSOR'S COPY (PINK)

### III. SRI-A PROCESSING - EIGHT WEEK SCHEDULE

The SRI-A form is designed to summarize the sales data from the deed abstract which is filed by the County Clerk with the Board of Taxation for each real estate sales transaction which is recorded in the Clerk's office. Ultimately, it is the sales data information, as recorded on the SRI-A form, which becomes the raw material for the Equalization Tables which are prepared as part of the State Tax Equalization program.

The Equalization Program is the essential basis upon which State School Aid funds are disbursed by the Commissioner of Education to school districts throughout the state. In addition, the Equalization Tables are used as the basis for apportioning county government costs among their constituent municipalities.

It is obvious that the raw material from which the Equalization Tables are prepared, if the highest degree of equitability in the distribution of funds is to be maintained, must be supplied on a uniformly current basis. The Committee, recognizing that various practices obtain in different counties which mitigate against the desired uniformity in flow of information, discussed the various ways and means by which the Equalization Tables can be maintained at the highest level of utility and equitability. In considering this problem the Committee reflected upon methods to which all persons concerned with the entering and transmitting of the raw data must adhere in order to insure the optimum accuracy and timeliness of the table.

Along this line, the Committee decided to recommend the establishment of a rigid time schedule for the flow of the SRI-A forms from the County Boards of Taxation to the assessors, and thence, back through the County



Boards to the Local Property Tax Bureau. The Committee noted that the time schedule, which they recommend be adopted, would require some special attention in the area of enforcement. Yet the Committee does, most emphatically, recommend that the eight-week maximum time-table, presented below, be adopted.

Eight Week Schedule

1. Abstract of deed (2 copies)\* from the recording officer in the County Clerk's office to the County Tax Board, two (2) weeks.
2. County Tax Board to complete Part I of the form and forward it to the assessor, two (2) weeks.
3. Assessor's investigation and processing three (3) weeks.
4. County Tax Board, processing and delivery to the Local Property Tax Bureau, one (1) week.

\*Previously, the County Clerk was required to send only one copy of the abstract of deed to the Board of Taxation. To have two copies sent may require legislation, if so, the Committee recommends that it be initiated.

#### IV. PRELIMINARY TABLE OF EQUALIZED VALUE

Throughout the year the Division of Taxation proceeds with the gathering of statistical information for use in the preparation of the Director's Table. As SRL-A forms are received, they are screened, and then the sales assessment data is entered upon punch cards for use by data processing equipment. These sales samples, for use in the preparation of the table, are accumulated on a continuous basis from the steady flow of SRL-A information to the Division of Taxation.

To keep local assessors aware of the transactions which are being accumulated for use in the Equalization Table, the Division of Taxation has developed the practice of sending Interim Grantor Listings (lists of these transactions) to them for their scrutiny. In addition to providing greater accuracy and reliability, this procedure protects the assessor against crash programs of SRL-A examinations at the time of the issuance of the Equalization Table.

The readily usable real estate market data which can be used by the assessor in appraising properties of a like kind and location is an important by-product of the grantor listings. Because of this important by-product, the Committee recommended that the listings be provided in block and lot sequence to make them even more useful for comparative purposes. This last recommendation is now being carried out.

In connection with the grantor listings, the assessor needs a method whereby he can appeal transactions which should be treated differently, or, for which, valuations are not properly stated. Form SR-6 is the means by which the assessor can seek such changes in the data as are shown to

him on the grantor listings. If the assessor examines the grantor listings immediately upon receiving them, and submits form SR-6 where corrections are necessary, he will avoid all the last minute pressure and confusion which are attendant to attempts at correction after the Director's Table of Equalized Valuations has been promulgated.

To further protect the assessors from crash programs, the Committee recommends that a Preliminary Table of Equalized Values be published by the Division of Taxation on, or before, July 1 of each tax year which shall include all the sales which will be considered in formulating the final table. The Committee felt that a preliminary table would alert the assessor to the effect of the SRI-A's upon the tax picture in his district in sufficient time to enable him to re-examine the grantor listings and, as a result, file, informally, any forms SR-6 which he might feel to be justified. In addition, the County Boards could review and forward any recommendation for correction to the Local Property Tax Bureau for consideration.

In relation to the preliminary table, the Committee recommends that a closing date of August 15 be established for the filing of any form SR-6, petition for revision. Forms SR-6 will be accepted after this closing date only at the discretion of the Director whose decision will be based upon the merits of the particular case.

In connection with this entire procedure, assessors are cautioned that after October 1, appeals can be made only to the Division of Tax Appeals.

V. STATISTICAL METHODS, PROCEDURES AND STANDARDS

Weighted Versus Unweighted Ratios

Implementation of Chapter 51, Laws of 1960 with its "common level" provisions emphasized the fact that more than one average can be derived from a single sample. In contrast to the "weighted average" which has been the basis for equalization ratios throughout the New Jersey equalization program, the "common level" is described as the unweighted average ratio. The fact that these two averages of the same data yield different results has been the source of some confusion concerning the choice of average to use.

In its broadest sense an average is nothing more than a single experience derived from a number of experiences and used to represent the general character of all experiences. Whatever words may be used to describe it--such as common, typical, usual, normal--the average is a measure of the central tendency of experiences which vary among themselves and, thus, vary from the average used to represent them. Every description is, in some sense, an average in that it generalizes information in a form to be communicated, understood, or acted upon. Consider, for example, the way averages underlie such ordinary concepts as normal temperature, amount of rainfall, profits from sales, wage rates, and automobile speed, among others. Each of these concepts is based upon a condensation of a mass of data to a single figure or a single measure.

There are several different kinds of averages and each has its own meaning and use. The choice among averaging methods depends upon what it is that is to be expressed. For example, the equalization table, prepared

A22

annually by the New Jersey Division of Taxation, has as its purpose the approximation of "full" or market value of all taxable real estate within each taxing district. The weighted average is superior to other averaging methods for this purpose because it provides an average ratio capable of indicating the total market value represented by total assessed values for any given sample of properties. This will be true regardless of how varied their individual assessment ratios may be. None of the other averaging methods can yield this result under all circumstances.

If our purpose is to bring all property assessments to a common level (defined as one capable of maintaining aggregate assessed values unchanged, as equalization occurs), the weighted mean is the only satisfactory average. For purposes of the New Jersey annual equalization table, additional assurance of reliability is accomplished by developing the weighted average separately for each of four classes of property. Full or equalized (market) values are estimated separately for each class of property on the basis of total assessed values and the weighted average assessment ratio. Composite full or equalized (market) values are derived as the sum of the four separate calculations. The composite, or overall average assessment ratio, represents the percentage of total assessed to total estimated full or equalized (market) values. The composite average is thus weighted not only by the value of properties within the sample of observations, but also, by the value of comparable properties within the entire assessment roll. Such weighting, thus, takes into account variations in sample coverage for each class of property as well as variations in property values.

The Committee, after lengthy deliberations regarding the two averaging methods, concluded that the use of weighted averages was more appropriate to obtain the approximation of "full" or market value of all taxable real

estate within each taxing district which is required for an equitable Equalization Table. The Committee felt that no other averaging method could yield as meaningful as a result under all circumstances.

For the foregoing reasons, the Committee recommends the continuance of the currently employed statistical methods, whereby sales-ratio figures for the Equalization Table are developed through the use of weighted averages.

VI. CATEGORIES OF NON-USABLE DEED TRANSACTIONS

The Director's Table cannot be qualitatively better than the sales transactions upon which it rests. For this reason, sales which cannot be deemed to meet the "market value" test of a sale between a willing buyer and a willing seller should not be included in the statistical base upon which the table rests.

Appended, hereto, is a list of 27 deed transactions which are deemed to be non-usable for purposes of the Equalization Program. They are established pursuant to Chapter 86, Laws of 1954 (N.J.S.A. 54:1-25.1 et. seq.). The transactions described do not fall within the concept of a sale between a buyer willing, but not obliged to buy, and a seller willing, but not obliged to sell.

The entire list of non-usable categories was reviewed by the Committee. The application of categories #6 and #26 to split-offs, assemblages, and assessments under the "Freeze Act" was reviewed. However, a sub-committee, in studying the question, feared that the enumeration in these categories of specific examples of non-usability would result in an unlimited expansion of the non-usable categories. For this reason, no changes are recommended in these categories.

The Committee does recommend that two of the categories, specifically #18 and #20, be changed to read as follows:

- No. 18. Transfer to banks, insurance companies, savings and loan associations, mortgage companies, OR ANY OTHER LIEN HOLDER when the transfer is made in lieu of foreclosure.
- No. 20. Acquisitions, RESALE OR TRANSFER by railroads, pipeline companies or other public utility corporations for right-of-way purposes.

N.B.-The words in block capitals are the additions to the categories as presently written.

STATE OF NEW JERSEY  
DEPARTMENT OF THE TREASURY  
DIVISION OF TAXATION  
LOCAL PROPERTY TAX BUREAU  
TRENTON 25, NEW JERSEY

CATEGORIES OF NON-USABLE DEED TRANSACTIONS

July 1, 1958 (Revised)

The deed transaction of the following categories are not usable in determining assessment-sales ratios pursuant to Chapter 86, Laws of 1954 (N.J.S.A. 54:1-35.1 et. seq.).

1. Sales between members of the immediate family.
2. Sales in which "love and affection" are stated to be part of the consideration.
3. Sales between a corporation and its stockholder, its subsidiary, its affiliate or another corporation whose stock is in the same ownership.
4. Transfers of convenience; for example, for the sole purpose of correcting defects in title, a transfer by a husband either through a third party or directly to himself and his wife for the purpose of creating a tenancy by the entirety, etc.
5. Transfer deemed not to have taken place within the sampling period. Sampling period is defined as the period from July 1, to June 30, inclusive, preceding the date of promulgation, except as hereinafter stated. The recording date of the deed within this period is the determining date since it is the date of official record. Where the date of deed or date of formal sales agreement occurred prior to January 1, next preceding the commencement date of the sampling period, the sale shall be non-usable.
6. Sales of property conveying only a portion of the assessed unit, usually referred to as apportionment, split-offs or cut-offs; for example, a parcel sold out of a larger tract where the assessment is for the larger tract.
7. Sales of property substantially improved subsequent to assessment and prior to the sale thereof.
8. Sales of an undivided interest in real property.
9. Tax sales.
10. Sales by guardians, trustees, executors and administrators.
11. Judicial sales such as partition sales.
12. Sheriff's sales.



13. Sales in proceedings in bankruptcy, receivership or assignment for the benefit of creditors and dissolution or liquidation sales.
14. Quit-claim deeds.
15. Sales to or from the United States of America, the State of New Jersey, and/or any political subdivision of the State of New Jersey; including boards of education and public authorities.
16. Sales of property assessed in more than one taxing district.
17. Sales to or from any charitable, religious or benevolent organization.
18. Transfers to banks, insurance companies, savings and loan associations, mortgage companies, when the transfer is made in lieu of foreclosure.
19. Sales where purchaser assumes more than two years of accrued taxes.
20. Acquisitions by railroads, pipeline companies or other public utility corporations for right-of-way purposes.
21. Sales of cemetery lots.
22. Transfers of property in exchange for other real estate, stocks, bonds, or other personal property.
23. Sales of commercial or industrial real property which include machinery, fixtures, equipment, inventories, goodwill when the values of such items are indeterminable.
24. Sales of property, the value of which has been materially influenced by zoning changes where the latter are not reflected in current assessments.
25. Transactions in which only 55¢ in revenue stamps are affixed to the conveyance unless the actual consideration has been determined.
26. Sales which for some reason other than specified in the enumerated categories are not deemed to be a transaction between a willing buyer, not compelled to buy, and a willing seller, not compelled to sell.
27. Sales occurring within the sampling period but prior to a change in assessment practice resulting from the completion of a recognized revaluation or reassessment program; i.e. sales recorded during the period July 1 to December 31 next preceding the tax year in which the result of such revaluation or reassessment program is placed on the tax roll.

Transfers of the foregoing nature should generally be excluded but may be used if after full investigation it clearly appears that the transaction was a sale between a willing buyer, not compelled to buy, and a willing seller, not compelled to sell, and that it meets all other requisites of a usable sale.



MIDDLESEX COUNTY BOARD OF TAXATION  
COUNTY RECORD BUILDING  
NEW BRUNSWICK, N. J.

RECEIVED  
AUG 30 1968  
DIVISION OF TAXATION

COMMISSIONERS  
WILLIAM J. HARDING  
A. CLAYTON HOLLENDER  
JOHN F. FITZPATRICK

SECRETARY  
FRANK M. DEINER

TAX ANALYST  
ETHEL M. S. YAHNEL

August 27, 1968

James A. Arnold, Jr., Chief  
Tax Research and Statistics  
Division of Taxation

Dear Mr. Arnold:

Enclosed herewith is my comments on the proposed draft of the report with respect to a review of the Sales Ratio and Equalization Program.

I am sending a copy to the Director and all members of the Committee.

Please pardon the delay in sending it. I can only blame the pressure of business as an excuse.

Very truly yours,  
MIDDLESEX COUNTY BOARD OF TAXATION

Ethel M. S. Yahnel  
Ethel M.S. Yahnel Tax Analyst

## V. STATISTICAL METHODS, PROCEDURES AND STANDARDS

### Weighted Versus Unweighted Ratios

This committee should recommend the adoption of the use of the unweighted ratio or arithmetic mean to determine the ratio or percentage of true value at which the real property of each taxing district is in fact assessed. It would result in a more effective use of the data available.

Every usable sale is worthwhile indication of value. The maximum likelihood of determining the average ratio that assessments in a taxing district bear to current market value is to average the ratios of each sale.

The sale study is the most acceptable method of determining the average ratio but it is not a random sample of the Tax List.

The unweighted ratio minimizes the effect of errors or bias while providing a method of obtaining an estimated ratio and estimate of valuation within a municipality. The studies in our county have shown through the years, that it is more accurate and consistent. The average of the ratios is recommended by numerous authorities for handling surveys in which the type of distribution may change from one item to another and the time and cost of estimating the frequency distribution of each sale as it represents an example of the whole and making the necessary adjustment would be completely out of proportion to any possible gain in precision.

The "Guide for Assessment-Sales Ratio Studies" by the Federation of Tax Administrators in June of 1954 stated:

"Use of an arithmetic mean with transfers weighted

according to sales prices is subject to the further objection that a single transaction can unduly affect the mean of the sample. This is especially true when the number of sales in the distribution is small.\*\*\*A single large transaction in a small sample makes the influence of its abnormally high assessment-sales ratio particularly pronounced. This effect can be justified only if it is assumed that the sale in question is of property which, as a class, bears the same relationship to all property in the district as the transferred property bears to all property in the sample, and further, that the assessment ratio for this single transaction fairly represents the assessment ratio pertaining to that class of property in the district. As neither of these assumptions is ordinarily valid, the case against use of this type of measure of central tendency can be clearly demonstrated, especially where the sample is small or of moderate size."

Most municipalities throughout the state have had at least one professional revaluation.

Since the decision in the Kent case and other cases involving discrimination there is no longer any basis for assuming that a different ratio is being applied to any particular type of property.

Observation of the data available verifies that prediction.

This Committee was unanimously concerned by the distortions resulting by the use of the present weighted ratio and earnestly sought some method of correcting the obvious inequities that have been apparent since the inception of the Directors Table of Equalized Values.

Mr. Kiely said in his report to the Committee Dated May 25, 1967:

"Our Municipality is concerned with the fluctuations in the aggregate true value of real property calculated for the City and used in the State's School Aid Formula. Our concern has greatly deepened since the recent change in the formula that more than doubles the formula's sensitivity to these fluctuations.

"We do not feel that the value of our real property is truly reflected by the results of the present system of determining that true value. We are of the opinion that the oscillations over the years of our true value are almost entirely a result of being necessarily limited in the sampling procedure to these properties that are sold. The result of the sampling, not being representative of the universe, has had a severe effect on the State School aid received by our Municipality."

While the method he suggested lessens the effect of fluctuations it does not cure the inequities directly resulting from unjustified stratification.

Before stratifying it is essential that the classes be internally homogeneous in that the measurements vary little from one unit to another in the stratum. This should be true whether dealing with property use, assessed valuation or price paid.

While the statistics in the 6th Report may have justified the conclusion that property was being illegal assessed differently by class, it has been obvious from the beginning that adequate data could not be obtained from a sales study which divided all property into the four classes being used.

No standards have been or could be set to specifically separate the 4 classes and the results of putting a particular property in one or another class can greatly effect the resulting average.

However beneficial it may be for planning and other purposes to assign a classification by use to property in a taxing district there is no justification to conclude that their assessments are internally homogeneous in a heterogeneous population. The data available in Middlesex County indicates that the converse is true.

The Law requires all property to be assessed by the same standard.

There are a limited number or no samples in Classes 1, 3 & 4.

What is the correct classification of 1 or more stores with 1, 2, 3 or 4 apartments Class 2 or 4?

A residence with a professional office?

Land used for industrial or commercial purposes with trailer for office or store? This is becoming an increasing problem. (Shift in Sayreville from vacant land to Industrial class would have changed the weighted ratio for one year from 47% to 37%. The trailer office and equipment of an operating sand and gravel mining operation were assessed as personal property.) Branch banks are being operated in trailers quite frequently now as are other businesses. Trailers are assessed as personal property and land is classed vacant.

Sales containing vacant land and class 2, 3 or 4 property are put in those classes even when the object was to obtain the vacant land. The cost of removing the buildings added to the price of the land is what is actually paid.

The fact that where there are no samples in the class, and the residential ratio is used, but one sale requires the use of that ratio for the entire class although there is no indication that the one sale is a homogeneous sample of the class is grossly inequitable.

It is statistically unsound to classify data into groups that overlap particularly when the choice of the class, can change the results drastically. Since the True Value of a taxing district is the same, the fact that the estimated average resulting from which class is used can be vastly different because of the class selected, the method of classification is obviously wrong. This is not a result of sampling error but of unjustified and erroneous weighting.

Middlesex County used the unweighted ratio for its Equalization Table in 1955 and was upheld by the courts. In 1965 the use of the unweighed ratio was resumed because we are convinced that it is the superior method. The courts again upheld its use in 1965 and 1966. There was only a token objection in 1967. The courts had not decided the 1966 case. In 1968 there was no objection and the assessors in our county prefer it.

The only argument presented by the Township of Woodbridge and their expert, Dr. Merrill, in the 1966 case to support the use of the weighted ratio was that if all the facts are known the weighted ratio is accurate. However, he testified that if the samples are not truly representative of the whole, the results are wrong. He also agreed that the weighted ratio magnified errors.



An argument in semantics of the definition of average would only cloud the purpose of the group in arriving at a more acceptable or improved method of using the existent statistical data to obtain a closer proximity to accuracy.

This committee should recommend the use of the un-weighted ratio as a superior method of obtaining the average true value.

\*\*\*\*\*

#### OTHER OBSERVATIONS

The Realty Transfer Fee Law has presented the Committee with the need for revision of the proposed new SRLA forms as well as other aspects of the proposed report which I feel should not be made addenda to the committee report.

These are my thoughts on what changes should be considered as a result of Ch 49 of the Laws of 1968.

The SRLA form can omit the sections designated "Stamps", "Actual", and "Computed". This is obvious.

It will save considerable time and expense if those SRLA's where no fee is required are immediately sent to the Local Property Tax Bureau, with the pink copy being sent to the Assessor. Under remarks, the fact that there is no fee

on the required deed should be inserted with the NU category and the initials of the person handling the SRLA's for the County.

Serious consideration should again be given to the future value of any questionnaires at the state level.

While I agree with Mr. Leodori that adjustments should be made at the state level to correct errors in prior years data, use of the unweighted ratio would offset the effect of the error. The courts have not ruled that the Director could not correct errors but that he should not be compelled to correct them. With the additional time allowed there should be no difficulty in making obvious corrections.

# Camden County Board of Taxation

11TH FLOOR, CITY HALL

CAMDEN, N. J. 08101

JOHN A. BORDEN  
PRESIDENT

J. JOHN GASPARRE

M. LEROY COBBIN

HAROLD F. WALTERS  
SECRETARY

WOODLAWN 4-8700

July 18, 1968

James A. Arnold, Jr., Chief  
Tax Research and Statistics  
Department of the Treasury  
Division of Taxation  
363 West State Street  
Trenton, New Jersey 08625

RECEIVED

JUL 19 1968

DIVISION OF TAXATION

Dear Jim:

I have read with a great deal of interest the proposed Report of the Director's Committee to Review the Sales Ratio Study Program, and am in general accord with the proposed draft.

I would suggest that on page 2, that some comment be made with regard to the fact that the ratios are developed from sales which occur during a 24 month period rather than the 12 month, and explain the pick-up and drop-off of a fiscal year as time went on. As I read it, it appears to convey a false impression with regard to the Sales Study.

I am particularly in favor of the change-over to the calendar year method as outlined on page 6, because of the fact that it will eliminate some of the extreme fluctuations which have occurred during recent years by reason of the change eliminating the first year sampling period and adding a new year, in effect changing 50% of the sales. Extending the study over a longer period of years will have the effect of minimizing any substantial changes which have been caused in the past by individual transactions, which have been substantial enough to materially alter the ratio of assessed to true value for a district.

I am particularly in accord with the proposal to group sales by sector, so far as SRL-A's are concerned, in

A37

order that assessors will have the advantage of sales grouping in specific areas to form the basis for re-assessment as deemed necessary, for correction of existing assessments. The proposed addition to the reverse side of the assessor's copy should be very helpful in that respect.

I am also in accord with the proposal to maintain use of the weighted average as used by the Director, since under the recommended proposal for extension of the study period, it will tend to minimize substantial changes in average ratios from year to year.

I am also in agreement with regard to categories of non-usable deed transactions and the recommendations amending same. It occurs to me, however, that if the calendar year study period is adopted, that non-usable deed category #27 would have to be changed or re-worded.

I trust that this will be of help to yourself, the Director and the Committee, in the recommendations to be made.

With kindest personal regards, I am

Very truly yours,

  
John A. Borden

JAB:nb

CITY OF PLAINFIELD  
NEW JERSEY

OFFICE OF THE TAX ASSESSOR  
PLAINFIELD 6-3497

August 13, 1968

Mr. James A. Arnold Jr.  
Chief, Tax Research and Statistics  
Department of the Treasury  
Division of Taxation  
363 West State Street  
Trenton, New Jersey 08625

Re: Report of the Director's  
Sales Ratio Committee

Dear Jim:

I approve of the report of the above mentioned committee with one reservation. Since the sampling process depends entirely on the sales that occur and cannot be controlled, some system of controlling the end product (true value) is desirable. I respectfully suggest the system of dampening the fluctuations in true value as suggested in my report of May 25, 1967 be given consideration.

Very truly yours,



Daniel P. Kiely Jr.  
Tax Assessor

DPK/mc

RECEIVED

AUG 14 1968

DIVISION OF TAXATION

CITY OF VINELAND

5 South State Street  
VINELAND, NEW JERSEY 08360

OFFICE OF  
ASSESSOR OF TAXES

TELEPHONE: 691-3000  
AREA CODE 609

July 23, 1968

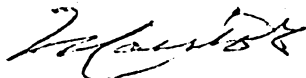
James A. Arnold, Jr., Chief  
Tax Research and Statistics  
Division of Taxation  
363 West State Street  
Trenton, New Jersey 08625

Dear Jim:

This is to acknowledge receipt of your letter of July 16, 1968 together with the proposed draft of a report of the Director's Committee to review sales-assessment ratio and equalization programs.

This report has been carefully studied and meets with my approval with the following suggestion. It is believed that Daniel P. Kiely's comments regarding giving more consideration to weighing the ratios so as to avoid precipitous fluctuations should be referred to the Director for his consideration.

Very truly yours,



Marriott G. Haines, SMA, CAE  
Assessor

MGH:rs

RECEIVED  
JUL 24 1968  
DIVISION OF TAXATION

A40

# Ocean County Board Of Taxation

J. IRVING GRANT, President  
Forked River, N. J.  
J. CHESTER HOLMAN, Sec'y  
Toms River, N. J.

Telephone 244-2121  
Ext. 295

GEORGIAN KOLBER  
Lakewood, N. J.  
RUBEN D. SILVERMAN  
Lakewood, N. J.

Toms River, New Jersey

August 7, 1968

Mr. James A. Arnold, Jr., Chief  
Tax Research and Statistics  
State of New Jersey  
Department of the Treasury  
Division of Taxation  
363 West State Street  
Trenton, New Jersey 08625

Dear Jim:

This is to acknowledge receipt of the proposed draft of a report of the Director's Committee to review Sales-Assessment Ratio and Equalization Programs.

I would like to suggest that the Committee be called together once more for the review of this report. I feel that it would be well to discuss the report by sections and record the action of the committee on each section.

I would like to call your attention to the particular section dealing with the change of the SR1-A form. Some changes in this form maybe required as a result of the new Realty Transfer Fee Legislation, Chapter 49, Laws of 1968.

Respectfully yours,

*J. Chester Holman*  
J. Chester Holman  
Secretary

JCH/j

RECEIVED  
AUG 9 1968  
DIVISION OF TAXATION

A 41

CITY OF PLAINFIELD  
NEW JERSEY

OFFICE OF THE TAX ASSESSOR  
PLAINFIELD 6-3497

May 25, 1967

Directors Sales Ratio Study Committee  
Trenton, New Jersey

Dear Member:

This report is a written version of a statement made by the writer at one of the regular Committee meetings. The report is submitted only to assist the Committee in its deliberations. The values are those of the City of Plainfield for the simple reason that they were readily available.

Respectfully submitted,



Daniel P. Kiely Jr.  
Member, Directors Sales  
Ratio Study Committee



REPORT  
SUGGESTING THE USE OF A  
WEIGHTED RUNNING AVERAGE  
IN THE TRUE VALUE DETERMINATION  
FOR USE IN THE STATE SCHOOL AID FORMULA

Our Municipality is concerned with the fluctuations in the aggregate true value of real property calculated for the City and used in the State's School Aid Formula. Our concern has greatly deepened since the recent change in the formula that more than doubles the formula's sensitivity to these fluctuations.

We do not feel that the value of our real property is truly reflected by the results of the present system of determining that true value. We are of the opinion that the oscillations over the years of our true value are almost entirely a result of being necessarily limited in the sampling procedure to those properties that are sold. The result of the sampling, not being representative of the universe, has had a severe effect on the State school aid received by our Municipality.

Since there does not seem to be any solution to the paucity of samples, we feel an artificial dampening of the true value oscillations is justified and, in order to accomplish this artificial dampening, we urge that the Committee consider at least doubling the weight of the previous years' true value, adding the true value developed from a single years' sales sampling and dividing by three in arriving at the true value.

The effect of this procedure on Plainfield and some other pertinent data is shown on the following charts.

CHART NO. 1

This is an effort to show that it is the paucity of samples that causes the large variations in aggregate true value of real property.

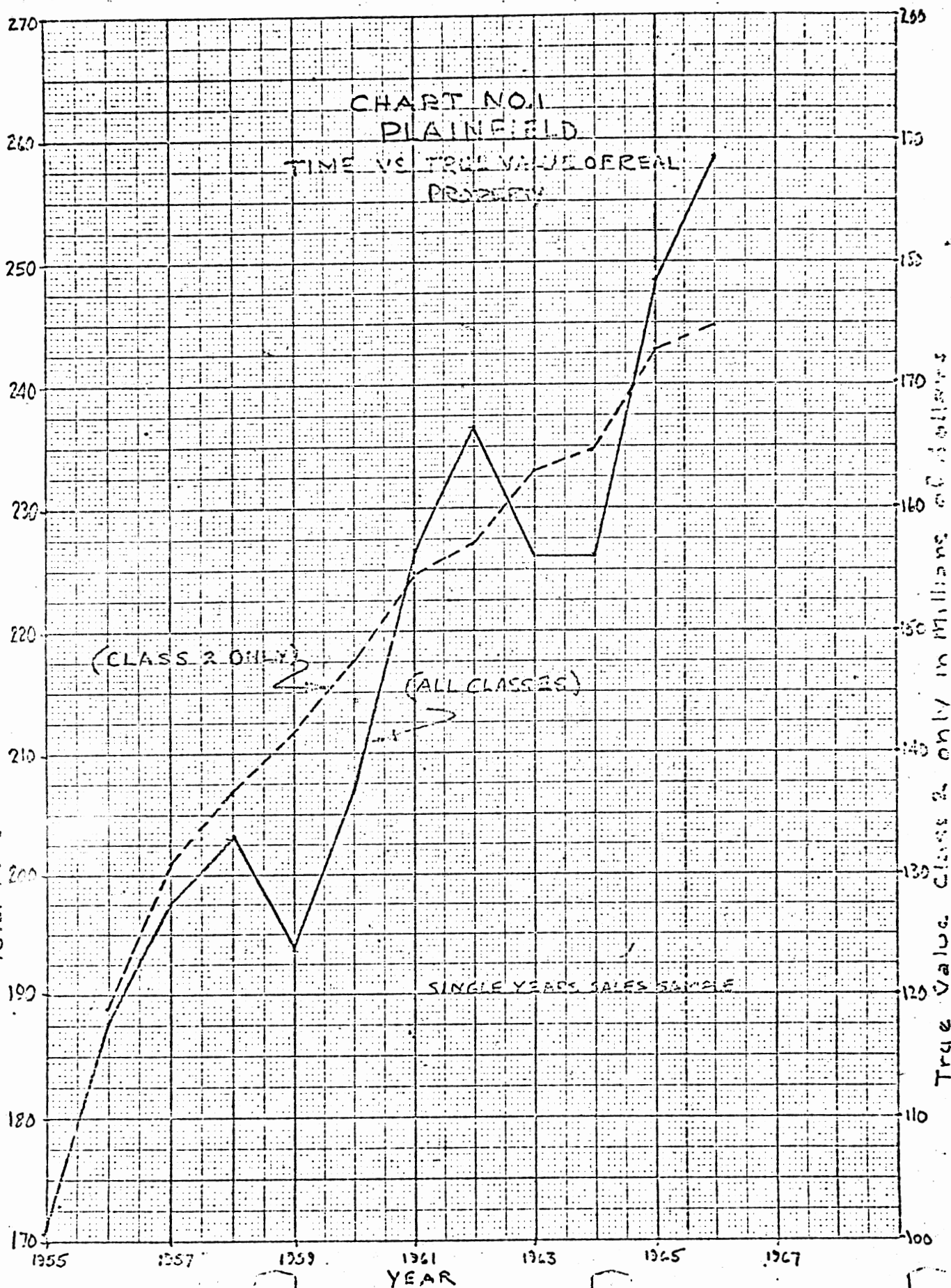
The dotted line is a plotting of the true value of Class 2 property only from 1955 to 1967 using a single year's sample to eliminate any dampening. The plotting is almost a straight line. The sales available for use as samples are many in this class and it is felt the dotted line truly represents the true value of Class 2 property in the City.

The solid line is a plotting of the true value of all classes from 1955 to 1967 using again only a single year's sampling. The plotting no longer approaches a straight line but reflects large changes in the true value from year to year. We feel these changes are a result almost entirely of the paucity of sales in Class 1 and 4. We feel strongly that if a sufficient sampling process were available a plotting of the true value would approximate the path of the "Class 2 only" plot.

NO. 34120 DICTZGEN GRAPH PAPER  
20 X 30 PER INCH  
EUGENE DICTZGEN CO.  
MADE IN U. S. A.

# CHART NO. 1 PLAINFIELD

TIME VS TRUE VALUE OF REAL  
PROPERTY



A46

## CHART NO. 2

This is a plot of Plainfield's true value from 1955 to 1967. The solid line represents the true value calculated under the present system.

The dashed line plots the true value over the years calculated using the formula system with a running average on a one to one basis with the previous year. This plotting shows some dampening of the variations. This is certainly an improvement over the present system.

The dot-dash line shows the plotting of the true value from 1955 to 1967 calculated using the formula system and a running average but doubling the weight of the previous year's true value. This plotting shows even more dampening of the variations. This line approaches more nearly the straight line that was a result of the plotting of "Class 2 property only" on Chart No. 1 where the sampling was sufficient.

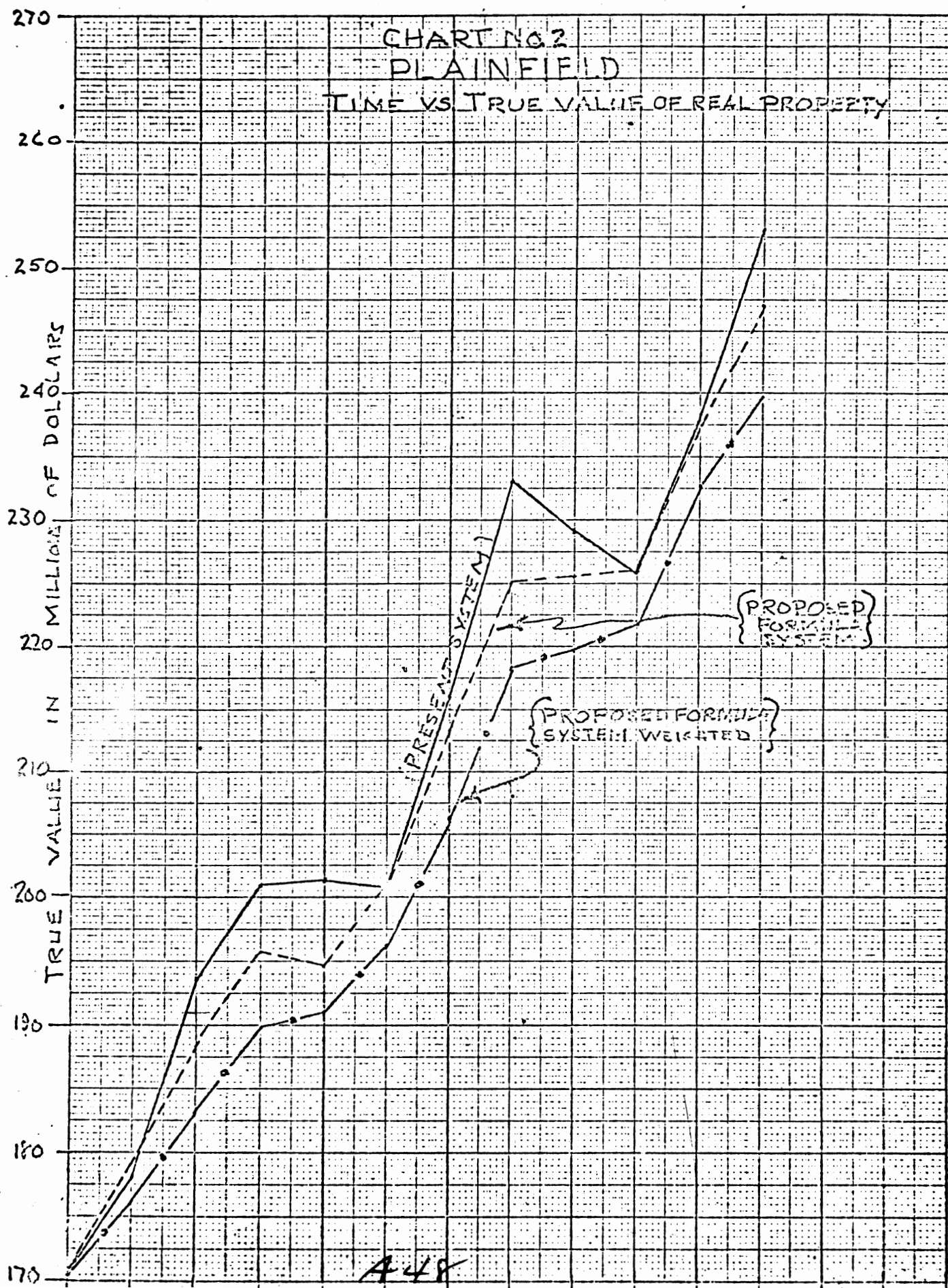


CHART NO. 3

This plot is similar to Chart No. 2 except that the change in true value, rather than the true value, is plotted.

The variations in the present system and the desirable effect of artificially dampening by weighting is even more obvious than in Chart No. 2.

NO. 341-20 DIEZEL GRAPH PAPER  
20 X 20 PER INCH  
EUGENE DIEZEL CO.  
CHICAGO, ILL.

TRUE VALUE CHANGE IN MILLIONS OF DOLLARS

CHART NO. 3  
PLAINFIELD  
TIME VS. CHANGE IN TRUE VALUE OF REAL PROPERTY

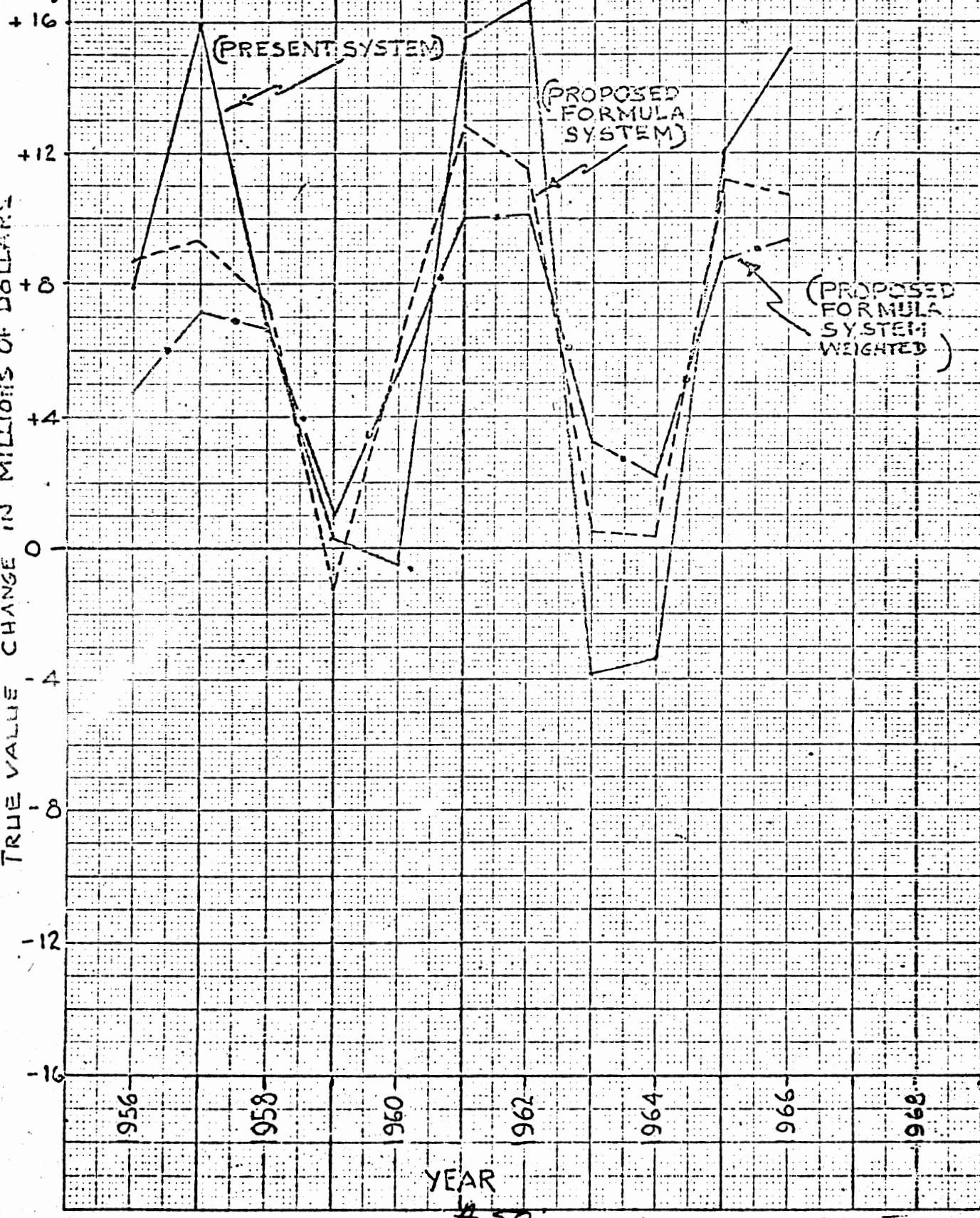




CHART 4.

ILLUSTRATION OF THE DIMINISHING IMPORTANCE OF A PARTICULAR YEAR'S TRUE VALUE IN THE TRUE VALUE CALCULATION USING A RUNNING WEIGHTED AVERAGE.

ATS = TRUE VALUE CALCULATED FROM THE REGULAR TWO YEARS SALES SAMPLE ADJUSTED BY THE PAGE EIGHT FORMULA.

SYS = TRUE VALUE FROM SALES RATIO STUDY OF SALES OCCURRING IN PRIOR CALENDAR YEAR FOR THE YEAR LABELED.

TV = TRUE VALUE FOR THE YEAR LABELED.

$$1969 \text{ TV} = \underline{1969 \text{ ATS}}$$

$$1970 \text{ TV} = \frac{1970 \text{ SYS} + 2 (1969 \text{ TV})}{3} =$$

$$1/3 \text{ } 1970 \text{ SYS} + \underline{2/3 \text{ } 1969 \text{ ATS}}$$

$$1971 \text{ TV} = \frac{1971 \text{ SYS} + 2 (1970 \text{ TV})}{3} =$$

$$1/3 \text{ } 1971 \text{ SYS} + 2/3 (1/3 \text{ } 1970 \text{ SYS} + 2/3 \text{ } 1969 \text{ ATS}) =$$

$$1/3 \text{ } 1971 \text{ SYS} + 2/9 \text{ } 1970 \text{ SYS} + \underline{4/9 \text{ } 1969 \text{ ATS}}$$

$$1972 \text{ TV} = \frac{1972 \text{ SYS} + 2 (1971 \text{ TV})}{3} =$$

$$1/3 \text{ } 1972 \text{ SYS} + 2/9 \text{ } 1971 \text{ SYS} + 4/27 \text{ } 1970 \text{ SYS}$$

$$+ \underline{8/27 \text{ } 1969 \text{ ATS.}}$$

$$1973 \text{ TV} = \frac{1973 \text{ SYS} + 2 (1972 \text{ TV})}{3} =$$

$$1/3 \text{ } 1973 \text{ SYS} + 2/9 \text{ } 1972 \text{ SYS} + 4/27 \text{ } 1971 \text{ SYS}$$

$$+ 8/81 \text{ } 1970 \text{ SYS} + \underline{16/81 \text{ } 1969 \text{ ATS}}$$

CHART NO. 4

This is an illustration of the diminishing effect of a weighted running average on a particular year's true value weight.

The illustration shows that in the first year the weight given 1969 is 100%, second year  $2/3$  or 67%, third year  $4/9$  or 44%, fourth year  $8/27$  or 30%, fifth year  $16/81$  or 20%, etc.

Gentlemen:

First of all I want to thank you and your committee for giving me the opportunity to appear. The subject I will discuss is the Farmland Assessment Act of 1964.

The farmland assessment is a unique and extraordinary constitutional privilege granted by the citizens of New Jersey through a public referendum to the lands of New Jersey actually farmed. This is known as Chapter 48, Laws of 1964, effective for the tax year 1965 and thereafter. The tax assessor was given the responsibility to administer the law, upon any person making application for such preferential tax treatment. This made the local assessor a farm expert by passing judgment on the applications.

A committee composed of County Tax Board Commissioners, Secretaries and the members of the New Jersey Assessors Association has been meeting to gain a better understanding of Chapter 48. They have also met with Phillip Alampi, Secretary of Agriculture and Senator Wayne Dumont. Out of these meetings changes have been made. One important law was Chapter 243, in October 28, 1970. This changed the filing date of application, notice of disallowance by the local assessor and repeal of the eminent domain. There are other suggestions and recommendations that are being considered by the committee at the present time which will be presented to the proper people.

Before I go any further, I want to explain that I have discussed the Farmland Act with other assessors, County Board members, taxpayers and farmers. Therefore, the views are not entirely mine, but a consensus of opinion.

There have been abuses of the law, mainly, the land speculator who has a tenant farmer. This, in the opinion of many, is wrong.

Woodland is a great problem. A typical example would be if a farmer has 40 acres and tills 10 acres. Are the other 30 acres of woodland necessary for the farm?

Another case is when an individual has 50 acres of just woodland and cuts trees down to qualify. In the opinion of many, in order to qualify he should be in the forestry program.

The anticipated income presents a problem. According to law, \$500 gross income must be realized or clear evidence of anticipated yearly gross sales, and such payments amounting to at least \$500 within a reasonable period of time seems unfair. One suggestion has been \$100 of gross income per acre for the income. "Clear evidence of anticipated income" should be clarified. There are many applicants who state they are planning to cut timber or plant seedlings and anticipate an income of \$500. They could plant one acre of seedlings and have 20 acres on which nothing is done, and still qualify. This is wrong and causes many taxpayers to question the law. Perhaps the Farmland Evaluation Advisory Committee could develop a schedule showing the number of years it will take for the various crops to reach their potential of producing \$500 per year. Also, the number of years the farmland assessment can be given on "anticipated income" should be limited.

Revision of the application should also be made. First, that it be mandatory to submit with the application a post annual statement and an anticipated income for the year or supporting evidence. A supplemental farmland assessment form should be submitted to the assessor with the application to break down the crops and soil in groups. (See Exhibit #1). There also should be a map or sketch of the property showing clearly the portions that are farmed, in government program, diverted acreage, soil classifications,

woodland and the farm buildings. On the application itself, in bold letters, should be stated whether the owner farms or has a tenant farmer and if so, the name of the tenant farmer. This will make it easier for the assessor to pass judgment on the application and be fair to all his taxpayers.

At the present time, applicants do not, at times, file supporting evidence with the assessor. Therefore, the assessor denies the application and the taxpayer appeals his assessment. At an appeal hearing, especially at the Division of Tax Appeals, the taxpayer then brings in proof. The courts have ruled in favor of the taxpayer which is unjust to the given municipality mainly because of uncollected taxes for the year in which the judgment was rendered. Most of the time it takes three years to be heard before the Division.

It is also the opinion of many that a farm in an income producing property. Therefore, attached to any farmland appeal should be supporting evidence.

Another injustice is the "Director's Table for State Aid to Education". At the present time, all farm qualified sales are not used in computing State aid to education. In other words, the total assessed value of qualified farmland is equalized using the residential ratio. The Director should exclude the qualified farmland from his formula because this is not an assessment that an assessor uses in the market; it is established by State law. Why penalize a town for having farmland? If this is not excluded, at least the common level of assessments should be used for this category. The County tax apportionment should also exclude the qualified farmland assessment values.

Another problem is with the revaluation firms. When revaluing, consideration was not given to Chapter 48. The firm should value property at

ASS

the fair market value and it would be the assessor's responsibility to grant the farmland assessment according to the farm application on file. Lately, legislation has been passed in favor of the farmer who was forced to appeal when the revaluation company did not consider the Farmland Assessment Act. Every parcel with five or more acres should be referred back to the assessor for farmland consideration.

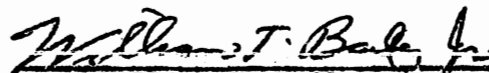
At present, Rutgers University has set up courses on farmland assessment which are being taught by members of the Farmland Committee. To date, one course has been completed in the southern section of the State and was well attended. One is being taught in the northern section of the State at the present time. Others will be scheduled for Central New Jersey. This proves the active roll the New Jersey assessor is taking in the Farmland Assessment Program. These courses are open to all people who are interested in a better understanding of the law.

What can we do in the meantime? First of all, you as a committee, should recommend a Farmland Committee be set up to study the law; a reanalysis of the U.S.D.A. 1970 Census when completed, as to what bearing the Farmland Assessment Act has had on farmland since the 1964 census, with a view toward possible changes. This committee should be made up of farmers, assessors, County Boards of Taxation, Local Property Tax Bureau, Secretary of Agriculture and legislators. They now have court cases involving the Farmland Assessment Act after seven years of experience with the law.

Finally, I want to make it clear in front of the committee that, as an assessor, I personally think the Farmland Assessment Law is a good law but needs to be reviewed for a better understanding for all. True,

they are receiving preferential treatment, but without this farming would no longer exist in New Jersey. Also, the amount of service a municipality gives a farmer is practically nil. This also goes for land speculators. In this day and age there is a great need for open spaces. We cannot afford the Green Acres Program, so the only way is to keep the farmers farming and to preserve our woodland and open spaces is to have Chapter 48. Many have said that the farmer or speculator is only holding his land for the right price, which is true in my opinion. But why force him into selling and have the land developed? This will happen soon enough. With the provision of rollback taxes, the township and county certainly receive their fair share of taxes.

With these suggestions that I have made, some of the abuses of the law can be corrected and there can be a better understanding of the law for everyone.



William T. Bailey, Jr., S.M.A., C.T.A.  
Tax Assessor  
East Brunswick Township

## STANDARD SUPPLEMENTAL FARMLAND ASSESSMENT FORM

You are required to complete this Supplemental Form in every applicable detail. The acreage must correspond exactly with the Application for Valuation, Assessment and Taxation of Land Under the Farmland Assessment Act of 1964. Return it together with your application (in duplicate) and proof of income, to your Assessor before October 1. (Authority: Item 6 of instructions on Form Fa-1, Revised June 1968)

Owner \_\_\_\_\_ Phone \_\_\_\_\_

Mailing Address \_\_\_\_\_

Farm Road Location \_\_\_\_\_ Bl. \_\_\_\_\_ Lot \_\_\_\_\_

Reported in Governmental "Conserving Base" included as Cropland Harvested in the report below are \_\_\_\_\_ acres. Income derived from any and all Government Soil or Conservation participation is \$ \_\_\_\_\_ on this farm.

Primarily, this is a \_\_\_\_\_ Dairy, \_\_\_\_\_ Poultry Grain \_\_\_\_\_ General \_\_\_\_\_, other \_\_\_\_\_ Farm.

A.	Crop Name	No. of Acres	Soil Classes					Do not use this space (For Assessor Only)
1. CROPLAND HARVESTED			A	B	C	D	E	
	Corn							
	Wheat							
	Oats							
	Hay							
	Gov't Program							
	*Other							
	*If other, explain _____ what crops.							

	No. of Acres	Soil Classes					Do Not use this space (For Assessor Only)
		A	B	C	D	E	
2. BOLLAND PASTURE							
PERMANENT PASTURE							
WOODLAND DEVOTED TO							
4. AGRIC. OR HORTIC. USE							
5. OTHER LAND							
TOTAL FARM ACREAGE (1 to 5)							

B. LAND NOT IN AGRICULTURAL USE		
	No. of Acres	Do Not Use This Space (For Assessor Only)
1. HOME SITE		
WOODLAND NOT DEVOTED TO		
2. AGRIC. OR HORTIC. USE		
3. OTHER LAND		
TOTAL NON-FARM ACREAGE (1 to 3)		
TOTAL ENTIRE FARM (A & B)		

DATED \_\_\_\_\_ SIGNED \_\_\_\_\_



JOSEPH F. MATTICE, MAYOR  
SAMUEL W. SICILIANO, ACTING CITY MANAGER

COUNCILMEN  
RAY KRAMER  
HENRY J. VACCARO, M.D.  
EDWARD R. ENGLISH  
ASCENZIO R. ALBARELLI

CITY OF ASBURY PARK  
ASBURY PARK, NEW JERSEY

SAMUEL BEFARAH, JR., C.T.A.  
TAX ASSESSOR

Prepared for Task Force C

May 7, 1971

By: Samuel Befarah, Jr. - President of the  
Association of Municipal Assessors of N.J.

Mr. Chairman and members of the Committee, on behalf of the Association of Municipal Assessors of New Jersey I wish to thank you for giving us the opportunity of appearing before you to express our views, thoughts and comments with regard to Tax Administration.

Today we have with us what we consider a good cross section of Tax Assessors in our State. We are here voluntarily to aid this committee in molding a smooth, well functioning machine that will give the taxpayers of our State confidence that they are being treated fairly and equitably by qualified administrators.

Public reaction has been strong, and discussion of solutions has been rather intense. However, the recent discussion of new taxes for relief of the property tax should not be allowed to obscure the fact that the real property tax will continue to be the financial foundation of Local government in the fore-see-able future. Continued effort to improve Assessment Administration is absolutely vital.

JOSEPH F. MATTICE, MAYOR  
SAMUEL W. SICILIANO, ACTING CITY MANAGER

COUNCILMEN  
RAY KRAMER  
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ASCENZIO R. ALBARELLI

CITY OF ASBURY PARK  
ASBURY PARK, NEW JERSEY

SAMUEL BEFARAH, JR., C.T.A.  
TAX ASSESSOR

- 2 -

Many years ago our association recognized a need for educating assessors and as a result and with the cooperation of Rutgers our State University "In Service Training Courses" were created. These Courses, well received by assessors are still in effect today as part of our continuing Educational Program.

Needless to say, the courses have been modernized, broadened and are now much more technical than the original program due to the constant regulatory and legislative changes and revisions that have taken place.

Mr. Edward P. Markowich of Clifton, New Jersey will discuss this in more detail today. However, I would like to point out that today Education and Examination is almost mandatory since one must possess a certificate before assuming the position assessor.

CITY OF ASBURY PARK  
ASBURY PARK, NEW JERSEY

SAMUEL BEFARAH, JR., C.T.A.  
TAX ASSESSOR

- 3 -

Before we embarked on our certification program we asked ourselves a few questions which we thought would interest all concerned and then attempted to answer them.

Should he be qualified?

Should he be certified?

How can he obtain the qualifications needed?

How can he become certified?

What, if any, minimum standards are initially needed to see if the person is capable of obtaining a certified designation?

Why should he qualify and certify himself when in many Taxing districts there is a lack of Job Security due to politics, poor pay, part-time job, elections, and the unavailability of educational programs?

Let us not spend a great deal of time in my telling you -this group- the reasons why he should be qualified and certified. I don't believe anyone here would dispute this conclusion, but for the record we will conclude that a qualified and certified assessor is one who has become a Professional by education and examination in the field of Tax Administration.

AG

JOSEPH F. MATTICE, MAYOR  
SAMUEL W. SICILIANO, ACTING CITY MANAGER

COUNCILMEN  
RAY KRAMER  
HENRY J. VACCARO, M.D.  
EDWARD R. ENGLISH  
ASCENZIO R. ALBARELLI

CITY OF ASBURY PARK  
ASBURY PARK, NEW JERSEY

SAMUEL BEFARAH, JR., C.T.A.  
TAX ASSESSOR

- 4 -

I am also sure we will conclude that a professional should have the ability to administer his duties over the non-professional.

Regardless of what type of system is used, there is no doubt that none would be even partially successful without well qualified assessors doing or supervising the many complex duties of the office. This brings us now to the question of

Why should he qualify and certify himself? Job security and a future in the field of Taxation, a better salary, with the possibility of Tenure in his position.

The respect of the taxing jurisdiction since they will have knowledge that the assessor has worked for his certification and was not chosen solely on the strength of his political affiliations or other unsound methods.

How can he become qualified?

By experience, educational courses and having the interest and the ability to learn.

How can he achieve certification?

After qualifying, he should submit to an examination. If successful he should be certified.

JOSEPH F. MATTICE, MAYOR  
SAMUEL W. SICILIANO, ACTING CITY MANAGER

COUNCILMEN	
RAY KRAMER	EDWARD R. ENGLISH
HENRY J. VACCARO, M.D.	ASCENZIO R. ALBARELLI

CITY OF ASBURY PARK  
ASBURY PARK, NEW JERSEY

SAMUEL BEFARAH, JR., C.T.A.  
TAX ASSESSOR

- 5 -

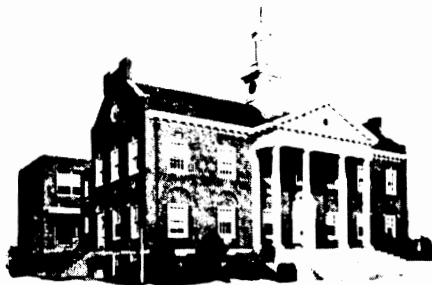
Tenure?

After serving a fixed term of years he should hold his position during good behavior and efficiency and should not be removed for political reasons but only for good cause shown after a proper hearing.

Chapter 44 Public Laws of 1967 has helped give the public confidence in the field of Tax administration, and I would strongly urge this body to recommend that State laws be continued to assure that those persons assessing property be competent, qualified and well trained in the field of Taxation.

176

H. RANDOLPH BROKAW, C.T.A.  
Assessor



INCORPORATED MARCH 11, 1842

THE TOWNSHIP OF HAMILTON  
COUNTY OF MERCER

MUNICIPAL BUILDING, 2090 GREENWOOD AVENUE  
TRENTON, NEW JERSEY 08609

E. LEE JONES, C.T.A.  
Assistant Assessor

I am pleased to again to participate in the Assessor's Forum. Leo Droste, Paul Crousy and the IAAO Staff is to be commended for these fine proceedings. I have been asked today by our Representative on your Executive Board Al Greene, who is leading our New Jersey Delegation to give some back ground information and our experience with Farmland preferential tax treatment in New Jersey. We also have with us in Al Greene's delegation, our State President Sam Befarah and our Chief Editorial Writer Norm Harvey. Included in the handout is the Farmland Preferential Treatment form and explanatory letter. This form was prepared by the Local Property Tax Bureau and promulgated by the Director of Division of New Jersey. However the responsibility of printing the forms is up to the individual municipality. In my municipality, I have the forms printed in triplicate on pressure sensitive paper to make it easier, especially for the farmers to fill out these forms and submit them to the local Assessor's office for approval or rejection and a copy is forwarded by the Assessor to the Local Property Tax Bureau. Also included are the farm values established by the State of New Jersey. This is a three man committee with the Secretary

H. RANDOLPH BROKAW, C.T.A.  
*Assessor*



E. LEE JONES, C.T.A.  
*Assistant Assessor*

INCORPORATED MARCH 11, 1842

## THE TOWNSHIP OF HAMILTON

COUNTY OF MERCER

MUNICIPAL BUILDING, 2090 GREENWOOD AVENUE

TRENTON, NEW JERSEY 08609

-2-

of Agriculture, the Dean of the Rutgers State University School of Agriculture and the Director of the Division of Taxation as members. Also included are excerpts from articles giving background information pertaining to the constitutional referendum which was necessary to allow the preferential tax treatment for New Jersey agricultural and horticulture land and studies of its implementation and effects.

# Farm Tax Law 'Buys Time'

## Open Space Preserved, Rutgers Economists Find

**NEW BRUNSWICK** — The New Jersey Farmland Assessment Act, designed to lower taxes for farms and keep land in open space, has succeeded in its objective, according to a study by three Rutgers economists.

"Since it went into effect in 1964, the act has bought time in slowing down the movement of land out of farming," says project leader Robert Koch, professor of agricultural economics and marketing

at the Rutgers College of Agriculture and Environment Science.

"Also, so far as can be accurately determined, those individuals now owning farm land are for the most part serious about keeping it that way. The low percentages of real estate debt, roughly equal when comparing participants and nonparticipants in the act, indicate that land is not being held for speculation."

Other researchers in the study were Harriet H. Morrill and Arthur Hausmann.

### Owners Surveyed

They surveyed 449 farm land owners in Warren, Hunterdon, Somerset, Middlesex,

Monmouth, and Burlington counties.

Over the past two decades, farmers have increasingly been taking outside work, and the study confirmed this trend. Roughly 8 out of 10 farm land owners surveyed said that less than half their income came from farming.

As of 1970, about 760,000 acres (75 percent) of the state's farm land area were placed under the act.

Although the average landholder in the survey was 59 years old and reported that his children were not interested in farming, Dr. Koch foresees no drastic acreage decline in the near future.

### Two Ways

"The act discourages conversion in two ways," he points out. "Besides the higher assessment for nonagricultural uses, it has a rollback feature requiring additional taxes for the year of change in use and the two preceding years."

"Unless land prices have risen very sharply, it's generally in the best interest of the new owner to keep his property in agriculture to the extent of \$500 in gross sales per year — the minimum required by the act."

Dr. Koch believes that agricultural land in north and central Jersey will be under continuing development pressure, but that South Jersey will continue as a leading producer of agricultural commodities.

"In summary," he says, "when land use pressures dictate strongly enough for urbanization, then changes are made."

"The Farmland Assessment Act has been mandated by the people through the electoral process to assist agriculture, and it seems to be doing the job."

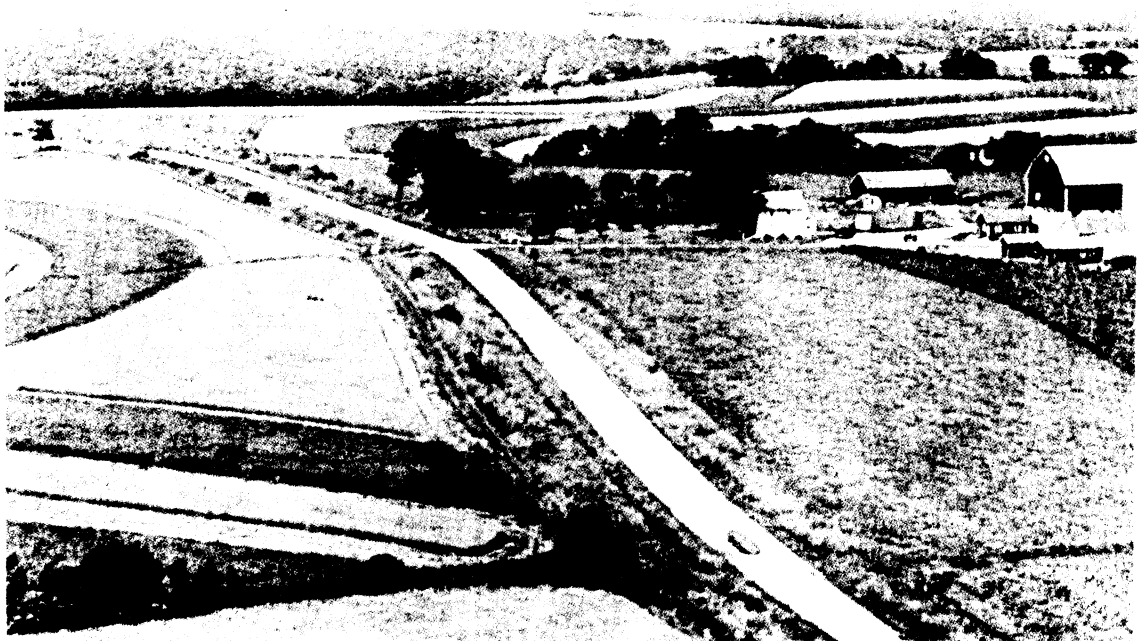


IAAO  
SPECIAL REPORT

# FARM LAND

## ASSESSMENT PRACTICES

### IN THE UNITED STATES



INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS 1313 East 60th Street • Chicago, Illinois 60637



# **Farm Land Assessment Practices**

## **In The United States**



Certified Assessment Evaluator  
IAAO's Professional Designation

**A Research Report Prepared by  
The International Association of Assessing Officers  
with the cooperation of  
The Council of State Governments**



## INTRODUCTION

*The purpose of this survey is to examine the practices used in assessing farm land, with particular emphasis on such land near urban centers, sometimes called "rurban" land, throughout the United States. The study covers the legal or other basis, such as common practice, of assessment of farm land; the experience of the states, together with the problems that have arisen in the administration of farm land assessment; the arguments for and against the practices; and the methods devised for solving problems of administration.*

*No recommendations on the assessment of farm land in the states are presented. Rather, this is a factual report of the present practices made to assist states in establishing the system of assessment best suited to their circumstances.*

*The principal source of information is questionnaires sent to the state tax commission or tax department of each state requesting certain information on the practice of assessing farm land in their respective states, as well as of assessing other classes of land and the legal basis or other basis of such practice. Other sources of information are the state constitutions, statutes, court decisions, and writings of students and practitioners of assessment.*

PAUL V. CORUSY, *Executive Director*  
*International Association of Assessing Officers*

## TRADITIONAL ASSESSMENT POLICY

The traditional property assessment policy in the United States has been that all taxable property shall be assessed uniformly. Under this policy, commonly called ad valorem assessment, all property subject to taxation is to be assessed on a uniform method of valuation and taxed at a uniform rate.

The requirement of uniformity in some form was written into state constitutions early in our history. For example, the Tennessee constitution of 1796 provided for uniformity with respect to size rather than value through the statement that all land subject to taxation "shall be taxed equal and uniform, in such manner that no one hundred acres shall be taxed higher than another except town lots which shall not be taxed higher than 200 acres of land each" (Sec. 26). Other constitutions based uniformity on value. The Alabama constitution of 1819 provided that "all lands liable to taxation in this state, shall be taxed in proportion to their value" (Sec. 8). The constitution of Maine in 1819 provided that "all taxes upon real and personal estate, assessed by authority of this state, shall be apportioned and assessed equally, according to the just value thereof" (Art. 6, Sec. 7). The Illinois constitution of 1818 provided that "the mode of levying a tax shall be by valuation so that every person shall pay a tax in proportion to the value of the property he or she has in his or her possession" (Sec. 20). The Missouri constitution of 1820 required that all taxable property "be taxed in proportion to its value" (Sec. 19).

A provision permitting the classification of property and the taxing of each class of property on a different basis was contained in the Pennsylvania constitution of 1873; "all taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax" (Art. 8, Sec. 1). Since 1900 a number of states have provided for property classification either by constitutional mandate or statutory enactment.

The attitude of the courts toward assessment of property is well stated by Judge Squire N. Williams, Kentucky Court of Appeals, that until recent years the courts have stressed equality and uniformity, which were thought to take precedence over full value assessment. One reason for this, Judge Williams continued, is perhaps that virtually all, if not all, of the state constitutions require property assessments to be equal and uniform. Many constitutions, however, do not require full value assessment; that requirement generally is provided by statute. Consequently, the courts have indicated that if all taxpayers share an equal burden in each class of property, the constitutional mandate is satisfied.<sup>1</sup> The Illinois Department of Revenue has stated: "The courts have held repeatedly that if both a full assessment and a uniform assessment cannot be achieved at the same time, uniformity is the more important requirement."<sup>2</sup>

The constitutions or statutes of the states differ in the terminology used to describe the value to be used in the assessment of property for tax purposes, but all of the terms used have been interpreted to mean full market value. And market value, according to one writer, means highest and best use, for "the market transactions by typical users and investors are based on the optimum legal use and therefore the appraiser is definitely bound to do the same because his objective is to estimate the reactions of typical users and investors in the market." He defined "highest and best use" of land as "the most profitable likely legal use for which there is a demand in the reasonably near future."<sup>3</sup>

The highest and best use principle, which does not necessarily take into consideration the present use of property, has been the primary basis of assessment of land in the United States. Zoning regulations may restrict the use of land in such a manner as to reduce its value, and on the other hand, it may place the land in a use class with a higher potential value. In using the principle of highest and best use, the assessing

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<sup>1</sup> International Association of Assessing Officers (IAAO), *Assessment Administration* - 1965, pp. 20-21.

<sup>2</sup> *Illinois Assessors Manual*, 1955. The following cases are cited in support of this statement: *Sioux City Bridge Company v. Dakota County, Nebraska*, 260 U.S. 441; *People's Gas, Light & Coke Company v. Stuckart*, 286 Ill. 164; and *People v. Allied Oil Corporation of Illinois*, 388 Ill. 219.

<sup>3</sup> Walther, Hermon O., "The Principle of Highest and Best Use in Land Valuation," IAAO, *Assessment Administration* - 1963, p. 79.

officer considers the potential value rather than the present use value in estimating the value of the land for assessment purposes.

As stated above, the various terms used in assessment legislation to describe the basis for assessment of property, such as "true value," "full value," "actual value," "cash value," "true value in money," "fair cash value," "fair market value," "true and full value," and an almost endless list of other terms, have been interpreted to mean the amount of money the property will sell for under current market conditions. This market value is also interpreted as being synonymous with highest and best use in assessment circles.

Thus, the traditional property assessment policy in the United States has been that property shall be valued for assessment purposes uniformly on the basis of its highest and best use as measured by the price it will bring in the market where there is a willing buyer and a willing seller, neither of whom is compelled to enter in the transaction.

## **SUBURBAN INFLUENCE**

A marked shift of population in the United States from urban centers to suburban areas has taken place in recent years, and this movement continues unabated. According to the 1960 United States Census figures, almost two-thirds of the increase in population between 1950 and 1960 was in the standard metropolitan areas. During this period the population of the central cities increased only 11 per cent, while the population of suburban areas grew almost 50 per cent. About one-third of the population of these suburban areas live in unincorporated communities. As pointed out in one study, "the spacious living characteristic of suburbia has been achieved at the cost of many millions of acres that were previously open country . . . More commonly, the large tracts are in farms. Current figures estimate a loss of 1.5 million acres of land each year, one-third of which is cropland, and the rate is increasing."<sup>4</sup>

The movement of population and industry from urban to suburban areas has affected the economy in several respects. It has resulted in increased prices of land in the suburban areas. The prices paid for land in the suburban areas by developers and others are in most instances considerably above the prices that can be justified for such land for agricultural use. In other words, the sale of farm land for non-farm use has a tendency to increase its potential value. The result is that the prevailing assessment principle of market or highest and best use value generally increases the assessed valuation. The assessed value of farm land remaining in the community rises proportionately.

The New Jersey Local Tax Bureau and the Maryland Department of Assessments and Taxation have stated in correspondence that land values in suburban areas have increased substantially following the movement of population to such areas. In New Jersey, "land values . . . were increasing to such an extent that the legislature deemed it necessary to enact the Farmland Assessment Act of 1964 in order to give land in agricultural and horticultural use preferential treatment relative to the assessment of land qualified under this Act." In Maryland, "land values in the urban fringe areas, particularly in the metropolitan area counties adjacent to Baltimore and the District of Columbia, have been increasing rapidly because of the population explosion which has been continuing at an ever increasing rate since 1940," and that "the demand for residential development land by developers and speculators forced real estate prices upward."

It should be pointed out, however, that not all farm land price increases are attributable to suburban influence. Some increases are due to farmers' competitive bidding for land to increase their holdings and make their operations more efficient.

Governmental costs for schools, highways and streets, water and sewer systems, police and fire protection, and other common governmental services increase as a result of the movement to the suburban areas, because suburbanites want a continuation of the services and accommodations to which they are ac-

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<sup>4</sup> House, Peter, *Preferential Assessment of Farmland in the Rural-Urban Fringe of Maryland*, U.S. Department of Agriculture (ERS-8), June, 1961.

customed. Local governments depend upon property taxes for the major portion of their revenue. Therefore, the increased governmental services required in the new suburban communities mean rising taxes on property to pay for such services.

Not all of the land utilized for suburban developments goes into residential development. Spacious community shopping centers and industrial parks have been developed, and these developments necessitate the use of large areas for parking space for employees and customers. Industry is attracted to suburban areas by improved highways and relatively cheap land. Industrial parks, in a great many instances, occupy large areas of land on which one-story structures are built.

The buying up and developing of suburban areas for residential, commercial, and industrial uses reduces the amount of land available for farming and recreational and educational open space. New Jersey has an open space program, known as "Green Acres," under which many open space areas are in parks and recreational use, but with some open spaces devoted to farm land. All of the "Green Acres" land is exempt from taxation.<sup>5</sup>

## PREFERENTIAL TREATMENT PLANS

Three principal plans have been developed for the assessment of farm land in suburban areas in an effort to lighten the tax burden on such land: (1) preferential assessment; (2) deferred or roll back tax; and (3) purchase of development rights. In these three plans the current assessment is based on the value of the farm land for agricultural use. The plan used in any one state apparently depends upon the philosophy of the legislature of that state, special interest groups and assessment officials.

***Preferential Assessment.*** The preferential assessment plan, which can be used if state law otherwise requires "highest and best use" assessment, provides for assessment of farm land at its present use even though it neighbors land devoted to a higher value use.

The difference in tax on farm land assessed under this method and that which would be levied if such land were assessed on its market or highest and best use value is lost to the assessment district, because there is no provision for deferral of taxes and recovery of the deferred portion at a later date when the land is sold for, or converted to, non-farm use.

Preferential assessment is, in effect, an outright permanent tax abatement plan applied to farm land in agricultural use. Under this plan of assessment, the owner may reap a sizeable capital gain when the land is sold for non-farm use such as development or speculation, because he is not under any obligation to pay any taxes other than those levied against the land annually while it is assessed as agricultural use land.

A few states have legalized preferential assessment of farm land, and others grant such treatment as a matter of common practice contrary to constitutional or statutory law.

Whether statutory laws authorizing or directing assessment of farm land on the basis of agricultural value where market value assessment is provided in the respective state constitution will be upheld by the courts if brought before them, is a matter of conjecture.

A Maryland preferential assessment law of 1955 was declared unconstitutional by the Maryland Court of Appeals.<sup>6</sup> Constitutional amendments to correct the situation were adopted in 1960, and in 1961 a statute was enacted in conformity with the constitutional amendments providing for preferential assessment of farm land based on its agricultural value. There was no provision for deferral of taxes.

No court test has been made of the New Jersey Farmland Assessment Act which was enacted after adoption of a constitutional amendment providing authorization for such law.

<sup>5</sup> See, for example, New Jersey Department of Conservation and Economic Development, *Third Annual Report*, January, 1965.

<sup>6</sup> *State Tax Comm. v. Gales*, 222 Maryland 543, 161 A (2d) 656.



The preferential assessment plan, perhaps because of its simplicity of administration, is the most popular of the three methods of preferential treatment in assessing farm land.

Deferred or Roll Back Tax. Assessment of farm land under the deferred or roll back tax plan is similar to the preferential assessment plan in that farm land is assessed on the basis of its value for agricultural use. However, the deferred tax plan provides that both the agricultural use value and the market or highest and best use value shall be estimated by the assessing officer and recorded by him on the assessment rolls, and that when such land is sold for, or converted to, non-farm use, the seller or owner shall pay the difference between the taxes based on agricultural value and market value for the years in which the difference in taxes is deferred. Some states limit the period of time for which the deferred taxes are payable such as two, five or seven years. Some require payment of a low rate of interest on the deferred taxes.

The deferred tax plan is not so great a departure from the strict ad valorem basis of taxation as the preferential assessment plan. Likewise, the problem of determining whether the land actually is used in agriculture is not as critical as under preferential assessment, because the amount of taxes deferred will be collected when the land is converted to non-farm use.

The deferred tax plan avoids at least part of the problem of establishing a class of preferred property, for it substitutes for an exempt class a class which instead of paying the full tax currently pays a portion now and pays the remainder when the land is converted to non-farm use. The use of the option to defer taxes is that of the property owner.

The deferred tax plan may also avoid the question of constitutionality because it does not grant a tax reduction but merely a deferral of a portion of the tax, and in so doing probably does not actually violate the ad valorem or full value principle unless the period of time for which deferred taxes are collectable is limited.

Deferred taxation permits recognition of the principle of taxing land according to the benefits it enjoys currently. Farm land in a suburbanized area, if used for agricultural purposes, does not normally receive development benefits until it is converted to development use.

One argument of those who support the deferred tax plan is that increased government expenditures are required for schools and other services after subdivision and development take place. Thus, the deferred tax plan makes the money available at the time of greatest need.

If the state desires the preservation of open space and elimination of urban sprawl, the deferred tax plan should be tied in with a broad plan of area development and land use control through zoning. Defferal of taxes alone will not accomplish these worthwhile objectives.

Purchase of Development Rights. Under the purchase of development rights plan, the owner of farm land either gives or sells to the local government unit the rights to develop such land in exchange for a guarantee of assessment on the basis of its value for agricultural use.

This plan has the advantage of guaranteeing the continuance of land in agricultural use, and of thereby preserving open spaces until the government unit determines that the time for development has arrived. It has the disadvantage of being costly, because the value of development rights, particularly where the pressures for suburbanization are strong, may be beyond the capacity of government unit to pay. Or, the price may be such that the government unit can afford to buy such rights on areas too small for adequate control.

For effective use this plan, like the deferred tax plan, must be tied in with a sound land use control plan and a sound zoning system.

In the areas in which the public has title to development rights, only farming use is permitted. The right to subdivide and develop the land for residential, commercial, industrial, educational, recreational, or other use is determined by the governmental unit.

## STATE EXPERIENCE

### PREFERENTIAL ASSESSMENT

#### *Arkansas*

All lands annexed by any incorporated town which were used for agricultural purposes shall be assessed as agricultural lands upon an acreage basis, regardless of the fact that any or all of the land may contain the plot of a subdivision or be zoned as commercial, industrial or residential; provided, however, that such land had been used for agricultural purposes for the previous five years. Agricultural lands are defined to include dairy, livestock, poultry and all forms of farm products and farm production.

#### *California*

Agricultural land contained within agricultural preserves is valued on the basis of capitalized earning ability. Cultivated and uncultivated land of the same quality and similar location is valued the same.

#### *Connecticut*

The owner must make application to the local assessor for classification as farm land. The local assessor will determine if such land is farm land taking into account the acreage of such land, the portion in actual use for agricultural purposes, the productivity of such land, the gross income and the extent to which such land is contiguous to other agricultural land.

#### *Delaware*

Land which is used for agricultural, horticultural or forest purposes is valued on the basis of that use for property taxation. However, the land can not be less than five acres in area and has to have been devoted to agricultural, horticultural or forest use for at least the two successive years prior to the tax year in question. The owner must apply for the preferential assessment.

#### *Florida*

All lands being used for agricultural purposes (farming, pasture, grove or forestry operations) shall be assessed as agricultural lands upon an acreage basis, regardless of the fact that any or all of such lands are embraced in a plot of a subdivision or other real estate development.

#### *Indiana*

Agricultural lands are to be assessed as such until the land usage changes. Agricultural land reassessments are to be made every eight years after January 1, 1968. In reassessing agricultural land, the county assessor is to appoint a five man County Land Advisory Committee to help determine land values. Two members of the committee are to be agricultural land owners in the county.

#### *Iowa*

No land within the limits of any municipality which is used in good faith for agricultural purposes shall be liable to taxation by any city or town, except at a rate not to exceed one and one-fourth mills in any year for municipal street purposes. Any plotted lots, until they are sold, leased or improved shall be assessed at an amount equal to each individual lot's proportionate share of the assessed valuation of the entire tract before plotting.

#### *Maryland*

Lands which are actively devoted to farm or agricultural use shall be assessed on the basis of such use, and shall not be assessed as if subdivided.

#### *New Mexico*

The basis for the assessed value of unsubdivided agricultural land is its capacity to produce agricultural products. In order to qualify for the preferential treatment, the land has to have been in agricultural use for at least the five successive years prior to the tax year in question or meet the requirements for payments under the soil conservation program. However, the gross sales of the agricultural products

together with soil conservation program payments must have averaged at least \$100 a year within a reasonable period.

#### *Oregon*

Land within a farm use zone and used exclusively for farm use is assessed at its true cash value for farm use and not at the true cash value it would have if applied to other than farm use.

#### *South Dakota*

There is a limitation in the mill levy for school taxation for agricultural property. Above eight mills, the agricultural levy is one-half of the non-agricultural levy. The maximum levy for agricultural property is 24 mills.

#### DEFERRED OR ROLL BACK TAX

#### *Alaska*

A reduced assessment is provided for farm land and buildings used wholly for farm purposes. In order to qualify for the preferential assessment the owner must be actively engaged in farming the land and derive at least 25 percent of his yearly gross income from it. The owner must make an annual application for the assessment. If the land is diverted to other than farm use, the owner is liable for the additional tax otherwise due for the preceding two years and applicable part of the current tax year.

#### *Hawaii*

If any owner desires to use his land for agriculture use and have such land assessed at its value in this use, he shall petition the director of taxation declaring that such land can best be used for the purpose for which he requests permission to dedicate it. If studies show that the land is favorable for such use, the director of taxation approves the petition and declares the land dedicated. Upon approval, the owner may not change the use of his land for a minimum period of ten years, automatically renewable indefinitely, subject to cancellation by either the owner or director of taxation upon five years' notice at any time after the end of the fifth year. In case of a change in major land use classification by a state agency (such as land placed in an urban district), the dedication may be cancelled within 60 days of the change by mutual agreement of the owner and the director of taxation. Failure of the owner to observe restrictions in the land used dedication will cancel the tax assessment privilege retroactive to the date of the petition, and all differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use will be payable with a five percent per annum penalty from the respective dates that these payments would have been due.

#### *Minnesota*

Farmers qualifying under the "green acres" law can apply to the assessor to have his land valued at its agricultural value regardless of its market value. There is also a provision to defer special assessments. If the property is sold or is no longer used for agricultural purposes, the taxpayer is liable for the additional taxes based upon the normal value of the property for the last three years of the special treatment. In order to qualify, the real estate must be actively and exclusively used in agricultural operations, be in conjunction with the farmer's homestead, have been owned by him seven years prior to the application for deferment, and be 10 acres or more in size. The income derived from the operations must be at least \$300 plus \$10 per tillable acre or one-third of the total family earnings.

#### *New Jersey*

The Farmland Assessment Act of 1964 limits assessment of farm land to such use provided land is no less than five acres, has been used for agricultural purposes two years preceding tax year, and has grossed \$500 annually for two preceding years. If land is diverted to non-farm use, roll back taxes must be paid for the current year in which the change occurs and for two preceding tax years.

#### *Oregon*

Land not within a farm use zone but which has been used for the preceding two years exclusively

for farm use shall be assessed at its true cash value for farm use and not at the true cash value it would have if applied to other than farm use. However, if the land changes its use, the tax differential for the previous five years, plus a six percent rate of interest, must be paid. An annual renewal is required for unzoned farm land.

#### *Rhode Island*

Farm, forest and open space land is to be assessed according to its use. When such land is used for other purposes it incurs additional "roll back taxes". In determining the amount of roll back taxes, such things as the full and fair value of the property, the amount of the assessment, the amount of additional taxes and the amount of the roll back tax for each year must be considered.

#### *Texas*

Farm land is valued on the basis of its agricultural use. The land must have been continuously used for agricultural purposes for three years prior to being designated as farm land. If the land changes in use or is sold after being designated as farm land, additional taxes will be due based on the market value of the property during the last three years of deferred taxes.

#### *Utah*

Land used for agricultural purposes may be assessed according to its value for agricultural use without regard to the value it may have for other purposes. If it is so assessed, however, it becomes subject to the payment of five years deferred taxes if the use is changed.

### **PURCHASE OF DEVELOPMENT RIGHTS**

#### *Alabama*

Cities may invest money through lease, sale, contract or option agreement to acquire land for future public use.

#### *Connecticut*

Any municipality may acquire land designated as open space land, and enter into agreements with owners to maintain, improve, protect, limit the future use of or otherwise conserve such open space land.

#### *Maryland*

Local governing body by resolution or ordinance may provide a tax credit in an amount up to 50 percent of the taxes imposed on land which has been conveyed or assigned to the governing body in order to preserve its open character in perpetuity.

## **MAJOR PROBLEMS OF ADMINISTRATION**

Two major problems of paramount importance in administering preferential treatment of farm land for assessment purposes have appeared: the identification of agricultural use, and the measurement of agricultural value. The problems are particularly acute in areas adjacent to or near expanding cities and towns. The closer farm land is to urban centers the greater is its potential for subdivision and development, with attendant increased value.

The problem of defining and identifying agricultural use is made more difficult by the fact that under normal or conventional assessment practice, the use to which land is devoted is not the important factor in estimating its value. Rather, the highest potential use of the land, in which all the wide range of value-determining influences are reflected, is the principal determinant. Consequently, the assessing officer is not accustomed to limit his consideration to value for agricultural use.

Perhaps the most difficult decision which the assessor must make is whether a given farm is actually devoted to agricultural use. Not all state laws provide a specific definition of agricultural use to guide the assessor. The Maryland State Department of Assessments and Taxation prepared a list of 29 items and a

questionnaire to be completed by the taxpayer in applying for preferential treatment in the assessment of his farm land. This list of items became practically useless and has been largely ignored since a court ruling that the phrase "actively devoted to farm or agricultural use" was the controlling factor or circumstance in deciding which land shall be covered by the special law.<sup>7</sup>

Without some statutory provisions setting forth specific conditions for identifying land used for agricultural purposes, it is practically impossible for the assessing officer to determine what land qualifies for preferential treatment. Certainly such decisions will lack uniformity, not only between assessment districts but perhaps within each district. One possible solution to the problem of identifying agricultural use is to assign the task to a committee of agricultural and assessment experts such as representatives of the state agricultural school, the state conservation and agriculture departments, and the state tax commission or department.

The second major problem in administering a program of farm land preferential treatment for assessment purposes is that of estimating agricultural value. In valuing land on the basis of highest and potential use the assessing officer considers not one, but many factors that influence land value. Preferential treatment seems to eliminate consideration of sales data on land in the area if such land is not used in agriculture. It is well known that sales of farm land for agricultural use are very infrequent.

Both Maryland and New Jersey have programs for helping the assessor estimate the agricultural value of farm land. Maryland is developing land classification maps indicating soil capabilities. New Jersey has a State Farmland Evaluation Advisory Committee composed of the Director of the Division of Taxation, the Dean of the College of Agriculture at Rutgers-The State University, and the Secretary of Agriculture, which shall "... annually determine and publish a range of values for each of the several classifications of land in agricultural and horticultural use in the various areas of the State."<sup>8</sup>

A possible method of establishing agricultural use values is capitalization of the average income per acre of farm land for the more important farm crops in the area. This method is used in many communities for estimating standard farm land values particularly where farm land sales are scarce. Under this method the income from farm crops for a period of the last ten years is computed and the capitalized income is converted to an average value per acre.

Prevention of speculative buying of farm land is another administrative problem. It appears that the purchase of development rights by the government is a good method for solving this problem, if the government is able to afford it. Only under such a plan can the use of land be controlled adequately. This plan must be a part of a sound over-all plan of land use control which includes proper zoning. The government unit must have the financial ability to purchase the development rights in the area.

Under neither the preferential assessment plan nor the deferred tax plan is there any guarantee against speculative buying. Under these plans the land owner is under no obligation to retain the land in agricultural use--the obligation is only on the part of the government not to assess the land on the basis of anything but agricultural use so long as it is retained in that use. The incentive for gain by selling his land at a high price is too strong in most cases for the farm land owner to resist.

Another problem is that of record keeping. The deferred tax plan increases the work of the assessment department to approximately double the amount required under standard assessment practices. This is not the case under the preferential assessment plan, and is true only to a small degree under the purchase of development rights plan. Under the deferred tax plan, the assessing officer is required to compute and list on the assessment rolls two values each year for land so assessed, namely, agricultural use value, and market or highest potential value.

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<sup>7</sup> *Supervisor of Assessments for Montgomery County v. Alsop*, 232 Maryland 188 (1962).

<sup>8</sup> Chapter 48, Sec. 20, L. 1964.

Even assessment at highest and best use presents administrative problems. Defining the time period of potential future use varies from one, five to ten years among the states.

## PRESENT ASSESSMENT PRACTICES

The questionnaire survey on assessment practices in the states was responded to by 49 states.

*Principle of Assessment.* Highest and best use is the most frequently used method for farm and rural assessment. This principle is used in 31 states for urban assessment, and in 23 states for farms.

Valuation according to present use of land is slightly more popular for farm land—21 states—than rural—14 states. Five states combine the two methods and value farm and rural land at either its highest or present use. Thus farm land adjacent to an urban area which has experienced relatively slow growth may be assessed as farm land, while in a rapidly expanding area this land would probably be assessed on its future use for residential, commercial or industrial expansion. This determination may be made by the local assessor or a state tax commission.

Several states use a different principle of assessment between farm and rural land. Arkansas assesses farm land on its highest and present use according to soil conditions and location. Rural land is assessed at its highest use although there may be an inability to establish a definite use classification. Farm land in Colorado, Maryland, Montana, Nevada, New Jersey and Tennessee is assessed at its present use, while rural land is assessed at its highest use.

### PRINCIPLE OF ASSESSMENT

	Farm	Rural
Highest Use	23	31
Present Use	21	14
Highest and Present Use	5	4
Not Available	1	1

*Basis of Assessment.* Most principles of assessment in farm and rural land are contained in state statutes and constitutions. Nevertheless, several states use general practice as their basis of assessment for farm and rural land. Arkansas is the only state which has a different basis of assessment between farm and rural land—farm land by statute and rural land by general practice.

### BASIS OF ASSESSMENT

	Farm	Rural
Statute	25	24
Constitution	5	7
General Practice	7	8
Constitution and Statute	10	8
Statute and General Practice	2	2
Not Available	1	1

# METHOD OF VALUING LAND FOR ASSESSMENT PURPOSES

(Discrepancies may occur when actual practice differs from the law.)

## SYMBOL DEFINITIONS

H	Highest Use	C&S	Constitution and Statute
H&P	Highest and Present Use	G	General Practice
P	Present Use	S	Statutes
C	Constitution	S&G	Statute and General Practice

State	Type of Land Use				
	Farm	Rurban	Residential	Commercial	Industrial
<i>Alabama</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	G	G	G	G	G
<i>Alaska</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Arkansas</i>					
Principle of Assmt.	H&P <sup>1</sup>	H <sup>2</sup>	H	H	H
Basis of Assmt.	S	G	S	S	S
<i>Arizona</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>California</i>					
Principle of Assmt.	H <sup>3</sup>	H	H	H	H
Basis of Assmt.	C&S	C	C	C	C
<i>Colorado</i>					
Principle of Assmt.	P	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Connecticut</i>					
Principle of Assmt.	H&P	H&P	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Delaware</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Florida</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	C&S	C	C	C	C
<i>Georgia</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Hawaii</i>					
Principle of Assmt.	H&P <sup>4</sup>	H&P <sup>4</sup>	H <sup>5</sup>	H <sup>5</sup>	H <sup>5</sup>
Basis of Assmt.	S&G	S&G	S&G	S&G	S&G
<i>Idaho</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Illinois</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S

State	Type of Land Use				
	Farm	Rurban	Residential	Commercial	Industrial
<i>Indiana</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	G	G	G	G	G
<i>Iowa</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	G	G	G	G	G
<i>Kansas</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Kentucky</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C	C	C	C	C
<i>Louisiana</i>					
Principle of Assmt.	H&P	H&P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Maine</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C	C	C	C	C
<i>Maryland</i>					
Principle of Assmt.	P <sup>6</sup>	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>Massachusetts</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Michigan</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>Minnesota</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Mississippi</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Missouri</i>					
Principle of Assmt.	NA	NA	NA	NA	NA
Basis of Assmt.	NA	NA	NA	NA	NA
<i>Montana</i>					
Principle of Assmt.	P	H	H	H	H
Basis of Assmt.	G	G	G	G	G
<i>Nebraska</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Nevada</i>					
Principle of Assmt.	P	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>New Hampshire</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S



State	Type of Land Use				
	Farm	Rurban	Residential	Commercial	Industrial
<i>New Jersey</i>					
Principle of Assmt.	P	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>New Mexico</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>New York</i>					
Principle of Assmt. <sup>7</sup>	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>North Carolina</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>North Dakota</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Ohio</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S&G	S&G	S&G	S&G	S&G
<i>Oklahoma</i>					
Principle of Assmt.	H	H	H	H	NA
Basis of Assmt.	C	C	C	C	NA
<i>Oregon</i>					
Principle of Assmt.	H&P <sup>8</sup>	H&P	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Pennsylvania</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Rhode Island</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	G	G	G	G	G
<i>South Carolina</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>South Dakota</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S
<i>Texas</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	S	S	S	S	S
<i>Tennessee</i>					
Principle of Assmt.	P	H	H	H	H
Basis of Assmt.	G	G	G	G	G
<i>Utah</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>Vermont</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	S	S	S	S	S

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State	Type of Land Use				
	Farm	Rurban	Residential	Commercial	Industrial
<i>Virginia</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C	C	C	C	C
<i>Washington</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C	C	C	C	C
<i>West Virginia</i>					
Principle of Assmt.	P	P	P	P	NA
Basis of Assmt.	C&S	C&S	C&S	C&S	NA
<i>Wisconsin</i>					
Principle of Assmt.	H	H	H	H	H
Basis of Assmt.	C&S	C&S	C&S	C&S	C&S
<i>Wyoming</i>					
Principle of Assmt.	P	P	P	P	P
Basis of Assmt.	G	G	G	G	G

#### Footnotes

- <sup>1</sup> Rural farm lands in Arkansas are appraised according to soil classification and their capabilities relative to location.
- <sup>2</sup> In some instances, Arkansas rurban land is degraded from highest and best use because of inability to establish a definite factor as to classification of use.
- <sup>3</sup> Farm lands within agricultural preserves in California are assessed according to state statute and all other farm lands on the basis of the highest and best use as required by the State Constitution.
- <sup>4</sup> Under Hawaii's 1961 law farm and rurban lands may be dedicated to specific agricultural uses for ten years, and thus have been assessed on actual use.
- <sup>5</sup> Effective January 1, 1966, all types of land in Hawaii may be dedicated to agricultural uses and thus be assessed on dedicated uses.
- <sup>6</sup> Maryland assesses land actively devoted to farm or agricultural use according to its value for that use. It does not follow market value for this one class of land.
- <sup>7</sup> In practice, there are several assessment jurisdictions in New York in which assessments are governed by present use.
- <sup>8</sup> Oregon farm land, if so zoned, is assessed on a present use basis. Where zoning does not exist, a farmer may elect to defer the difference in taxes between assessment on present and highest uses.

## Agriculture Is Worth Saving In New Jersey

WHEN IT COMES TO OPEN SPACE, you cannot overlook the farmland in New Jersey. Any enlightened approach that seeks to preserve open space must necessarily start with preserving agriculture as an important user and conservator of land and water resources. The loss of more than 10,000 farms between 1950-60 in New Jersey is a serious loss to everyone in the State — not just the farmers. Here's why:

■ **LAND IN AGRICULTURE** is the basis for an important segment of the New Jersey economy, producing nearly \$300-million annually in sales of farm products; employing some 40,000 people on farms; with a billion dollars invested in land, machinery, livestock and buildings.

■ **LAND IN AGRICULTURE** is tax-paying open space — not only kept open and at no cost to taxpayers; but producing property taxes of more than \$20-million a year to help support local government.

■ **LAND IN AGRICULTURE** produces the raw products for one of New Jersey's major industries — food processing and handling. This industry employs nearly 100,000 people, and spends more than a billion-and-a-half dollars for goods and services.

■ **LAND IN AGRICULTURE** serves as a watershed to collect and conserve the water resources of the State. Agriculture is one of

the few industries that conserves more water than it uses, thus reducing flooding, muddy streams, and helping to extend the limited supply of water for everyone.

■ **LAND IN AGRICULTURE** is essential in providing food and cover for a large portion of the State's wildlife, serves as the basis for major forms of recreation, including fishing and hunting — not to mention picnicking, horseback riding, camping, hiking, etc.

■ **LAND IN AGRICULTURE** provides the scenic setting that is the charm of the New Jersey countryside and suburban communities.

■ **LAND IN AGRICULTURE** means fresh Jersey tomatoes, sweet corn, eggs, asparagus, fruit and berries, milk, and dozens of other locally-produced farm products that are fresher by miles.



### YOUR STAKE IN FARMLAND ASSESSMENT

For further information:  
Coordinating Committee to  
Save Open Space In New Jersey  
168 W. State St.  
Trenton, N.J. 08608

## Farmland Assessment: How It Works

ON NOVEMBER 5, 1963 the voters of New Jersey made an historic decision. Seven out of ten approved an addition to the State Constitution, known as the Farmland Assessment Amendment. In 1964, the New Jersey Legislature adopted the Farmland Assessment Act to carry out the intent of the Amendment. The Act provides:

Land actively devoted to agriculture or horticulture shall be assessed according to the value derived from such use.

To qualify for this special method of assessment, the land must be at least 5 acres in area; must have been actively devoted to agriculture for two consecutive years immediately preceding a request for such assessment; and must produce a minimum of \$500 in sales of agricultural products, or clear potential of such sales.

When and if the land changes to a non-agricultural use, it is subject to a roll-back tax or lien, in which the municipality collects the difference between the taxes that would have been paid had the land been assessed at its market or development value, and the taxes based on the farm value for a three-year period.

A State Farmland Evaluation Advisory Committee, which annually determines and publishes recommended farmland values for use by local assessors, based on actual data of income earned from various classes of land devoted to four categories of farm use —

namely cropland harvested, cropland pastured, permanent pasture, woodland and wetland.

The act does not apply to buildings of any kind, nor to the land associated with the farmhouse. Buildings and homesites on farms are assessed like all other property.

The fundamental principal of the Act is land usage, regardless of who owns the land. If it is being actively devoted to agriculture as defined in the Act and meets the other requirements, it qualifies for this special method of assessment.

## Why The Amendment and Act Was Necessary

Between 1950 and 1960, New Jersey lost 40% of its farms. Taxes on farmland had reached such proportions, based on development values, that thousands of farmers were forced to sell. They could not earn enough income in agriculture to pay the taxes. This rapid loss of farms resulted in hop-skotch development and an alarming loss of open space. Although farmland assessment was never conceived as a cure-all, it was thought to be an important first step in at least slowing down this rapid loss of farms. The purpose was to gain time by making it possible for an encouraging landowners to keep land in farming, rather than being forced to sell.

## Outstanding Success in Saving Open Space

BY ALL COUNTS, the Farmland Assessment Amendment and the Farmland Assessment Act have been two of the most significant and successful public decisions in many years. Some 16% of the total land area of the State is now qualified and assessed under this program. (Landowners must make application annually for farmland assessment, and in some areas of the state where farm values are close to market values, owners have not yet applied.)

New Jersey was one of the pioneering states to adopt such legislation. Since 1964, half the states have followed suit, many of them modeling after the New Jersey Act. Several other states are considering similar legislation.

The result in slowing down the loss of farms in New Jersey has been dramatic. From an average loss of 1,000 farms a year prior to the passage of the Act, the rate of loss has been cut in half to 500 per year; and the trend appears to be continuing.

While New Jersey farm owners continue to pay the highest average taxes per acre on farmland anywhere in the nation (\$16.55 in 1969) the rate of increase in this tax has been slowed down, making it possible for most landowners to cope with it.

Participants in the program are drawn largely from farmland owners who have been encouraged to make added investments in machinery, buildings and other capital items,

having more confidence they can continue their farming business here.

Land which had been lying vacant and idle in many areas of the State is now being returned to productive agriculture.

**FARMLAND ASSESSMENT IS ONLY THE FIRST STEP** in preserving agriculture and open space in New Jersey. Additional public policies must be developed and put into operation that will lessen the other causes of losing farms. There are enough land and water resources in New Jersey for many millions more people, side by side with a thriving agriculture that can keep New Jersey "The Garden State."

Although the Act of 1964 has proven to be highly successful, measured in terms of its original purpose, it is like all other legislation — not perfect. The Legislature has amended the Act in several respects already, and additional amendments are being developed that will strengthen the Act and further protect against abuse by land speculators. Such changes must be carefully thought out, considering all consequences. It is important to remember this basic fact: Every acre of land kept open in agriculture is an asset to any community in many ways. It is an acre that still pays more than its share of taxes and requires very little in public services at the local level.

FARMLAND ASSESSMENT ACT OF 1964  
(Chapter 48, L. 1964; Approved May 11, 1964)

Revised to Include Chapter 243, L. 1970; Approved Oct. 28, 1970

An Act concerning the valuation, assessment and taxation of land actively devoted to agricultural or horticultural uses; defining such uses; providing for penalties and tax lien; supplementing Title 54 of the Revised Statutes; and making an appropriation.

WHEREAS, On November 5, 1963 an amended Article VIII, Section 1, par. 1 of the Constitution was duly adopted and became effective on December 5, 1963; and

WHEREAS, By said amendment it was provided that the Legislature shall enact laws to provide that the value of land, not less than 5 acres in area, which is determined by the assessing officer of the taxing jurisdiction to be actively devoted to agricultural or horticultural use, and to have been so devoted for at least 2 successive years immediately preceding the tax year in issue, shall for local tax purposes, on application of the owner, be that value which such land has for agricultural or horticultural use; and

WHEREAS, Said Constitutional Amendment further provided that any such laws shall provide that when land which has been valued in this manner for local tax purposes is applied to a use other than for agricultural or horticultural it shall be subject to additional taxes as provided in said amendment; and

WHEREAS, It was further provided by said amendment that such laws shall provide for the equalization of assessments of land valued in accordance with the said provisions of said amendment and for the assessment and collection of any additional taxes levied thereupon and shall include such other provisions as shall be necessary to carry out the provisions of said amendment; now, therefore,

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known and referred to by its short title, the "Farmland Assessment Act of 1964."

2. For general property tax purposes, the value of land, not less than 5 acres in area, which is actively devoted to agricultural or horticultural use and which has been so devoted for at least the 2 successive years immediately preceding the tax year in issue, shall, on application of the owner, and approval thereof as hereinafter provided, be that value which such land has for agricultural or horticultural use.

3. Land shall be deemed to be in agricultural use when devoted to the production for sale of plants and animals useful to man, including but not limited to: forages and sod crops; grains and feed crops; dairy animals and dairy products; poultry and poultry products; livestock, including beef cattle, sheep, swine, horses, ponies, mules or goats, including the breeding and grazing of any or all of such animals; bees and apiary products; fur animals; trees and forest products; or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government.

4. Land shall be deemed to be in horticultural use when devoted to the production for sale of fruits of all kinds, including grapes, nuts and berries; vegetables; nursery, floral, ornamental and greenhouse products; or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government.

5. Land shall be deemed to be actively devoted to agricultural or horticultural use when the gross sales of agricultural or horticultural products produced thereon together with any payments received under a soil conservation program have averaged at least \$500 per year during the 2-year period immediately preceding the tax year in issue, or there is clear evidence of anticipated yearly gross sales and such payments amounting to at least \$500 within a reasonable period of time.

6. Land which is actively devoted to agricultural or horticultural use shall be eligible for valuation, assessment and taxation as herein provided when it meets the following qualifications:

(a) It has been so devoted for at least the 2 successive years immediately preceding the tax year for which valuation under this act is requested;

(b) The area of such land is not less than 5 acres when measured in accordance with the provisions of section 11 hereof; and

(c) Application by the owner of such land for valuation hereunder is submitted on or before August 1 of the year immediately preceding the tax year to the assessor of the taxing district in which such land is situated on the form prescribed by the Director of the Division of Taxation.

7. The assessor in valuing land which qualifies as land actively devoted to agricultural or horticultural use under the tests prescribed by this act, and as to which the owner thereof has made timely application for valuation, assessment and taxation hereunder for the tax year in issue, shall consider only those indicia of value which such land has for agricultural or horticultural use. In addition to use of his personal knowledge, judgment and experience as to the value of land in agricultural or horticultural use, he shall, in arriving at the value of such land, consider available evidence of agricultural and horticultural capability derived from the soil survey data at Rutgers-The State University, the National Cooperative Soil Survey, and the recommendations of value of such land as made by any county or state-wide committee which may be established to assist the assessor.

8. When land which is in agricultural or horticultural use and is being valued, assessed and taxed under the provisions of this act, is applied to a use other than agricultural or horticultural, it shall be subject to additional taxes hereinafter referred to as roll-back taxes, in an amount equal to the difference, if any, between the taxes paid or payable on the basis of the valuation and the assessment authorized hereunder and the taxes that would have been paid or payable had the land been valued, assessed and taxed as other land in the taxing district, in the current tax year (the year of change in use) and in such of the two tax years immediately preceding, in which the land was valued, assessed and taxed as herein provided.

If in the tax year in which a change in use of the land occurs, the land was not valued, assessed and taxed under this act, then such land shall be subject to roll-back taxes for such of the two tax years, immediately preceding, in which the land was valued, assessed and taxed hereunder.

In determining the amounts of the roll-back taxes chargeable on land which has undergone a change in use, the assessor shall for each of the roll-back tax years involved, ascertain:

(a) The full and fair value of such land under the valuation standard applicable to other land in the taxing district;

(b) The amount of the land assessment for the particular tax year by multiplying such full and fair value by the county percentage level as determined by the county board of taxation in accordance with section 3 of P. L. 1960, Chapter 51 (C. 54:4-2.27).

(c) The amount of the additional assessment on the land for the particular tax year by deducting the amount of the actual assessment on the land for that year from the amount of the land assessment determined under (b) hereof; and

(d) The amount of the roll-back tax for that tax year by multiplying the amount of the additional assessment determined under (c) hereof by the general property tax rate of the taxing district applicable for that tax year.

9. The assessment, collection, apportionment and payment over of the roll-back taxes imposed by section 8, the attachment of the lien for such taxes, and the right of a taxing district, owner or other interested party to review any judgment of the county board of taxation affecting such roll-back taxes, shall be governed by the procedures provided for the assessment and taxation of omitted property under Chapter 413 of the Laws of 1947. Such procedures shall apply to each tax year for which roll-back taxes may be imposed, notwithstanding the limitation prescribed in section 1 of said chapter respecting the periods for which omitted property assessments may be imposed.

10. The Director of the Division of Taxation in equalizing the value of land assessed and taxed under this act for the purposes of State school aid, and each county board of taxation in equalizing such land for the purposes of determining the "apportionment valuation" under section 54:4-49 of the Revised Statutes, shall determine the true value of such land on the basis of its agricultural or horticultural use. The director shall promulgate rules and regulations to effectuate the purposes of this section.

11. In determining the total area of land actively devoted to agricultural or horticultural use there shall be included the area of all land under barns, sheds, silos, cribs, greenhouses and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities, but land under and such additional land as may be actually used in connection with the farmhouse shall be excluded in determining such total area.

12. All structures, which are located on land in agricultural or horticultural use and the farmhouse and the land on which the farmhouse is located, together with the additional land used in connection therewith, shall be valued, assessed and taxed by the same standards, methods and procedures as other taxable structures and other land in the taxing district.

13. Eligibility of land for valuation, assessment and taxation under this act shall be determined for each tax year separately.



Application shall be submitted by the owner to the assessor of the taxing district in which such land is situated on or before August 1 of the year immediately preceding the tax year for which such valuation, assessment and taxation are sought. An application once filed with the assessor for the ensuing tax year may not be withdrawn by the applicant after October 1 of the pre-tax year.

If a change in use of the land occurs between October 1 and December 31 of the pre-tax year, either the assessor or the county board of taxation shall deny or nullify such application and, after examination and inquiry, shall determine the full and fair value of said land under the valuation standard applicable to other land in the taxing district and shall assess the same according to such value. If, notwithstanding such change of use, the land is valued, assessed and taxed under the provisions of this act in the ensuing year, the assessor shall enter an assessment, as an added assessment against such land, in the "Added Assessment List" for the particular year involved in the manner prescribed in Chapter 397 of the Laws of 1941. The amount of the added assessment shall be in an amount equal to the difference, if any, between the assessment imposed under this act and the assessment which would have been imposed had the land been valued and assessed as other land in the taxing district. The enforcement and collection of additional taxes resulting from any additional assessment so imposed shall be as provided by said chapter. The additional assessment imposed under this section shall not affect the roll-back taxes, if any, under section 8 of this act.

14. Application for valuation, assessment and taxation of land in agricultural or horticultural use under this act shall be on a form prescribed by the Director of the Division of Taxation, and provided for the use of claimants by the governing bodies of the respective taxing districts. The form of application shall provide for the reporting of information pertinent to the provisions of Article VIII, Section 1, paragraph 1 (b) of the Constitution, as amended, and this act. A certification by the land owner that the facts set forth in the application are true may be prescribed by the director to be in lieu of a sworn statement to that effect. Statements so certified shall be considered as if made under oath and subject to the same penalties as provided by law for perjury.

15. Continuance of valuation, assessment and taxation under this act shall depend upon continuance of the land in agricultural or horticultural use and compliance with the other requirements of this act and not upon continuance in the same owner of title to the land. Liability to the roll-back tax shall attach when a

change in use of the land occurs but not when a change in ownership of the title takes place if the new owner continues the land in agricultural or horticultural use, under the conditions prescribed in this act.

16. Separation or split off of a part of the land which is being valued, assessed and taxed under this act, either by conveyance or other action of the owner of such land, for a use other than agricultural or horticultural, shall subject the land so separated to liability for the roll-back taxes applicable thereto, but shall not impair the right of the remaining land to continuance of valuation, assessment and taxation hereunder, provided it meets the 5-acre minimum requirement and such other conditions of this act as may be applicable.

17. Note: This portion of the original law repealed.

18. Where contiguous land in agricultural or horticultural use in one ownership is located in more than one taxing district, compliance with the 5-acre minimum area requirement shall be determined on the basis of the total area of such land and not the area which is located in the particular taxing district.

19. The factual details to be shown on the assessor's tax list and duplicate with respect to land which is being valued, assessed and taxed under this act shall be the same as those set forth by the assessor with respect to other taxable property in the taxing district.

20. There is hereby created a State Farmland Evaluation Advisory Committee, the members of which shall be the Director of the Division of Taxation; the Dean of the College of Agriculture, Rutgers - The State University; and the Secretary of Agriculture. The Committee shall meet from time to time on the call of the Secretary of Agriculture and annually determine and publish a range of values for each of the several classifications of land in agricultural and horticultural use in the various areas of the State. The primary objective of the Committee shall be the determination of the ranges in fair value of such land based upon its productive capabilities when devoted to agricultural or horticultural uses. In making these annual determinations of value, the Committee shall consider available evidence of agricultural or horticultural capability derived from the soil survey at Rutgers - The State University, the National Cooperative Soil Survey, and such other evidence of value of land devoted exclusively to agricultural or horticultural uses as it may in its judgment deem pertinent. On or before October 1 of each year, the Committee shall make these ranges of fair value available to the assessing authority in each of the taxing districts in which land in agricultural and

horticultural use is located.

21. The Director is empowered to promulgate such rules and regulations and to prescribe such forms as he shall deem necessary to effectuate the purposes of this act.

22. If any clause, sentence, subdivision, paragraph, section or part of this act be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, subdivision, paragraph, section or part thereof directly involved in the controversy in which said judgment shall have been rendered.

23. The sum of \$50,000 is hereby appropriated to the Division of Taxation in the Department of the Treasury for the administration of this act for the period beginning on the effective date of this act and ending June 30, 1965, in addition to such other sums as may be appropriated to said Division.

24. The tax year 1965 shall be deemed to be the first tax year to which the provisions of this act shall apply. and this act shall apply to the tax year 1965 and subsequent tax years.

25. This act shall take effect immediately.

CHAPTER 455, LAWS OF 1968

(Approved February 21, 1969)

SENATE, NO 902

(Introduced September 10, 1968)

STATE OF NEW JERSEY

A SUPPLEMENT to the "Farmland Assessment Act of 1964," approved May 11, 1964 (P. L. 1964, c. 48).

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. In any municipality in which a program of revaluation of all property in the municipality has been or shall be undertaken and completed in time to be reflected in the assessments for the next succeeding tax year but not in sufficient time to permit taxpayers to make applications prior to October 1 of the pre-tax year for the valuation, assessment and taxation of their lands for the ensuing tax year on the basis of being actively devoted to agricultural or horticultural use, any such application which has been or shall be filed with the assessor after October 1, and prior to December 31 of the pre-tax year, shall be deemed to have been timely made for the tax year next succeeding completion of the revaluation program, notwithstanding any provision to the contrary of the act to which this act is a supplement or of any other law, and the taxes of any applicant whose lands qualify for valuation, assessment and taxation as lands actively devoted to agricultural or horticultural use shall be adjusted accordingly for the tax year commencing January 1 next succeeding completion of the revaluation program and credited or debited, as the case may be, against any taxes due or to become due on such lands.

2. This act shall take effect immediately.

L. P. T. B.  
3/10/69  
ga

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Chapter 237, L. 1970  
(Approved October 28, 1970)

SENATE, NO. 328

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1970 SESSION

By Senator DUMONT

(AS AMENDED - ADOPTED APRIL 13, 1970)

A SUPPLEMENT to the "Farmland Assessment Act of 1964," approved

May 11, 1964 (P. L. 1964, c. 48).

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Where an application for valuation hereunder has been filed by the owner of land within the time provided herein, the assessor of the taxing district in which such land is situated shall, on or before November 1 of the pre tax year, forward to such owner a notice of disallowance by regular mail when a claim has been disallowed. The assessor shall set forth the reason or reasons therefor together with a statement notifying the landowner of his right to appeal such determination to the county board of taxation on or before August 15 of the tax year.

2. This act shall take effect immediately and shall be applicable with respect to applications for the tax year 1971 and thereafter.

L. P. T. B.

10/21/70

mf

**H. RANDOLPH BROKAW**  
**ASSESSOR, TOWNSHIP OF HAMILTON**  
2090 GREENWOOD AVE., TRENTON, N. J. 08609

FORM FA 1 (Revised November 1970)  
(N.J.S.A. 54:4-23.1 et seq.)

**APPLICATION FOR**  
**VALUATION, ASSESSMENT AND TAXATION OF LAND**  
**UNDER THE FARMLAND ASSESSMENT ACT OF 1964**  
(Chapter 48, Laws of 1964, as amended)

**Municipality** ..... **County** .....  
Application is hereby made for valuation, assessment and taxation of certain land, hereinafter more particularly described, under the Farmland Assessment Act of 1964 (C. 48, Laws of 1964, as amended) for the tax year ....., and the following declarations are herewith submitted in support of such application:

1. The owner(s) of the land for which this application is made is (are) .....  
..... (See Instruction 3).  
2. The land, for which this application is made, is located at

.....  
Location ..... Municipality .....  
described as (See Instruction 4) .....

3. Title to the land for which this application is made was acquired by deed dated .....  
and recorded on ..... in Book ..... of Deeds for ..... County,  
Date Recorded  
page ..... If the land was acquired other than by deed, specify .....

4. (a) The land covered by this application is actively devoted to agricultural or horticultural use and has been and will be so devoted during the entire two successive years immediately preceding the tax year for which this application is made. (See Instruction 2 (a) and N.J.S.A. 54:4-23.3 and 23.4 on the reverse side of this application form.) During said period, the land was used as follows (e.g. dairy farming, general farming, poultry farming, etc.) .....

Included in cropland harvested are ..... acres in "soil conservation" programs.  
Name(s) of program(s) .....

During the pretax year the land use classes were as follows: (see reverse side N.J.S.A. 54:4-23.11) (see Instruction 8)

	No. of Acres		No. of Acres
1. Cropland Harvested	.....	6. Land under and land used in connection with farmhouse	.....
2. Cropland Pastured	.....	7. Woodland not devoted to Agricultural or Horticultural use	.....
3. Permanent Pasture	.....	8. All other land not devoted to Agricultural or Horticultural use	.....
4. Woodland devoted to Agricultural or Horticultural use	.....		
5. Total devoted to Agricultural or Horticultural use (sum of lines 1, 2, 3, 4)	.....	9. Total not devoted to Agricultural or Horticultural use (sum of lines 6, 7, 8)	.....
		10. Total Farm acreage (line 5 plus line 9)	.....

(b) For the purposes of this application, it is represented that it is intended that the land will continue to be actively devoted to agricultural or horticultural use from the date of this application to the end of the tax year for which this application is made.

5. The area of such land actively devoted to agricultural or horticultural use, exclusive of the land upon which the farmhouse is located and such additional land as may be actually used in connection with the farmhouse, is not less than 5 acres. (See Instruction 2(b) and N.J.S.A. 54:4-23.11 on the reverse side of this form.)

6. The gross sales of agricultural or horticultural products produced on said land together with any payments received under a soil conservation program have averaged and will average at least \$500 per year during the 2-year period immediately preceding the tax year for which this application is made, or there is clear evidence of anticipated yearly gross sales and such payments amounting to at least \$500 within a reasonable period of time. (See N.J.S.A. 54:4-23.5 on the reverse side of this application form.)

**SIGNATURE AND VERIFICATION (See Instruction 7)**

The undersigned declares under the penalties provided by law, that this application, including any accompanying schedules and statements, has been examined by him and to the best of his knowledge and belief is true and correct.

Dated: .....  
Signature of Individual Owner or Co-Owner

.....  
Name of Corporation

Dated: .....  
Signature of Corporate Officer Title

**RESERVED FOR OFFICIAL USE**

The within application is approved.  
disapproved.

Dated: ..... ASSESSOR .....

**APPLICATION IN DUPLICATE MUST BE SUBMITTED ANNUALLY TO THE LOCAL TAX ASSESSOR**  
**ON OR BEFORE AUGUST 1 OF THE PRETAX YEAR**

## INSTRUCTIONS

1. **GENERAL** — For the purpose of these instructions, the term "farmland assessment," shall refer to valuation, assessment and taxation under the Farmland Assessment Act, C. 48, L. 1964, N.J.S.A. 54:4-23.1, et seq. and C.243, L. 1970.  
Only one application form in duplicate shall be filed for each farm made-up of contiguous land. Enter in section 2 all of the lot and block numbers which make up the total area of each farm unit of contiguous land. (see Reg. 18:15-22)
2. **GENERAL QUALIFICATIONS** — Land may be eligible for "farmland assessment" when it meets the following qualifications:
  - (a) It has been actively devoted to agricultural or horticultural use for at least the 2 successive years immediately preceding the tax year for which "farmland assessment" is requested.  
**Example:** — Application for "farmland assessment" is made for the tax year 1972. The land covered by the application must have been actively devoted to agricultural or horticultural use during the entire period of the calendar years 1970 and 1971.
  - (b) The area of the land actively devoted to agricultural or horticultural use, exclusive of the land upon which the farmhouse is located and such additional land as may be actually used in connection with the farmhouse, is not less than 5 acres;
  - (c) Gross sales and soil conservation payments average at least \$500 annually, as more particularly set forth in paragraph 6 of the application; and
  - (d) Application by the owner for "farmland assessment" has been made in duplicate on or before August 1 of the year immediately preceding the tax year.
3. **LISTING OF OWNERSHIP** — List every individual, partnership or corporation having an interest in the land as owner. Attach separate sheet, if necessary.
4. **DESCRIPTION** — State block(s) and lot(s) as shown on the official tax map or page(s) and line(s) on the current year's tax list that make up a farm unit of contiguous land. This information may be obtained from your tax bill.
5. **FILING DATE** — The application must be filed in duplicate with the local tax assessor on or before August 1 of the year preceding the tax year. For example, in order to request "farmland assessment" with respect to taxes payable in 1972, the application must be filed with the local tax assessor on or before August 1, 1971.
6. **PROOF OF QUALIFICATIONS** — The applicant must furnish, on request of the assessor, proof of all prerequisites to "farmland assessment", such as: proof of ownership, description, area, uses and gross sales of agricultural or horticultural products.
7. **SIGNATURE AND VERIFICATION** — In the case of multiple ownership, one of the owners may sign on behalf of the other co-owners, except corporate co-owners. Any such signer will be presumed to have authority to sign in behalf of the other non-corporate owners. In the case of a corporate owner, the full name of the corporation must be separately filled in, accompanied by the signature and title of the corporate officer authorized to sign the application in its behalf.
8. **LAND USES** — The four land uses are defined as follows:
  1. **Cropland Harvested** — This is the heart of the farm and represents the highest use of land in agriculture. All land from which a crop was harvested in the current year falls into this category.
  2. **Cropland Pastured** — This land can be and sometimes is used for cropland. However, because of the organization of certain types of farming, it is often found in pasture from which the maximum potential income may not be realized in any particular year. All cropland pastured falls into this category.
  3. **Permanent Pasture** — This land is not cropped because its economic potential is greater in pasture. It is meadow land, the rough and stony land, the land with a high degree of slope. It is usually unimproved land which farmers have found to be non-productive except for pasturing and haying.
  4. **Woodland** — Many farms have woodlots — not always because wood is needed on the farm but because this particular land has a marginal value in agriculture.

For purposes of this application certain land uses listed below shall be considered in the above four categories as follows:

Land Use	Category
Land under farm buildings	Cropland Harvested
Swampland	Woodland
Lakes, ponds, streams, irrigation ditches	Woodland
Land in soil conservation programs	Cropland Harvested
Land occupied by chicken farms	Cropland Harvested
Nurseries	Cropland Harvested
Crops grown under glass	Cropland Harvested

### CHANGE IN USE — ALL APPLICANTS PLEASE NOTE

- (a) When the land, which is agricultural or horticultural use and is being valued under the Farmland Assessment Act, is applied to a use other than agricultural or horticultural, it is subject to additional taxes, referred to as roll-back taxes, in an amount equal to the difference, if any, between the taxes paid or payable on the basis of "Farmland Assessment" and the taxes that would have been paid or payable had the land been valued, assessed and taxed as other land in the taxing district.
- (b) In the case of a change in use, the roll-back taxes shall be applicable in the year in which the change took place and in such of the 2 tax years, immediately preceding, in which the land was valued, assessed and taxed under the Farmland Assessment Act.

### EXCERPTS FROM N.J.S.A. 54:4-23.1 et seq.

**N.J.S.A. 54:4-23.3** — Land shall be deemed to be in agricultural use when devoted to the production for sale of plants and animals useful to man, including but not limited to: forages and sod crops; grains and feed crops; dairy animals and dairy products; poultry and poultry products; livestock, including beef cattle, sheep, swine, horses, ponies, mules or goats, including the breeding and grazing of any or all of such animals; bees and apiary products; fur animals; trees and forest products; or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the Federal Government.

**N.J.S.A. 54:4-23.4** — Land shall be deemed to be in horticultural use when devoted to the production for sale of fruits of all kinds, including grapes, nuts and berries; vegetables; nursery, floral, ornamental and greenhouse products; or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the Federal Government.

**N.J.S.A. 54:4-23.5** — Land shall be deemed to be actively devoted to agricultural or horticultural use when the gross sales of agricultural or horticultural products produced thereon together with any payments received under a soil conservation program have averaged at least \$500.00 per year during the 2-year period immediately preceding the tax year in issue, or there is clear evidence of anticipated yearly gross sales and such payments amounting to at least \$500.00 within a reasonable period of time.

**N.J.S.A. 54:4-23.11** — In determining the total area of land actively devoted to agricultural or horticultural use there shall be included the area of all land under barns, sheds, silos, cribs, greenhouses and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities, but land under and such additional land as may be actually used in connection with the farmhouse shall be excluded in determining such total area.

H. RANDOLPH BROKAW, C.T.A.  
*Assessor*



INCORPORATED MARCH 11, 1842

THE TOWNSHIP OF HAMILTON  
COUNTY OF MERCER  
MUNICIPAL BUILDING, 2090 GREENWOOD AVENUE  
TRENTON, NEW JERSEY 08609

E. LEE JONES, C.T.A.  
*Assistant Assessor*

INTRODUCTION

Application with Letter

Letter - Farmland Assessment Act Applicants

N. J. Seventh Report of  
The State Farmland Evaluation Advisory Committee  
1970 Farmland Assessment Act of 1964  
Chapter 48, Laws of 1964                      Dated October 1970

Farmland Assessment Act of 1964  
Second Report of Data From FA-1 for 1970 Tax Year  
Dated September 1970

Property Tax Assessments and Appeals  
and Farmland Assessment Act

Your Stake in Farmland Assessment

Implement and Early Effect of the  
New Jersey Farmland Assessment Act

Act



H. RANDOLPH BROKAW, C.T.A.  
Assessor



E. LEE JONES, C.T.A.  
Assistant Assessor

INCORPORATED MARCH 11, 1842

THE TOWNSHIP OF HAMILTON  
COUNTY OF MERCER  
MUNICIPAL BUILDING, 2090 GREENWOOD AVENUE  
TRENTON, NEW JERSEY 08609

August 1970

Farmland Assessment Act Applicants

Enclosed are FA-1 forms to be used in applying for qualification for the 1971 tax year under the Farmland Assessment Act of 1964.

Only one form (in duplicate) should be filed by owner of a farm made up of contiguous land. Section 2 of the form provides space to list all of the lot and block numbers which make up the total area of each farm unit of contiguous land. Do not file a form in duplicate for each lot and block unless they are not joined together in one farm unit.

The duplicate copy of each FA-1 form must be signed by the assessor, dated and noted "approved" or "disapproved" and forwarded to the N. J. Local Property Tax Bureau.

Kindly return application in duplicate on or before October 1, 1970 to-

H. Randolph Brokaw, Assessor  
The Township of Hamilton  
Municipal Building  
2090 Greenwood Avenue  
Trenton, N. J. 08609

Should you have any questions on this matter, please contact this office at 609-586-3500.



State of New Jersey

●  
SEVENTH  
REPORT OF

THE STATE FARMLAND  
EVALUATION  
ADVISORY COMMITTEE

- 1 9 7 0 -

"FARMLAND ASSESSMENT  
ACT OF 1964"

Chapter 48, Laws of 1964

TRENTON, NEW JERSEY

● OCTOBER, 1970

A92

### ACKNOWLEDGMENTS

The State Farmland Evaluation Advisory Committee gratefully acknowledges the assistance provided by members of the staff of the College of Agriculture and Environmental Science, Rutgers - the State University. Particular commendation is extended to Dr. George W. Luke, Chairman, Department of Agricultural Economics and Marketing, and Dr. Warren Battle and Dr. John C. F. Tedrow, Chairman and Professor respectively of Soils and Crops.

Also acknowledged, with the thanks of the Committee, are the services rendered by O. W. Freeman, Assessment Evaluator, Local Property Tax Bureau, Division of Taxation, New Jersey Department of the Treasury, and Samuel Garrison, Executive Secretary, Rural Advisory Council, New Jersey Department of Agriculture.

Address inquiries to:

Local Property Tax Bureau  
West State and Willow Sts.  
Trenton, New Jersey 08625

REPORT OF STATE FARMLAND EVALUATION ADVISORY COMMITTEE

The Farmland Assessment Act of 1964 (Chapter 48, Laws of 1964) created a State Farmland Evaluation Advisory Committee, and designated as the members thereof the Director of the Division of Taxation; the Dean of the College of Agriculture and Environmental Science, Rutgers - the State University; and the Secretary of Agriculture. The Act prescribed the functions and responsibilities of the Committee as follows:

"... The Committee shall meet from time to time on the call of the Secretary of Agriculture and annually determine and publish a range of values for each of the several classifications of land in agricultural and horticultural use in the various areas of the State. The primary objective of the Committee shall be the determination of the ranges in fair value of such land based upon its productive capabilities when devoted to agricultural or horticultural uses. In making these annual determinations of value, the Committee shall consider available evidence of agricultural or horticultural capability derived from the soil survey at Rutgers - the State University, the National Cooperative Soil Survey, and such other evidence of value of land devoted to agricultural or horticultural uses as it may in its judgment deem pertinent. On or before October 1 of each year, the Committee shall make these ranges of fair value available to the assessing authority in each of the taxing districts in which land in agricultural or horticultural use is located."

The same methodology, originally developed and utilized in all prior reports, has been continued in determining the ranges in fair value of farmland for the current report.

The primary data sources, representing the most reliable and comprehensive information available to the Committee, are the United States Census of Agriculture and the United States Department of Agriculture Farm Income Reports.

The Committee submits this 1970 Report in conformity with the Farmland Assessment Act of 1964.

*Phillip Alampi*  
Secretary of Agriculture

October 1, 1970

*Leland Emmett Jr.*  
Dean, College of Agriculture  
and Environmental Science

*Tidney Glaser*  
Acting Director,  
Division of Taxation

## Farmland Assessment - Statutory Limitation

The Farmland Assessment Act authorizes and mandates assessment of qualified farmland on the basis of its productivity value in agriculture or horticulture rather than on the basis of its market value.

### Productivity Value

Assessment of farmland on the basis of its productivity value presents a number of difficulties. The principal difficulties arise for two important reasons:

1. Exact measures of the innate productivity of the 215 soil types in New Jersey are not available although there is a scientific base for making reasonable estimates of productivity.
2. The productivity of farmland varies with its particular use.

A method of overcoming the principal difficulties lies in combining the scientific knowledge available on the characteristics of New Jersey soils and their economic potential according to current uses in agriculture. The procedure is simplified by grouping the 215 soil types into five rated soil groups and four of the most common uses of land by farmers. Net income from the land is capitalized and allocated on the basis of the above rated capabilities.

### Agricultural Soil Grouping

New Jersey is fortunate in having a complete set of maps and a description of all of its soils. To aid in the assessing process, the

AGS

agricultural soils have been categorized 1/ into five 2/ groups:

- Group A - Very productive farmland, suitable for permanent cultivation. With proper management, yields tend to be high. Usually the most desirable soil in the area.
- Group B - Good farmland, suitable for permanent cultivation. Yields are generally fairly high.
- Group C - Fair farmland, suitable for permanent cultivation. Yields tend to be lower than those in Groups A and B. The limiting factors are usually shallowness, droughtiness, or excessive moisture.
- Group D - Rather poor farmland, usually wet, stony, droughty, or otherwise unsuitable for permanent cultivation.
- Group E - Land unsuitable for tillage, usually because of excessive water, shallowness, stoniness, or droughtiness.

In arriving at a realistic classification (placing each soil into one of five groups), the following factors were primarily used: general suitability of the soil for farming, mechanical composition, depth of the soil, drainage, stoniness, and other related properties. This grouping, however, does not take into consideration availability of water, topography, soil erosion, and the degree of slope.

1/ Productive Capability of New Jersey Soils; Dr. J. C. F. Tedrow, Department of Soils and Crops, Rutgers - the State University. A Soils Guide for Use in Connection with the Valuation, Assessment and Taxation of Land Under the "Farmland Assessment Act of 1964" Chapter 48, Laws of 1964. (N.J.S.A. 54:4-23.1 et seq.)

2/ There is a sixth group, Group F, which is land of no agricultural value, consisting of rock outcrop, rough stony land, coastal beaches and clay pits. Such land is not deemed eligible for assessment under the Farmland Assessment Act of 1964.

### Land Use Classes

Land use on the typical New Jersey farm differs for various reasons but the primary uses of land can be combined into four distinct classes: cropland harvested, cropland pastured, permanent pasture, and woodland. These classes are described below:

1. Cropland harvested - This is the heart of the farm and represents the highest use of land in agriculture. All land from which a crop was harvested in the current year falls into this category.
2. Cropland pastured - This land can be and sometimes is used for cropland. However, because of the organization of certain types of farming, it is often found in pasture from which the maximum potential income may not be realized in any particular year. All cropland pastured falls into this category.
3. Permanent pasture - This land is not cropped because its economic potential is greater in pasture. It is meadow land, the rough and stony land, the land with a high degree of slope. It is usually unimproved land which farmers have found to be non-productive except for pasturing and haying.
4. Woodland - Many farms have woodlots --- not always because wood is needed on the farm but because this particular land has a marginal value in agriculture.

### Deriving Ranges of Value for Farmland

Ranges in value of farmland were determined for each county by the method of capitalizing the net income from farming. The general method of calculation employed in the derivation of these values are shown in Appendix A.

THE VALUES SHOWN IN TABLE I ARE THE COMMITTEE'S ESTIMATES OF THE VALUE OF FARMLAND BASED UPON ITS PRODUCTIVE CAPABILITIES WHEN DEVOTED TO AGRICULTURAL OR HORTICULTURAL USES. THESE ARE THE RANGES OF VALUE OF FARMLAND WHICH THE COMMITTEE IS MAKING AVAILABLE TO THE ASSESSING AUTHORITY IN EACH OF THE TAXING DISTRICTS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 20 OF THE FARMLAND ASSESSMENT ACT OF 1964.

### IMPORTANT NOTE TO ASSESSORS

Table I contains the county estimates of the value of farmland as determined by the State Farmland Evaluation Advisory Committee. They are suggested values which may be modified in individual instances by special conditions such as availability of water, topography, soil erosion and the degree of slope.

These values are designed as guidelines for the assessor. It remains his ultimate responsibility to determine the assessed value of qualified farmland in accordance with the standards prescribed in the Farmland Assessment Act of 1964 (Chapter 48, Laws of 1964).



Estimates of Ranges in Value of Farmland Based Upon its  
Productive Capabilities When Devoted to Agricultural  
or Horticultural Use - By County

COUNTY	SOIL GROUP	CROPLAND HARVESTED		CROPLAND PASTURED		PERMANENT PASTURE		WOODLAND	
		Soil Rating	Value per Acre	Soil Rating	Value per Acre	Soil Rating	Value per Acre	Soil Rating	Value per Acre
Atlantic	A	120	\$ 456	120	\$ 228	110	\$ 84	110	\$ 21
	B	100	380	100	190	100	76	100	19
	C	70	266	70	133	80	61	90	17
	D	40	152	40	76	70	53	80	15
	E	10	38	10	19	60	46	70	13
Bergen	A	120	720	120	360	110	132	110	33
	B	100	600	100	300	100	120	100	30
	C	70	420	70	210	80	96	90	27
	D	40	240	40	120	70	84	80	24
	E	10	60	10	30	60	72	70	21
Burlington	A	120	336	120	168	110	62	110	15
	B	100	280	100	140	100	56	100	14
	C	70	196	70	98	80	45	90	13
	D	40	112	40	56	70	39	80	11
	E	10	28	10	14	60	34	70	10
Camden	A	120	480	120	240	110	88	110	22
	B	100	400	100	200	100	80	100	20
	C	70	280	70	140	80	64	90	18
	D	40	160	40	80	70	56	80	16
	E	10	40	10	20	60	48	70	14
Cape May	A	120	288	120	144	110	53	110	13
	B	100	240	100	120	100	48	100	12
	C	70	168	70	84	80	38	90	11
	D	40	96	40	48	70	34	80	10
	E	10	24	10	12	60	29	70	8
Cumberland	A	120	456	120	228	110	84	110	21
	B	100	380	100	190	100	76	100	19
	C	70	266	70	133	80	61	90	17
	D	40	152	40	76	70	53	80	15
	E	10	38	10	19	60	46	70	13
Essex	A	120	720	120	360	110	132	110	33
	B	100	600	100	300	100	120	100	30
	C	70	420	70	210	80	96	90	27
	D	40	240	40	120	70	84	80	24
	E	10	60	10	30	60	72	70	21
Gloucester	A	120	456	120	228	110	84	110	21
	B	100	380	100	190	100	76	100	19
	C	70	266	70	133	80	61	90	17
	D	40	152	40	76	70	53	80	15
	E	10	38	10	19	60	46	70	13
Hudson	A	120	720	120	360	110	132	110	33
	B	100	600	100	300	100	120	100	30
	C	70	420	70	210	80	96	90	27
	D	40	240	40	120	70	84	80	24
	E	10	60	10	30	60	72	70	21
Hunterdon	A	120	312	120	156	110	57	110	14
	B	100	260	100	130	100	52	100	13
	C	70	182	70	91	80	42	90	12
	D	40	104	40	52	70	36	80	10
	E	10	26	10	13	60	31	70	9

COUNTY	SOIL GROUP	CROPLAND HARVESTED		CROPLAND PASTURED		PERMANENT PASTURE		WOODLAND	
		Soil Rating	Value per Acre	Soil Rating	Value per Acre	Soil Rating	Value per Acre	Soil Rating	Value per Acre
Mercer	A	120	\$ 336	120	\$ 168	110	\$ 62	110	\$ 15
	B	100	280	100	140	100	56	100	14
	C	70	196	70	98	80	45	90	13
	D	40	112	40	56	70	39	80	11
	E	10	28	10	14	60	34	70	10
Middlesex	A	120	480	120	240	110	88	110	22
	B	100	400	100	200	100	80	100	20
	C	70	280	70	140	80	64	90	18
	D	40	160	40	80	70	56	80	16
	E	10	40	10	20	60	48	70	14
Monmouth	A	120	456	120	228	110	84	110	21
	B	100	380	100	190	100	76	100	19
	C	70	266	70	133	80	61	90	17
	D	40	152	40	76	70	53	80	15
	E	10	38	10	19	60	46	70	13
Morris	A	120	480	120	240	110	88	110	22
	B	100	400	100	200	100	80	100	20
	C	70	280	70	140	80	64	90	18
	D	40	160	40	80	70	56	80	16
	E	10	40	10	20	60	48	70	14
Ocean	A	120	360	120	180	110	66	110	16
	B	100	300	100	150	100	60	100	15
	C	70	210	70	105	80	48	90	14
	D	40	120	40	60	70	42	80	12
	E	10	30	10	15	60	36	70	10
Passaic	A	120	720	120	360	110	132	110	33
	B	100	600	100	300	100	120	100	30
	C	70	420	70	210	80	96	90	27
	D	40	240	40	120	70	84	80	24
	E	10	60	10	30	60	72	70	21
Salem	A	120	312	120	156	110	57	110	14
	B	100	260	100	130	100	52	100	13
	C	70	182	70	91	80	42	90	12
	D	40	104	40	52	70	36	80	10
	E	10	26	10	13	60	31	70	9
Somerset	A	120	384	120	192	110	70	110	18
	B	100	320	100	160	100	64	100	16
	C	70	224	70	112	80	51	90	14
	D	40	128	40	64	70	45	80	13
	E	10	32	10	16	60	38	70	11
Sussex	A	120	336	120	168	110	62	110	15
	B	100	280	100	140	100	56	100	14
	C	70	196	70	98	80	45	90	13
	D	40	112	40	56	70	39	80	11
	E	10	28	10	14	60	34	70	10
Union	A	120	528	120	264	110	97	110	24
	B	100	440	100	220	100	88	100	22
	C	70	308	70	154	80	70	90	20
	D	40	176	40	88	70	62	80	18
	E	10	44	10	22	60	53	70	15
Warren	A	120	336	120	168	110	62	110	15
	B	100	280	100	140	100	56	100	14
	C	70	196	70	98	80	45	90	13
	D	40	112	40	56	70	39	80	11
	E	10	28	10	14	60	34	70	10

## APPENDIX A

### DERIVATION OF THE FARMLAND ASSESSMENT VALUES

- a. The U.S. Census of Agriculture, published every 5 years, contains a listing of farmland use acreage categories for each county. These acreage categories were combined into exclusive and easily identifiable land use classes of Cropland Harvested, Cropland Pastured, Permanent Pasture and Woodland.

U.S. Census of Agriculture categories combined into the four land use classes:

1. Cropland Harvested - Cropland harvested, cropland not harvested and not pasture.
2. Cropland Pastured - Cropland used only for pasture.
3. Permanent Pasture - Other pasture, other land.
4. Woodland - Woodland pastured, woodland not pastured.

In order to estimate the acreage of land in each class, by county, for 1970, a projection is made on the basis of census data from 1949 to 1964.

#### Example of Projected Acreage for a County

	<u>1949</u>	<u>1954</u>	<u>1959</u>	<u>1964</u>	<u>1970</u>
1. Cropland Harvested	77,416	74,247	75,766	60,433	60,180
2. Cropland Pastured	6,486	5,003	4,518	3,012	1,963
3. Permanent Pasture	23,842	25,097	18,594	15,585	12,335
4. Woodland	28,163	19,056	19,383	13,798	8,553

Source: U.S. Department of Commerce; Bureau of the Census, U.S. Census of Agriculture; Statistics for the State and Counties, New Jersey. 1949, 1954, 1959, 1964.

- b. The U. S. Department of Agriculture publishes annual estimates of State farm income. The various items of income and expense used in determining the net farm income for 1970 were projected on the basis of published estimates from 1949 to 1969.

<u>Estimated Net Farm Income - 1970</u>		Million Dollars
Cash Receipts from Farm Marketing <u>1/</u>		195.2
Government Payments <u>2/</u>		4.7
Value of Home Consumption <u>3/</u>		1.1
Change in Inventory		- 1.8
Gross Farm Income		199.2
Farm Production Expenses <u>4/</u>		<u>178.8</u>
NET FARM INCOME <u>5/</u>		20.4

Source: U.S. Department of Agriculture; Farm Income, State Estimates, 1949-1969, F.I.S. supplement, August, 1970; and Farm Income Situation, July, 1970.

- c. The percentage of State farm income arising from agriculture in each county was projected for 1970 on the basis of census data from 1949 to 1964.

<u>Example of Projected County Income as a Per Cent of State Income 1/</u>										
	1949		1954		1959		1964		1970	
	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%
County	14.4	11.4	13.6	9.2	15.0	10.2	17.8	11.5	19.1	11.7
State	126.5	100.0	148.3	100.0	147.3	100.0	154.3	100.0	163.1	100.0

Source: U.S. Department of Commerce; Bureau of the Census, U.S. Census of Agriculture; Statistics for the State and Counties, New Jersey, 1949, 1954, 1959, 1964.

- d. State net farm income for 1970 was allocated to the counties in the ratio calculated under step c.

<u>Example of Determination of Net Income by County 1970</u>		
	Percent	Mil. Dollars
County	11.7	2.39
State	100.0	20.4

A/c 2

- e. Net income for each county was then capitalized according to a return of 10 percent. 6/

Example of Determination of Total Value of Land in Farms for a County

	<u>Net Income</u> <u>Mil. Dollars</u>	<u>Total Value</u> <u>Mil. Dollars</u>
County	2.39	23.90

- f. The average value per acre of each land use class was determined for each county by the productivity rating shown below. 7/

<u>Land Use Class</u>	<u>Productivity Rating</u>
Cropland Harvested	20
Cropland Pastured	10
Permanent Pasture	4
Woodland	1

The following formula is used to compute the average values:

Example of Computing Average Values for Land Classes for a County

- (1)  $20 (X) (\text{Cropland Harvested Acres}) + 10 (X) (\text{Cropland Pastured Acres}) + 4 (X) (\text{Permanent Pasture Acres}) + (X) (\text{Woodland Acres}) = \text{Capitalized County Net Income.}$

- (2)  $(20 \times 60,180 \text{ Cropland Harvested Acres}) X + (10 \times 1,963 \text{ Cropland Pastured Acres}) X + (4 \times 12,335 \text{ Permanent Pasture Acres}) X + (1 \times 8,553 \text{ Woodland Acres}) X = \$23,900,000 (\text{Capitalized County Net Income})$   
 $1,281,123 X = \$23,900,000$   
 $X = \$18.7 (\text{use } \$19.00) \text{ per acre}$

- (3) Average value for land classes

Cropland Harvested	$20 \times \$19 = \$380$
Cropland Pastured	$10 \times \$19 = \$190$
Permanent Pasture	$4 \times \$19 = \$76$
Woodland	$1 \times \$19 = \$19$

H103

g. Value per acre for the classes of land was calculated for each county.

<u>COUNTY</u>	<u>CROPLAND HARVESTED</u> (\$ per acre)	<u>CROPLAND PASTURED</u> (\$ per acre)	<u>PERMANENT PASTURE</u> (\$ per acre)	<u>WOODLAND</u> (\$ per acre)
Atlantic	380	190	76	19
Bergen	600	300	120	30
Burlington	280	140	56	14
Camden	400	200	80	20
Cape May	240	120	48	12
Cumberland	380	190	76	19
Essex	600	300	120	30
Gloucester	380	190	76	19
Hudson	600	300	120	30
Hunterdon	260	130	52	13
Mercer	280	140	56	14
Middlesex	400	200	80	20
Monmouth	380	190	76	19
Morris	400	200	80	20
Ocean	300	150	60	15
Passaic	600	300	120	30
Salem	260	130	52	13
Somerset	320	160	64	16
Sussex	280	140	56	14
Union	440	220	88	22
Warren	280	140	56	14

h. Class values in each county were adjusted in accordance with the ratings of the soil groups. (See Table I)

A104

## FOOTNOTES

- 1/ Excludes poultry income (\$36.5 mil.) and floriculture crops grown under glass (\$18.9 mil.) = \$55.4 mil. Income from these sources does not result primarily from the productivity of the land.
- 2/ Adjusted for payments to poultrymen and payments for other than the land factor.
- 3/ Excludes poultry and miscellaneous products used for home consumption (\$0.9 mil.)
- 4/ Excludes poultry expenses (\$32.8 mil.) and floriculture expenses (\$17.0 mil.) = \$49.8 mil.
- 5/ Net income does not contain a payment for the farmer's own labor.
- 6/ The capitalization rate of 10 percent reflects the cost for borrowed money and a return for the farmer's own labor.
- 7/ Based on estimates of the Soils and Crops Department and Department of Agricultural Economics and Marketing, Rutgers - The State University.

A105

STATE OF NEW JERSEY

FARMLAND ASSESSMENT ACT OF 1964  
SECOND REPORT  
OF  
DATA FROM FA-1 FORMS FOR 1970 TAX YEAR

Division of Taxation  
Local Property Tax Bureau  
West State & Willow Streets  
Trenton, New Jersey 08625

September, 1970



Farmland Assessment Act of 1964  
Description of Data Contained in The  
Second Report  
of  
Data From FA-1 Forms For 1970 Tax Year

County and State Totals

Column #1 gives the number of FA-1 forms approved by assessors in each taxing district. In some instances, the data from two or more forms covering contiguous land under a single ownership have been combined and the result has been considered to be one form.

The number of approved FA-1 forms cannot be interpreted as the number of farms qualified under the Act because:

- a. Some districts have one application for each farm of contiguous land.
- b. Some districts have one application for each line item.
- c. Some districts have applications in both a and b categories.

NOTE: The desired method of reporting is one application for each farm of contiguous land.

Column #2 gives the number of 3b (farm qualified) line items as reported by the assessor on the SR3-A card.

Columns #3, #4, #5 and #6 give the number of acres qualified under the Act by the four categories of land use, i.e. cropland harvested, cropland pastured, permanent pasture and woodland.

Column #7 gives the total acres qualified under the Act (the sum of columns #3, #4, #5 and #6).

Columns #8, #9 and #10 give the number of acres not qualified under the Act, which are a part of the total acreage listed on approved FA-1 forms, by the three categories of land use, i.e. land with farm house, woodland not devoted to agricultural and horticultural use, all other land not devoted to agricultural and horticultural use.

Column #11 gives the total acreage of farms not qualified (the sum of columns #8, #9 and #10).

Column #12 gives the total farm acreage reported on approved FA-1 forms.

Column #13 gives the total land area of the municipality in acres.

Column #14 gives the percentage of the municipalities total land area which is "qualified" (column #7 divided by column #13).

A107

Column #15 is the total assessed value of 3b (farms qualified) as reported by the assessor on his SR3-A card.

Column #16 is the assessors full value of 3b (farms qualified) which is the assessed value given in column #15 divided by the county percentage level.

Column #17 is the value of 3b (farms qualified) acreage assuming all the land of each farm was in soil group "A" (very productive farmland) and priced according to the 4 uses and using the acreage values recommended in the Sixth Report of the State Farmland Evaluation Advisory Committee.

Column #18 is the same computation as given in column #17 assuming all the land of each farm was in soil group "B" (good farmland).

NOTE: If assessors used the values recommended by The State Farmland Evaluation Advisory Committee then their full values set forth in column #16 should not exceed the values set forth in column #17 and should fall somewhere between the values set forth in columns #17 and #18 or be below the values set forth in column #18.

Column #19 gives the number of line items of 3a (farms regular) reported by the assessor on the SR3-A cards

NOTE: Farms regular are farms not qualified under the Farmland Assessment Act of 1964.

Column #20 is the assessors full value of 3a (farms regular) which is the assessed value divided by the county percentage level.

Column #21 is the total line items of all farms (3a regular plus 3b qualified).

Column #22 is the assessors full value of all farms (3a regular plus 3b qualified) column #16 plus column #20.

Columns #23 and #24 give the percentage of the assessors full value of all farms in 3a (farms regular) and 3b (farms qualified).

Column #25 is the assessors full value of all classes of property (1 to 4 inclusive). This is the total assessed value reported on the SR3-A card divided by the county percentage level.

Columns #26 and #27 are the percentages that 3a (farms regular) and 3b (farms qualified) are of the assessors full value of all classes of property (column #25).

17 10 2

Columns #28, #29, #30 and #31 give the percentages of the 4 land uses of qualified land acreage to total qualified farm acreage.

Columns #32, #33 and #34 give the percentages of the 3 land uses of non-qualified land acreage to the total portion of the farm acreage not qualified.

Columns #35 to #41 inclusive give the percentages of the 7 land uses to the total farm acreage (regular and qualified).

Columns #42 to #54 inclusive is the breakdown of the acreage by size reported on each approved FA-1 form. These figures cannot be interpreted as the sizes of farms for the same reasons as stated under the column #1 description.

#### Taxing Districts

Data used to compile the County and State totals previously described are obtained from individual district figures which are listed in columns #1 to #27. (not included in this report)

#### Special Note

126 districts had values above "A" (column #17) values, 53 districts had values between "A" and "B" (column #17 and column #18) values and 89 districts had values below "B" (column #18) values.

For the State as a whole the assessors values (column #16) were below the "A" (column #17) values but above the "B" (column #18) values.

A 109

A.110

4

Code No. County	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
	No. of Approved FA-1 Forms	No. of Line Items 3b Farm Qualified	3b (Farm Qualified) Acres From Approved FA-1 Forms					Non-Qualified Acres from Approved FA-1 Forms				
			Cropland Harvested	Cropland Pastured	Permanent Pasture	Woodland	Total Devoted to Agricultural And Horticultural Use	Land With Farm House	Woodland Not Devoted to Agricultural And Horticultural Use	All Other Land Not Devoted to Agricultural And Horticultural Use	Total Not Devoted to Agricultural And Horticultural Use	Total Farm Acreage from Approved FA-1 Forms
01 Atlantic	257	487	6,305.58	295.72	498.98	1,338.96	8,439.24	122.00	1,079.42	1,141.28	2,342.70	10,781.94
02 Bergen	127	177	1,437.96	101.44	301.36	275.24	2,116.00	123.31	372.79	116.89	612.99	2,728.99
03 Burlington	1,681	2,169	72,436.35	6,661.60	14,498.01	27,131.80	120,727.76	1,885.72	8,946.89	2,645.26	13,477.87	134,205.63
04 Camden	222	220	5,529.01	113.60	431.40	1,274.99	7,349.00	141.57	121.46	120.13	383.16	7,732.16
05 Cape May	4	2	73.47	0.00	0.00	0.00	73.47	1.46	4.00	0.00	5.46	78.93
06 Cumberland	467	608	15,135.62	366.90	804.16	1,664.36	17,971.04	357.14	1,405.63	1,756.64	3,519.41	21,490.45
07 Essex	27	32	328.53	2.00	31.00	109.56	471.09	11.00	16.88	4.00	31.88	502.97
08 Gloucester	817	1,211	33,444.92	1,006.17	2,055.87	7,289.46	43,796.42	865.67	1,160.63	2,082.77	4,109.07	47,905.49
09 Hudson	0	0	-	-	-	-	-	-	-	-	-	-
10 Hunterdon	1,752	2,071	68,424.67	7,640.75	22,941.24	22,186.50	121,193.16	2,798.45	5,761.60	3,649.06	12,209.11	133,402.27
11 Mercer	625	884	26,478.35	1,326.29	2,560.98	6,080.64	36,446.26	760.83	1,527.66	1,126.67	3,415.16	39,861.42
12 Middlesex	665	1,028	27,302.49	1,710.60	1,711.98	5,442.25	36,167.32	692.03	1,407.45	795.09	2,894.57	39,061.89
13 Monmouth	1,557	2,040	50,678.10	3,835.40	7,818.46	13,194.38	75,526.34	1,747.48	5,057.50	1,955.42	8,760.40	84,286.74
14 Morris	471	804	11,471.41	2,180.38	3,898.17	6,825.63	24,375.59	674.94	2,523.12	1,202.54	4,400.60	28,776.19
15 Ocean	82	108	1,056.19	93.60	239.47	1,138.40	2,527.66	106.86	278.72	87.69	473.27	3,000.93
16 Passaic	41	59	384.15	59.00	194.84	361.79	999.78	30.95	0.00	14.00	44.95	1,044.73
17 Salem	881	1,804	44,085.15	2,455.35	6,932.69	5,059.63	58,532.82	1,154.16	4,868.22	7,772.55	13,794.93	72,327.75
18 Somerset	784	1,054	31,113.88	3,125.52	10,644.56	6,543.04	51,427.00	1,522.10	3,991.17	2,381.95	7,895.22	59,322.22
19 Sussex	825	1,783	32,215.27	10,102.80	23,575.95	18,873.60	84,767.62	1,140.19	5,473.65	2,044.16	8,658.00	93,425.62
20 Union	44	55	441.67	30.00	23.83	82.83	578.33	23.53	5.50	0.00	29.03	607.36
21 Warren	646	1,109	34,337.30	6,741.23	13,270.89	12,362.14	66,711.56	885.46	4,797.03	1,511.46	7,193.95	73,905.51
1970 Entire State	11,975	17,705	462,673.57	47,848.35	112,433.84	137,235.20	760,197.46	15,044.85	48,799.32	30,407.56	94,251.73	854,449.19
1969 Entire State	10,549	14,417	395,045.46	43,132.03	96,999.83	117,836.17	653,013.49	12,891.97	38,963.70	26,108.82	77,964.49	730,977.98

Code No. County	Col. 13	Col. 14	Col. 15	Col. 16	Col. 17	Col. 18	Col. 19	Col. 20	Col. 21	Col. 22	Col. 23	Col. 24
	Total Acreage in County	Percent of 3b Acres to Total Acres Col. 7 + Col. 13	3b (Farm Qualified) Assessed Value SR-3A	Assessors' Full Value (3b Assessed Value + County Percentage Level)	Assessors' Full Value Assuming Use of "A" Soil Rating Values	Assessors' Full Value Assuming Use of "B" Soil Rating Values	3a (Farms Regular) from SR-3A		Total Line Items 3a + 3b (Col. 2 + Col. 19)	Total Assessors Full Value 3a + 3b (Col. 16 + Col. 20)	Percent of Assessors' Total Full Value	
							Number of Line Items	Assessors' Full Value			3a	3b
01 Atlantic	361,952.00	2.33	3,062,520	6,125,040	\$ 3,012,062	\$ 2,505,055	1,763	20,354,420	2,250	26,479,460	76.87	23.13
02 Bergen	150,451.20	1.41	1,985,970	1,985,970	1,120,711	937,670	168	10,782,830	345	12,768,800	84.45	15.55
03 Burlington	524,352.00	22.80	25,219,461	25,219,461	26,468,413	22,159,994	1,944	49,426,245	4,113	74,645,706	66.21	33.79
04 Camden	142,182.60	5.17	1,689,575	3,379,150	2,747,201	2,294,336	663	10,873,305	883	14,252,455	76.29	23.71
05 Cape May	169,817.60	.04	7,300	7,300	22,923	19,102	377	3,446,045	379	3,453,345	99.79	.21
06 Cumberland	321,536.00	5.59	3,802,465	9,506,163	7,460,535	6,225,247	3,599	43,934,167	4,207	53,440,330	82.21	17.79
07 Essex	81,561.60	.58	294,000	294,000	244,969	204,725	23	2,377,200	55	2,671,200	88.99	11.01
08 Gloucester	210,304.00	20.83	3,258,930	10,863,100	16,636,327	13,889,461	2,412	36,261,780	3,623	47,124,880	76.95	23.05
09 Hudson	28,224.00	0	0	0	-	-	0	0	0	0	0	0
10 Hunterdon	279,680.00	43.33	19,062,591	19,062,591	24,158,714	20,265,085	2,267	69,748,426	4,338	88,811,017	78.54	21.46
11 Mercer	144,640.00	25.20	5,631,800	11,263,600	10,037,253	8,387,318	1,118	33,720,180	2,002	44,983,780	74.96	25.04
12 Middlesex	197,625.60	18.30	6,259,243	12,518,486	14,474,200	12,084,364	801	24,669,800	1,829	37,188,286	66.34	33.66
13 Monmouth	305,286.40	24.74	23,073,291	23,073,291	26,224,284	21,927,684	2,411	70,407,269	4,451	93,480,560	75.32	24.68
14 Morris	305,728.00	7.97	2,791,135	5,582,270	6,846,669	5,746,654	633	24,844,300	1,437	30,426,570	81.65	18.35
15 Ocean	410,240.00	.62	490,240	490,240	460,800	386,496	626	15,968,875	734	16,459,115	97.02	2.98
16 Passaic	123,008.00	.81	597,500	597,500	335,485	282,425	47	2,446,100	106	3,043,600	80.37	19.63
17 Salem	219,532.80	26.66	4,428,599	14,761,996	15,730,829	13,146,656	1,924	24,497,323	3,728	39,259,319	62.40	37.60
18 Somerset	195,264.00	26.34	5,664,270	11,328,540	14,254,726	11,945,121	968	53,704,280	2,022	65,032,820	82.58	17.42
19 Sussex	386,888.00	25.17	12,030,530	12,030,530	15,271,991	12,887,665	1,481	29,335,210	3,264	41,365,740	70.92	29.08
20 Union	86,869.80	.87	471,830	943,660	245,420	204,855	25	1,052,840	80	1,996,500	52.73	47.27
21 Warren	231,680.00	28.79	9,652,236	9,652,236	13,713,104	11,503,647	1,449	32,271,660	2,558	41,923,896	76.98	23.02
1970 Entire State	4,806,067.40	15.82	129,473,486	178,685,124	\$ 199,466,616	\$ 167,003,560	24,699	560,122,255	42,404	738,807,379	75.81	24.19
1969 Entire State	4,806,067.40	13.58	106,873,090	141,447,815	\$ 169,655,679	\$ 142,042,231	26,721	510,188,478	41,138	651,632,293	78.26	21.74

	Col. 25	Col. 26	Col. 27	Col. 28	Col. 29	Col. 30	Col. 31	Col. 32	Col. 33	Col. 34
Code No. County	Total Assessors' Full Value All Classes (1 to 4 incl.)	Percent to Total Assessors' Full Value (All Classes)		Percentages of 4 Qualified Land Uses to Total Acreage Devoted to Agricultural and Horticultural Use				Percentages of 3 Non-Qualified Land Uses to Total Acreage Not Devoted to Agricultural and Horticultural Use		
		3a	3b	Cropland Harvested	Cropland Pastured	Permanent Pasture	Woodland	Land With Farm House	Woodland	All Other
01 Atlantic	1,121,101,778	1.82	.55	74.72	3.50	5.91	15.87	5.21	46.07	48.72
02 Bergen	7,595,787,038	.14	.03	67.96	4.79	14.24	13.01	20.12	60.81	19.07
03 Burlington	1,529,944,290	3.23	1.65	60.00	5.52	12.01	22.47	13.99	66.38	19.63
04 Camden	2,095,325,750	.52	.16	75.23	1.55	5.87	17.35	36.95	31.70	31.35
05 Cape May	782,033,861	.44	.00	100.00	-	-	-	26.74	73.26	-
06 Cumberland	529,629,914	8.30	1.79	84.22	2.04	4.48	9.26	10.15	39.94	49.91
07 Essex	4,904,218,100	.05	.01	69.74	.42	6.58	23.26	34.50	52.95	12.55
08 Gloucester	837,369,732	4.33	1.30	76.37	2.30	4.69	16.64	21.07	28.24	50.69
09 Hudson	2,501,207,066	0	0	-	-	-	-	-	-	-
10 Hunterdon	519,225,703	13.43	3.67	56.46	6.30	18.93	18.31	22.92	47.19	29.89
11 Mercer	1,604,548,258	2.10	.70	72.65	3.64	7.03	16.68	22.28	44.73	32.99
12 Middlesex	3,771,884,885	.65	.33	75.49	4.73	4.73	15.05	23.91	48.62	27.47
13 Monmouth	3,033,412,433	2.32	.76	67.10	5.08	10.35	17.47	19.95	57.73	22.32
14 Morris	2,990,170,338	.83	.19	47.06	8.94	15.99	28.01	15.34	57.33	27.33
15 Ocean	1,734,591,880	.92	.03	41.79	3.70	9.47	45.04	22.58	58.89	18.53
16 Passaic	3,075,908,580	.08	.02	38.42	5.90	19.49	36.19	68.85	-	31.15
17 Salem	312,747,327	7.83	4.72	75.32	4.20	11.84	8.64	8.37	39.29	56.34
18 Somerset	1,474,431,326	3.64	.77	60.50	6.08	20.70	12.72	19.28	50.55	30.17
19 Sussex	587,603,157	4.99	2.05	38.00	11.92	27.81	22.27	13.17	18.82	23.61
20 Union	3,935,023,640	.03	.02	76.37	5.19	4.12	14.32	81.05	18.95	-
21 Warren	386,197,618	8.36	2.50	51.47	10.11	19.89	18.53	12.31	66.68	21.01
1970 Entire State	45,322,362,674	1.24	.39	60.87	6.29	14.79	18.05	15.96	51.78	32.26
1969 Entire State	40,847,008,442	1.22	.32	60.49	6.61	14.86	18.04	16.53	49.98	33.49

		Col. 35	Col. 36	Col. 37	Col. 38	Col. 39	Col. 40	Col. 41	Col. 42	Col. 43	Col. 44	Col. 45	Col. 46	Col. 47	Col. 48	Col. 49	Col. 50	Col. 51	Col. 52	Col. 53	Col. 54
		Percentages of All 7 Land Uses to Total Farm Acreage							Size In Acres Per Each FA-1 Form												
Code No. County	Cropland Harvested	Cropland Pastured	Permanent Pasture	Qual. Wood- Land	Land With Farm House	Non- Qual. Wood- Land	All Other Non Qual.	0 to 4.99	5 to 10	10.01 to 25	25.01 to 50	50.01 to 75	75.01 to 100	100.01 to 150	150.01 to 200	200.01 to 300	300.01 to 400	400.01 to 500	500.01 to 1,000	over 1,000	
01 Atlantic	58.48	2.74	4.63	12.42	1.13	10.01	10.59	1	65	108	43	16	12	5	1	1	2	0	1	2	
02 Bergen	52.69	3.72	11.04	10.09	4.52	13.66	4.28	1	50	48	20	5	1	1	0	1	0	0	0	0	
03 Burlington	53.97	4.96	10.80	20.22	1.41	6.67	1.97	8	188	331	329	198	198	250	101	45	15	5	7	6	
04 Camden	71.51	1.47	5.58	16.49	1.83	1.57	1.55	0	40	85	48	28	9	9	3	0	0	0	0	0	
05 Cape May	93.08	-	-	-	1.85	5.07	-	0	1	2	1	0	0	0	0	0	0	0	0	0	
06 Cumberland	70.43	1.71	3.74	7.75	1.66	6.54	8.17	4	108	145	105	36	26	23	8	9	1	0	2	0	
07 Essex	65.32	.40	6.16	21.78	2.19	3.36	.79	1	8	11	6	1	0	0	0	0	0	0	0	0	
08 Gloucester	69.81	2.10	4.29	15.22	1.81	2.42	4.35	2	72	177	202	134	99	82	33	13	2	0	1	0	
09 Hudson	-	-	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 Hunterdon	51.29	5.73	17.20	16.63	2.10	4.32	2.73	7	76	283	326	343	241	311	94	52	16	2	1	0	
11 Mercer	66.43	3.33	6.42	15.25	1.91	3.83	2.83	4	40	142	145	93	79	83	20	11	4	1	3	0	
12 Middlesex	69.90	4.38	4.38	13.93	1.77	3.60	2.04	5	91	171	148	83	58	64	24	13	4	1	2	1	
13 Monmouth	60.13	4.55	9.28	15.65	2.07	6.00	2.32	13	230	422	327	173	135	151	59	35	8	3	1	0	
14 Morris	39.86	7.58	13.55	23.72	2.34	8.77	4.18	0	79	102	102	54	42	48	30	8	3	3	0	0	
15 Ocean	35.20	3.12	7.98	37.93	3.56	9.29	2.92	2	18	36	14	4	1	3	0	3	1	0	0	0	
16 Passaic	36.77	5.65	18.65	34.63	2.96	-	1.34	0	12	20	4	2	2	0	1	0	0	0	0	0	
17 Salem	60.95	3.39	9.58	7.00	1.60	6.73	10.75	2	73	168	151	111	117	147	61	29	11	5	7	0	
18 Somerset	52.44	5.27	17.94	11.03	2.57	6.73	4.02	1	56	125	172	145	109	110	29	19	8	4	6	0	
19 Sussex	34.49	10.81	25.23	20.20	1.22	5.86	2.19	1	58	106	110	90	99	151	103	69	19	6	10	3	
20 Union	72.72	4.93	3.92	13.64	3.89	.90	-	5	17	18	1	3	0	0	0	0	0	0	0	0	
21 Warren	46.46	9.12	17.96	16.73	1.20	6.49	2.04	0	15	32	67	90	98	197	79	52	11	5	0	0	
1970 Entire State	54.15	5.60	13.16	16.06	1.76	5.71	3.56	57	1,297	2,532	2,321	1,608	1,326	1,635	646	360	105	35	41	12	
1969 Entire State	54.04	5.90	13.27	16.12	1.77	5.33	3.57	298	1,101	2,122	2,017	1,409	1,161	1,418	555	295	98	31	28	14	

4113

# **PROPERTY TAX ASSESSMENTS AND APPEALS**

**and the  
FARMLAND  
ASSESSMENT ACT**

PREPARED BY THE NEW  
JERSEY FARM BUREAU  
TO ASSIST FARMERS IN  
SECURING THEIR FULL  
RIGHTS UNDER THE  
FARMLAND ASSESSMENT  
AMENDMENT AND THE  
FARMLAND ASSESSMENT  
ACT OF 1964.



IMPORTANT DATES TO REMEMBER

- October 1 ..... Final date each year for filing application for assessment under the Farmland Assessment Act.
- January 1 ..... Final date local assessor has in which to give notice to taxpayers of day on which they may be shown their property assessments.
- January 10 ..... Date local assessor must file annual property tax list with the County Tax Board.
- February 1 ..... Date first quarterly payment of tax bill is due.
- May 1 ..... Final date the County Board of Taxation must certify the tax list to the local tax collector.
- August 15 ..... Final date on which an appeal of an assessment must be filed with the County Board of Taxation.
- November 15 ..... Final date on which County Board of Taxation must rule on all appeals pending.
- December 15 ..... Final date on which an appeal from a ruling of a County Board of Taxation may be filed with the State Division of Tax Appeals.

## FARMLAND ASSESSMENT IS THE LAW

On November 5, 1963, the people of New Jersey--by a vote of more than two to one--amended paragraph 1, Article VIII of the Constitution, thus adopting the "Farmland Assessment Amendment."

Subsequently, the State Legislature adopted Chapter 48, Laws of 1964, known as the Farmland Assessment Act of 1964, which spells out the procedures to be followed by assessors and others in administering the Amendment to the Constitution.

The Amendment provided that the Legislature shall enact laws to provide that the value of land, not less than 5 acres in area, which is determined by the assessing officer of the taxing jurisdiction to be actively devoted to agricultural or horticultural use, and to have been so devoted for at least 2 successive years immediately preceding the tax year in issue, shall for local tax purposes, on application of the owner, be that value which such land has for agricultural or horticultural use. This is now a part of the Constitution itself and is not subject to court action. It can be changed only by an amendment to the Constitution.

The Act provides that eligibility of land for valuation, assessment and taxation under the Act shall be determined for each tax year separately. Application shall be submitted by the owner to the assessor of the taxing district in which such land is situated on or before October 1 of the year immediately preceding the tax year for which such valuation, assessment and taxation are sought. (The State Division of Taxation has prescribed a uniform application form, copies of which may be secured from your local assessors.)

## STATE FARMLAND EVALUATION ADVISORY COMMITTEE

The 1964 Act also creates a State Farmland Evaluation Advisory Committee, the members of which shall be the Director of the Division of Taxation; the Dean of the College of Agriculture; and the Secretary of Agriculture.

This Committee is charged with the responsibility of annually publishing a range of values for each of the several classifications of land in agricultural and horticultural use in the various areas of the State. The recommended values are to be made available to all assessors by October 1 of each year.

Local assessors must consider the recommended values published by the Committee; but nothing in the law requires an assessor to use the exact values recommended.

The Evaluation Committee published its first annual range of values for each county in the fall of 1964. Values were determined on the basis of soil productivity groups and classes of farmland use. The system was worked out by experts in soil science and agricultural economics at the College of Agriculture at Rutgers University.

While the assessor is not required to use the figures recommended by the State Committee, if he does not, he must be prepared to explain his system of arriving at "farm value" during any appeal procedure. The aggrieved property owner must be in a position to prove the assessor in error.

## AUTHORITY AND POWER OF ASSESSORS

In New Jersey, as provided in Chapter 54 of the Revised Statutes, each taxing district shall have an assessor or board of assessors, elected or appointed in accordance with the law.

The assessor has the authority and responsibility of setting values on property for purposes of taxation in accordance with state laws enacted under the Constitution. Thus, any change in assessment values established by local assessors can come only through a prescribed legal or administrative procedure. Only one body has supervisory authority over local assessors: namely, the County Board of Taxation. At the state level, the State Division of Taxation has only limited power over local assessors, mostly in the form of providing for uniform administration of tax laws. Local governing bodies have no authority over assessors with respect to the amount of assessments, except to make appointments in those instances where assessors are appointed and to provide for salaries and operating budget.

## LOCAL PROCEDURE AND TIMETABLE FOR PROPERTY ASSESSMENT--PUBLIC NOTICE

Each local assessor is required to file an annual property tax list with the County Tax Board by January 10 of the tax year. Assessments on real property are made as of October 1 of the pre-tax year.

Every assessor, ten days before filing the complete assessment list and duplicate with the County Board of Taxation, and before annexing thereto his affidavit as required by law, shall give public notice by advertisement in at least one newspaper circulating with his taxing district of a time and place when and where the assessment list may be inspected by any taxpayer for the purpose of enabling any taxpayer to ascertain what assessments have been made against him or his property and to confer informally with the assessor.

The County Board of Taxation, after a period of reviewing, revising and correcting, must certify a duplicate of the tax list to the local tax collector by May 1 of each year. The law clearly states that property tax lists are public information and shall be made available to property owners or other citizens at all times at the offices of the County Board of Taxation.

Short of formal appeal, the State Division of Tax Appeals may, at any time, on written application by a property owner, with the consent of the majority of the governing body of the municipality affected, correct errors and mistakes in tax assessments, as agreed to by the local assessor. This procedure is provided for in 54:2-41 of the Revised Statutes, but is rarely used. The usual method of correcting an assessment is by a consent judgment of the County Tax Board.

## TAX BILLS

The state law provides for quarterly tax payments to be made on February 1, May 1, August 1, and December 1. The bill for the first two quarters (six months) is an estimate based on the tax paid by the property owner during the preceding year, inasmuch as the tax rate is not established until April 1 and the tax duplicate is not certified until May 1. The tax due on February 1 is for the months of January, February and March; the tax due on May 1 is for April, May and June; the tax due on August 1 is for July, August and September; and the tax due on December 1 covers October, November and December. Most municipalities mail out tax bills in June of each year, divided into four quarterly statements. The first two parts of the statement are based on the previous year's tax bill, the second two parts reflect any change in assessment or rates of taxation.

## APPEAL PROCEDURE AT COUNTY LEVEL

Any taxpayer feeling aggrieved by the assessment valuation of his property, or feeling that he is discriminated against by the assessed valuation of other property in the county, may file an appeal with the County Board of Taxation.

Such an appeal must be filed by August 15 of the tax year in which the assessment is questioned. The State Division of Taxation has prepared a model "Rules of Procedure" for county tax boards; and each county tax board in the state has adopted either this model or a modification thereof. The Board must make a decision by November 15.

The law provides for the filing of a petition of appeal setting forth certain information, with the Secretary of the County Board of Taxation, with a copy to the assessor, clerk or attorney of the taxing district. Forms and instructions on filing an appeal may be obtained from the Secretary of the County Board of Taxation. Fees ranging from \$1 to \$10 are required when filing the petition of appeal.

If the County Tax Board makes a change in an assessment as a result of an appeal, "the judgment of the County Board shall be conclusive and binding upon the municipal assessor and the taxing district for the assessment year, and for two assessment years succeeding the assessment year covered by the judgment, except as to changes in value of the property occurring after the assessment date...."

However, either the municipality or the aggrieved property owner may appeal the decision of the County Board of Taxation to the Division of Tax Appeals of the Department of the Treasury on or before December 15.

## PAYMENT OF TAX PENDING APPEAL

A property owner has three choices open to him in the matter of paying a tax bill on which he has filed an appeal:

1. He may pay the entire bill without prejudicing the outcome of the appeal. If his assessment is reduced, he will receive a refund from the taxing district.
2. He may pay an amount he would be required to pay if his appeal is sustained. If it is not sustained, he may pay the full amount, but is not subject to penalties or interest on the difference.
3. He may refuse to pay any tax until the appeal is finally decided; but may be subject to 8 per cent penalties calculated from the original date of taxes due.

## APPEAL PROCEDURE--STATE LEVEL

If the property owner or municipality is not satisfied with the decision of the County Board of Taxation acting as an appeal board, then either may continue the appeal by filing a petition of appeal with the Secretary of the State Division of Tax Appeals in Trenton on or before December 15 following the date fixed for final decisions by the County Board.

## APPEAL TO COURTS

If the property owner or taxing district is not satisfied with the decision of the State Division of Tax Appeals, then either party may request judicial review by filing action with the Appellate Division of Superior Court. Appeals may go as high as the State Supreme Court.

## DECIDING WHETHER TO APPEAL

Each property owner must decide whether he is being discriminated against in the amount of his assessment and taxes on farmland or other real or personal property.

This leaflet is concerned only with assessment of farmland under the Farmland Assessment Amendment to the Constitution and the Farmland Assessment Act of 1964.

The State Farmland Evaluation Advisory Committee has published recommended ranges of value for farmland in the various counties based on soil productivity groups and classes of farmland.

While assessors are not required to use these exact values, the deviation should not be too great. Farm Bureau feels that any farmland assessed more than 25 per cent higher than the recommended values would be definitely open to question and an appeal. The highest true value recommended by the State Farmland Evaluation Advisory Committee for cropland harvested is \$460 an acre in Passaic County. (Keep in mind that the recommended farmland values are based on 100 per cent true value, while most counties have adopted assessment ratios of less than 100 per cent. Thus, if a county has adopted a 50 per cent assessment ratio, a recommended true value of \$460 per acre would mean an assessed value of \$230 per acre.)

It is recommended that each farmland owner secure a copy of the State Farmland Evaluation Advisory Committee Report for 1964. By applying the recommended values to an individual farm (Table II of the Report), you can determine if the assessor is using similar values as a basis for assessing your land. If the local assessor has assessed the land at values based on factors other than "farm value," then serious consideration should be given to petitioning for an appeal.

Remember that the Farmland Assessment Act does not apply to farm buildings--only to land. Your buildings should be listed separately from land on the assessment list and your tax bills. Land under the farm home and devoted to the home lawn is not eligible for assessment under the Farmland Act. Your buildings and homesite must be assessed the same as other buildings and homesites in the county.

LEGISLATIVE TASK FORCE ON TAXES

-1-

My name is Clarence Delgado, of Ridgewood, New Jersey. Assessor for twenty years, plus ten years in revaluation work and approximately the same amount of time in independent appraisals.

I have worked with appointed and elected Assessors, single and Boards of Assessors in many towns in several States. I have taught assessing in Rutgers University for fifteen years. I speak now for the Municipal Assessors Association of New Jersey.

The first subject is the elected Assessor versus the appointed Assessor:

Some study has been put into this subject in "The Role of the States", in strengthening the property tax, and as they indicated, the majority of Assessors in the United States are elected for terms of one to six years, two years is the most common, but New Jersey has a four year term. Up to the present, there have been very few statutory requirements for running for office, as far as certification is concerned, but New Jersey Assessors have, themselves, raised their standards and caused the certification and qualification bill to be passed (Chapter 44) to require better assessing practices. Kentucky, Tennessee and now New York have certification programs with mandatory courses for Assessors, both elected and appointed. New Jersey also is tied into Civil Service for appointed Assessors, for a dual purpose in some municipalities. Here the Assessor is paid \$ 1.00 a year, as Assessor, and anywhere from \$ 5,000.00 to \$ 23,000.00 as a Civil Service principal or Chief Assessor, as he can be protected under tenure with the Civil Service designation.

In Delaware, Georgia, North Carolina, Iowa and Maryland the Assessors are appointed, with the latter two States requiring special provisions to assure selection of well qualified persons. Fifteen other states appoint Assessors, but many are not required to qualify for the job.

As stated, most local governments are accustomed to employing trained

*H. Delgado*

Accountants, Engineers, Health Officers, School Teachers, but when it comes to Assessing, any resident citizen, old enough to vote, can run on a popularity contest and be an Assessor, qualified or not. It is one reason why the quality of Assessors has been poor coupled with the mediocre salary they receive.

"The Role of the States" recommends that "all taxable property in the States should be appraised for taxation only by appraisers certified as to qualifications on the basis of examination by a public agency authorized to perform this function." They also recommend that "all Assessors should be appointed to office, with eligibility for appointment based on State certification as to qualification."

It must be remembered however, that the appointment of an Assessor does not assure competent performance anymore than for other key administrative positions, and there are many capable elected Assessors, but when appointment is limited, to persons with certified professional qualifications, there is more assurance of employing a person with the required technical administrative skills than if the decision is left to the voters.

When an Assessor has to spend time running for office, he is a loss to the municipality and if a change is made, the new man has to get acclimated to the job which is also time lost to the town. Fortunately, in New Jersey, the Assessor is not answerable to the local government for his methods of assessing (Arace Case) but comes under the jurisdiction of the County Tax Board and Director of the Division of Taxation, which takes much pressure off of him in his assessing. "The Role of the States" recommends no prior requirement for residence in the assessment district for appointment to the office of Assessor, this gives the municipality the same freedom they have for securing a Manager, Engineer, etc.

The single Assessor, versus a Board:

New Jersey law authorizes the use of either in most municipalities.

The single Assessor, rather than the Board, has the full responsibility of getting the job done. Uniformity is more in line with the single

Assessor, as he and he alone, is setting the pattern for the municipality and the assessments will be generally better equalized in the opinions rendered. No two men will always think alike. A case in point, is the recent appraisal in Tenafly, New Jersey, where two appraisers were \$ 1,700,000 apart. This is of course an extreme case, but in re-valuation work, where many men are employed, a good company, who know their men, review each mans work, and adjust accroding to whether the man in one area is 5% or 10% conserative, against another area, where the opposite is true.

This single Assessor position will attract more qualified men for a full time position, rather than part time work at a menial wage. You get what you pay for and you cannot get a good Assessor anymore than an Engineer or Health Officer if income does not pay a liviable wage. I have seen many a man change his town to receive a better salary and fringe benefits.

The Board of Assessors: generally operate either as a group or each member of the Board handles his own section, ward or district. Here is where it is imperative that the edges of the district are feathered or blended together so that both sides of the street are uniform.

In some cases, Board members can be experts in their own field, such as, one may be a residential man, or a commercial expert, and the other a farmer.

The final advantage of a Board is the overlapping terms, as the law in New Jersey prevents a whole Board change in any one year, and requires staggered appointments.

One final point that should be brought out, is that in 1967, a law was passed to create a joint Assessor position, where one man can assess two or three municipalities and create a full time position out of a part time job. It will attract more qualified personnel and it is in operation in the State at the present time in Essex County and I believe Atlantic County.



NEW JERSEY TAX POLICY COMMITTEE

REVALUATION  
and  
REASSESSMENT  
PROGRAMS  
CONDUCTED  
by  
COMMERCIAL  
REVALUATION  
FIRMS

Submitted by

Ackley O. Elmer, II S R A

REVALUATION AND REASSESSMENT PROGRAMS CONDUCTED BY COMMERCIAL  
REVALUATION FIRMS

With all the recent talk about WHO should do the assessing within the municipalities of the State of New Jersey whether it should be the assessor and his staff, the assessor and his staff plus consultants, state or county assistants or the outside appraisal or revaluation firm.

THE ASSESSOR AND HIS STAFF

The favorable aspects of the assessor and his staff doing the assessing work himself would be:

- a- He would have control over the project through all of its stages.
- b- Each staff member has a greater understanding of the project and greater sympathy with its objective.
- c- In the short run, at least, this is probably the cheapest method.

Under the unfavorable aspects of the assessor and his staff doing the work are:

- a- Some parts of the work might be beyond the capability of the assessor and his staff.
- b- More time will be required than necessary for a contracted job since the assessor's regular duties continue.
- c- Unfortunately, the public may not trust the assessor, as often it has been the case in the State of New Jersey.

In several of the larger cities, the assessor executes the revaluation project without assistance from outside firms or from a state commission. Unless he can spread the work over several years, he will require an augmented staff.

Essential to the use of this method is the high caliber assessment department, from the assessor on down, the total personnel proficiency must include the administrative

and technical competence involved in property mass valuations. In a large city the assessor personally may need more administrative than technical skill, but he must have the latter at his command in the person of subordinate appraisers if the project is to succeed.

In most cases, such projects will cost less than those contracted out to commercial revaluation firms. Usually, however, they take longer since regular work of the assessor goes on. They may also fall prey to the buffeting of local political influences, if the assessor doesn't have unqualified support from his governing body. The assessor without strong, not necessarily unanimous, support obviously embarks on reassessment under some handicap.

#### THE ASSESSOR AND HIS STAFF PLUS CONSULTANTS

The favorable aspects of the assessor and his staff plus consultants doing the reassessment or reappraisal work within a municipality are:

- a- The assessor remains in effective control, but still gets technical assistance.
- b- The assessor and his staff may acquire a valuable experience in many kinds of appraisals.
- c- The consultant will help save time in pre-project planning, as well as during the project itself. His suggestions will help and coordinate effort in the various stages. This is particularly helpful in aiding the part-time assessor.

The unfavorable aspects of the assessor and his staff plus consultants doing his job are:

- a- There is a chance that conflicts may arise among the assessor, the consultant and the staff members, and the consultants work still depends for maximum usefulness on the quality of the assessor.

Private consultants can often add a significant degree of know-how and accuracy to a project, but they are expensive. Their value in planning and in training personnel may be considerable. Similarly, they can be of effective assistance to the valuation of specific types of property. Example: large shopping centers or apartment house complexes or particular industrial plants.

#### STATE OR COUNTY ASSISTANTS

The favorable aspects of state or county assistants to the assessor in reassessment programs are:

- a- The state agency has a built-in interest in the quality of local assessors.
- b- The state pays some of the cost, and in some instances a major part of the cost.
- c- State valuation personnel are usually specialists insuring a high degree of accuracy.
- d- The opportunity exists for a continuous revision of manual bulletins and other valuation aids.

The unfavorable aspects of state or county assistants in reassessment work are:

- a- State technical assistants may be inadequate in quantity or in quality.
- b- Jurisdictional difficulties may develop.

In recent years several states have added local jurisdictions in some or all phases of revaluation. West Virginia, New Jersey, Virginia, Kansas, Oregon, Utah, Washington and Illinois are examples of states which have partially or totally assisted local revaluation efforts. The state agency involved in the assistance of assessors in New Jersey, of course, is the Local Property Tax Bureau, who have assisted local assessors in preparing the Real Property Appraisal Manual for New Jersey assessors and the Assessors Handbook. In addition, they have ably helped many assessors in the valuation of special

purpose properties.

THE OUTSIDE APPRAISAL FIRM

The favorable aspects of an outside or commercial reappraisal firm doing the revaluation or reassessment work within a particular municipality are:

- a- Usually a skilled professional job results. Substantive elements involved in property valuation are in the hands of specialists.
- b- The time required is shorter than for any of the other methods.
- c- The jurisdiction gets a definite estimate of the cost, the time required and scope before the project begins and without obligation.
- d- There is greater likelihood that the job will lie completely outside the domain of local politics. The outside firm has a built-in immunity to local pressures. The assessing officer sheds the great burden of revaluing each parcel.

The unfavorable aspects of the outside appraisal firm handling the assessors work completely are:

- a- With only nominal control the assessor may become apathetic about results.
  - b- The company representatives are present to help defend new valuations for only a limited time. They usually remain for the first two review periods, but may be gone before all revaluation problems cease.
  - c- Legal difficulties may arise, since only the assessor can assess, even though others may advise him on appraisals.
  - d- While most firms are reliable, some are unqualified.
- 11/11/1

e- Local taxpayers resent valuation produced by outsiders.

f- The cost may be prohibitive.

The complete use of outside revaluation firms generally makes possible for the most rapid completion with a high degree of valuation quality. A contract with a firm results after submission of competitive bids in response to community invitation. Under the contract a firm tells what it shall do, when it shall finish, what records it shall provide, what assistance it shall render during the review period and what it shall charge as the total cost. General supervision of the project remains with the assessor, but the work itself is performed by the firm. The use of an outside firm is now a common practice, especially in a smaller jurisdiction.

Most basic requirement in any use of a private firm is the recognition of the assessors legal duties. He alone assesses property by law and he cannot delegate this task. Any attempt to do so by contract will not survive a challenge in the courts. If, by terms of a revaluation contract, the appraisal firm provides assessments, the entire roll may be invalid. Indeed, this has actually happened in a few cases.

What the community purchases from the private firm under terms of a contract is advice and assistance, made tangible in suggested valuations on individual properties. The community is never buying a new assessment roll. It is always necessary, and the contract should explicitly so provide that the assessor review the valuations furnished. Satisfying himself as to their merit, and then exercising his judgment in determining what the assessments or assessed valuations should be. It is not laboring the obvious to point out that only the assessor can determine assessments. Outside appraisers can only make value estimates.

218

A proper contract would also provide for the constant involvement of the assessor throughout the various phases of the project. Men from the appraisal firm will be gone after the job ends. It is obvious that the assessor and his staff should know as much about good mechanics of the program as possible, since they will be using its system, records and certainly its results in future years.

A common provision in contracts calls for the assessors' prior approval of the major elements involved in the project. This includes property record cards, the appraisal cost index or manuals used, depth factor tables for land values, depreciation tables, sales analysis cards and taxpayer notice blanks.

Another similar safeguard in the requirement is that the assessor join company representatives on trips into the field at stated intervals to check valuations and familiarize himself with details of the project as they develop. The contract should leave in the assessor the final decision on any matters dealing with assessments.

It is apparent that the assessor should maintain a close working relationship with the appraisal firm revaluing his jurisdiction. He surrenders to apathy at this peril, since the specialists are with him only for the duration of the project. At some later date, after they have gone, it is the assessor who will be called upon to clarify, defend or enlarge upon a given valuation. Such a situation is a hazard he can guard against by establishing proper liaison with the firm.

Other methods by which he reassesses his jurisdiction also have their pitfalls as well as their advantages. It is up to the assessor, in cooperation with the officials of his jurisdiction, to <sup>use</sup> ~~way~~ the objectives sought from the original assessment against the resources that can be devoted to it. Having chosen the method he should use it to the fullest extent

and take nothing for granted. He should keep one eye on the possibilities for future assessment quality that he can derive from the project he undertakes.

In conclusion of the previous discussion on revaluation and reassessment work as it stands today, there are three feasible organizational approaches in this state to the implementation of a revaluation or reassessment program, each of which will result in essentially the same quality of assessment providing that the combination of time, experience, training, manpower and money is properly balanced under each type of program.

The three basic approaches are as follows:

- 1- All appraisal work is carried out by the assessor and his staff with additional manpower as needed.
- 2- All appraisal work is done by a professional appraisal firm equipped to contract for performing entire appraisal process for all types of property for the so-called mass appraisal methods. The appraisals which are made by the contractor are then turned over to the assessor for his use as guides in determining assessed value.
- 3- A combination of the first two methods in which the assessor retains control of all operations but employs specialists in mass appraisal techniques as consultants to augment his staff of permanent and additional temporary personnel.

#### QUALIFICATIONS OF REVALUATION FIRMS

Over the last fourteen years, ever since the Switz vs Middletown case decision of March, 1957 most of the state's municipalities have undergone revaluation or reassessment programs by what would be termed "OUTSIDE FIRMS" and up to



and including this time there has been no specific basic professional qualifications for the principals of these revaluation or appraisal firms. (If you are a large businessman doing a multi-million dollar business per year, as most of these cities are, and were interested in the value of a particular piece of property for expansion you would have the most qualified appraiser that you could possibly obtain to do the work for you). But unfortunately the municipalities have not done the same, as there has been no definite licensing procedure for revaluation firms or minimum requirements of principals of the particular appraisal firms. The local property tax bureau, on page 204 of the Assessors Handbook, spells out basic qualifications of the appraisal firm. See Addenda. It is the contention of the assessors after having dealt with many of the revaluation firms in the State of New Jersey that the principals of the particular revaluation firm should be highly competent and proven real estate appraisal experts. Having obtained such professional designations as the M.A.I. which stands for Member of the Appraisal Institute which the Americal Institute of Real Estate Appraisers, which is a division of the National Association of Real Estate Appraisers, awards. The M.A.I. designation is the most coveted real estate appraiser designation in the United States. In addition, other real estate appraisers designations that should be recognized are the S.R.A. and S.R.E.A. which are the designations of the Society of Real Estate Appraisers. Both the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers have a very strong code of ethics. All of their members must live up to this code of ethics. A copy of the standard of professional practicing conduct is included and taken from the January-February, 1971 publication of the Society of Real Estate Appraisers, and known as The Real Estate Appraiser.

In addition, the two before mentioned professional organizations require a high proficiency of appraisal ability before they award their coveted designations. There are other designations which should also be considered, they are C.A.E. which stands for The Certified Assessment Evaluator, which is the designation awarded by the International Association of Assessing Officers; A.S.A. which is the designation of the American Society of Appraisers and S.M.A. which is a designation offered municipal assessors by the Association of New Jersey. This designation stands for the Society of Municipal Assessors. It is the feeling of the assessors that the revaluation or reassessment firm principals should hold one of the before mentioned designations, preferably the M.A.I., S.R.A., or S.R.E.A.. If any of the code of ethics of the particular organizations are violated the municipality, the assessor or a taxpayer has the right to present their case to the individual appraisal organization and should the revaluation principals lose their designations, they would automatically lose their permit to operate or to do business within the State of New Jersey. In addition to the designations, it is felt that the revaluation firm must meet certain standards and be licensed by the state, The standards to be promulgated by the Director of the Division of Taxation. One qualification, of course, would be to have the responsible principals of the revaluation firm hold the professional appraisal designation.

The reason that we feel that the revaluation firms should be licensed and have professionally approved appraisers at their heads can be attested by many assessors, I am sure, of the low quality appraisal work that has been done within the State of New Jersey by revaluation firms without licensing or professional designations. It has not been uncommon for a revaluation firm to revalue a municipality and the assessor find after the revaluation firm had left town that there is

more inequality among properties within the particular municipality, from a sales study, than there was before the revaluation.

Of the three approaches to the value of real estate, the cost approach, the market approach and the income approach which are also known as summation, comparison and capitalization approaches to value, the cost approach obviously has much weight for ad valorem tax purposes, by the fact that it will add and deduct certain amounts for small additions for one property as opposed to the other. Example: two homes sitting side by side and looking and being identically alike on the exterior, but the interior. One house has two baths and the other house has only one bath. The cost approach helps to compensate for this difference. Obviously the cost approach must be tied to the market approach, as the term ad valorem means "according to the value". An ad valorem tax is a real estate tax based on the value of the property. It also has been the experience of many assessors that after the revaluation or reassessment firm has completed their work, the only approach to value that they have used on such large income producing properties, such as shopping centers, apartment house complexes and the like, would be the cost approach. Of the three approaches to value, cost approach, market approach and income approach, an investor buying a shopping center or an apartment house is buying at the value of the income stream. It has been the custom of many revaluation firms to only consider the cost approach which in an income producing property such as the apartment house or the shopping center has the least weight of the three approaches. So what happens? TAX APPEALS. And therefore great losses from anticipated revenues to the municipality. It should be a requirement that the revaluation firms in connection with the assessor gather all income data that is possible to gather for the valuation

of the properties and therefore having a more sound basis for the value or the assessment made.

It has been rumored that revaluation firms, after having completed and turned over their results to the municipality, have been paid high fees for reviewing large favored projects. If we refer back to the code of ethics, that is enclosed with this report, I am sure that one could tell that if such a case would be reported to the designating professional appraisal organization a man would lose his professional appraisal designation and he would therefore be put out of the revaluation business.

In conclusion, it is considered by the assessors that the one who should do the revaluation or reassessment work within a municipality should be the assessor with at times help from outside consultants. But if we are to be compelled to farm out all of our revaluation work every three or five years to an outside firm, then it is our contention that the revaluation firms be licensed from this day on. It is also our contention that the principals in such revaluation firms have a professional designation without allowing the grandfather clause to apply.

Respectfully submitted,

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Ackley O. Elmer, II, S.R.A.  
Sub-Chairman on Revaluations

May 7, 1971.

Footnote: Much data obtained for this report was taken from publications of the International Association of Assessing Officers whose address is 1313 East 60th Street, Chicago, Illinois 60637, telephone number area code 312-324-3400

# STANDARDS OF PROFESSIONAL PRACTICE AND CONDUCT

## PREAMBLE

The Society of Real Estate Appraisers was founded to elevate the standards of the appraisal profession, to aid in the solution of the many problems of the profession in appraising real estate, and to designate certain members as having attained certain skills and knowledge. The members are pledged to maintain a high level of trust and integrity in their practice.

## CODE OF ETHICS

This Code of Ethics is a set of dynamic principles guiding the appraiser's conduct and way of life. It is the appraiser's duty to practice his profession according to this Code of Ethics.

Each member agrees that he shall:

- I. Conduct his activities in a manner that will reflect credit upon himself, other real estate appraisers, and the Society of Real Estate Appraisers.
- II. Cooperate with the Society of Real Estate Appraisers and its officers in all matters, including, but not limited to the investigation, censure, discipline, or dismissal of members, who by their conduct prejudice their professional status or the reputation of the Society of Real Estate Appraisers.
- III. Obtain appraisal assignments, prepare appraisals and accept compensation in a professional manner in accordance with the provisions of the Standards of Professional Practice and Conduct of the Society of Real Estate Appraisers.
- IV. Accept only those appraisal assignments for which he has adequate time, facilities, and technical ability to complete in a competent professional manner, and in which he has no current or unrevealed interest.
- V. Render properly developed, unbiased and objective value opinions.
- VI. Prepare an adequate written appraisal for each real estate appraisal assignment accepted.
- VII. Reveal his value conclusions and opinions to no one other than his client, except with the permission of the client or by due process of law, and except when required to do so to comply with the rules of the Society of Real Estate Appraisers.
- VIII. Conform in all respects to this Code of Ethics, the Standards of Professional Practice and Conduct, and the By-Laws of the Society of Real Estate Appraisers as the same may be amended from time to time.

## STANDARDS OF PROFESSIONAL PRACTICE

### I. Valuation Practices

- A. Prudent and logical appraisal practice suggests these recommended steps in reaching a support-

able conclusion of value:

1. The description or identification of the subject property:
  - a. The appraiser should include a legal description, street address or other means of specifically and adequately locating the property being appraised.
  - b. The appraiser should consider matters relating to title that may affect the final value conclusions, such as:
    - 1) The nature of the ownership, i.e., fee simple, or an explanation of other division of ownership interest.
    - 2) Easements, restriction, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature.
  - c. Each appraisal should be predicated upon a valuation of the land for its highest and best use as though unimproved and capable of development to its most profitable legal use. The highest and best use of the property as presently improved may or may not result in a value conclusion exceeding the value of the land alone. The appraiser should support his estimates of highest and best use.
  - d. The appraiser should include an accurate and adequate description of the political, social and economic factors affecting the property including the effect on both the land and the physical improvement on and to the land.
  - e. The appraiser should consider all physical, functional and economic factors as they may affect the value conclusion.
2. Purpose of the appraisal and definition of the value estimated:
  - a. The appraiser should state the purpose of the appraisal and clearly define the value estimated.
3. Effective date of the appraisal:
  - a. The date of the value estimate ordinarily should be the date of the last property in-

inspection except when the appraisal requires a prior date.

4. Data collection, analysis and interpretation:

- a. The appraiser should recognize that each of the approaches to value are functions of market phenomena.
- b. The appraiser should consider appropriate units of comparison and also whenever possible, practical and appropriate adjustments should be made for all factors of dissimilarity.
- c. The comparable sales approach (when applicable):
  - 1) The appraiser should collect, inspect, verify, analyze and correlate such comparable sales as are available to indicate a value conclusion. No pertinent information shall be withheld. The pertinent comparable sales should be identified by address and incorporated into the appraisal report itself.
- d. The income approach (when applicable):
  - 1) When applicable to income producing properties, the appraiser should collect, inspect, verify, analyze and correlate such comparable rentals as are available to indicate an appropriate estimate of the economic rental value of the property being appraised. No pertinent information shall be withheld.
  - 2) When applicable to income producing properties, the appraiser should collect, verify, analyze and correlate such data on comparable operating expenses as are available to support an appropriate estimate of all operating expenses of the property being appraised. No pertinent information shall be withheld.
  - 3) When applicable to income producing properties, the appraiser should collect, verify, analyze and correlate such comparable data relating to an appropriate capitalization rate or rates to be applied to the estimated net income to indicate a proper value conclusion. No pertinent information shall be withheld.
  - 4) When applicable to income producing properties, the method, process and technique of capitalization used should be appropriate to the type and characteristics of the property being appraised.
  - 5) In the case of single-family dwellings, the appraiser should collect, inspect, verify, analyze and correlate such data on comparable sales and rentals as are

available to indicate a value conclusion by use of the gross rent multiplier technique. No pertinent information shall be withheld.

e. The cost approach (when applicable):

- 1) The appraiser should collect, verify, analyze and correlate such comparable cost data as are available for use in estimating the cost new of the subject property.
- 2) The appraiser should collect, verify, analyze and correlate such comparable data as are available to support and explain the difference between cost new present worth of the improvements (accrued depreciation), reflecting items of deterioration and obsolescence. No pertinent information shall be withheld. The appraiser should qualify the data sources and cost methodology used in his cost estimate.

5. Correlation and final value estimate:

- a. In the final value estimate, the appraiser should consider the purpose which the appraisal serves, the type of property being appraised and the relative weights which typical users or investors would accord to the quality and quantity of data available and analyzed within the approaches used.

6. Special and limiting conditions:

- a. It should be the duty of the appraiser to support the validity and feasibility of any special and limiting conditions or assumptions under which his appraisal is made. Unquestioning acceptance of an opinion motivated by advocacy, such as an attorney's, does not relieve the appraiser of his responsibility to provide valid support for such conditions and assumptions.

7. Appraiser's certification:

- a. The appraiser should certify that he has personally inspected the subject property; that to the best of his knowledge and belief the statements and opinions contained in the resulting report are correct; that no pertinent information has knowingly been withheld; that he has no present or contemplated future interest in the property appraised; and that the amount of his fee is not contingent upon reporting a predetermined value or upon the amount of the value estimate. Any exceptions should be clearly stated.
- b. While the appraiser is ultimately responsible for any report to which he has affixed his signature, he should acknowledge those

phases of the appraisal process performed by others under his supervision, and when appropriate they should become signatories to the report.

- B. It is unethical for an appraiser to estimate fractional parts of a property so that the reported value exceeds the value that would be derived if the property were considered separately as a whole.
- C. It is unethical for an appraiser to base his value conclusion upon the assumed completion of public or private improvements unless he clearly defines the conditions, extent and effects of such assumption. Any such assumption must be predicated upon sound valuation principles.

## II. Reporting Practices

- A. An adequate written appraisal containing a supported value shall be prepared for each appraisal assignment accepted, and shall include the following as minimum requirements:
  - 1. An adequate and definite description of the property being appraised.
  - 2. The purpose of the appraisal and a definition of the value estimated.
  - 3. The effective date of the appraisal.
  - 4. The data and reasoning supporting the value conclusion which may include the comparable sales approach, the income approach and the cost approach. The exclusions of any of the usual three approaches must be explained and supported.
  - 5. The final estimate of value.
  - 6. Special and limiting conditions, if any.
  - 7. The appraiser's certification and signature.
- B. A true copy of each appraisal shall be prepared and retained by the appraiser, and shall be sent on request to a duly constituted Professional Practice Committee of the local chapter or of the international Society of Real Estate Appraisers.
- C. It is unethical to issue a separate appraisal report on only a part of a whole property without stating that it is a fractional appraisal and as such subject to use in a manner consistent with such limitation.
- D. It is unethical to issue a separate appraisal report when another appraiser assigned to appraise the same property has had a part in the formation of the opinion of value.
- E. It is unethical for an appraiser to reveal in any way the substance of any appraisal without permission of the client except under due process of law, or when required to do so in compliance with the rules and regulations of the Society of Real Estate Appraisers.

## STANDARDS OF PROFESSIONAL CONDUCT

- I. It is unethical for an appraiser to become an ad-

vocate of any opinion other than his unbiased and objective value conclusion.

- II. It is unethical for an appraiser to conduct himself in any manner which will prejudice his professional status or the reputation of any appraisal organization or any other appraiser.
- III. It is unethical to accept an assignment to appraise a property of a type with which he has had no previous experience unless, in making the appraisal, he associates with an appraiser who has had experience with the type of property under appraisal, or makes full disclosure of the degree of his experience, background, and training to the client.
- IV. It is unethical for an appraiser to:
  - A. Contract for or accept compensation for appraisal services in the form of a commission, rebate, division of brokerage commissions, or any similar forms;
  - B. Receive or pay finder's or referral fees;
  - C. Compete for any appraisal engagement on the basis of bids when the amount of the fee is the basis for awarding the assignment, but this is not to be construed as precluding the submission of a proposal for services;
  - D. Accept an assignment to appraise a property for which his employment or fee is contingent upon his reporting a predetermined conclusion;
  - E. Make his compensation on any basis other than a fair professional fee for the responsibility entailed and the work and expense involved.
- V. It is unethical for an appraiser to attempt to supplant another appraiser after definite steps have been taken toward the employment of such other appraiser.
- VI. It is unethical for an appraiser to advertise or solicit appraisal business in any manner not consonant with accepted professional practice. (See Interpretation: Standards of Professional Advertising Practices.)
- VII. It is unethical for an appraiser to claim professional qualifications which may be subject to erroneous interpretation or to state professional qualifications which he does not possess. Specifically, Associates of the Society of Real Estate Appraisers do not have the Society's professional endorsement and cannot refer to their membership in any way which might imply professional endorsement by the Society.
- VIII. It is unethical to fail to report to the Society the actions of any member who, in the opinion of the reporting member, has violated this Standards of Professional Practice and Conduct.

802.31 Qualifications of the firm.

- (A) THE APPRAISAL FIRM SHALL SUBMIT A STATEMENT OF THE QUALIFICATIONS AND EXPERIENCE OF THE FIRM AND OF ITS PRINCIPAL APPRAISERS AND SUPERVISORY PERSONNEL IN APPRAISAL WORK. THE STATEMENT SHALL INCLUDE A LIST OF CLIENTS AND THE NATURE OF THE PROPERTIES APPRAISED. THE STATEMENT SHALL INDICATE WHICH OF THE FIRM'S PERSONNEL WILL BE ASSIGNED TO THE JOB IN QUESTION.
- (B) THE APPRAISAL FIRM SHALL SUPPLY ALL OF ITS FIELD REPRESENTATIVES WITH IDENTIFICATION CARDS CONTAINING, IN ADDITION TO THE USUAL INFORMATION, A PHOTOGRAPH OF THE EMPLOYEE.

Initial statements of qualifications should be obtained before sending out proposals for bidding purposes; bids may be asked only of firms meeting the municipality's requirements. Recommended qualifications for the firm's personnel are:

- (1) The principal appraiser or appraisers in charge of mass appraisal work shall have had not less than ten years of practical appraisal experience involving extensive commercial, industrial, apartment, farm, and residential type properties. Five years of this experience shall have occurred within the past seven years.
- (2) The supervisor or supervisors in direct charge of the work in the field shall have had not less than five years of practical appraisal experience involving extensive commercial, industrial, apartment, farm, and residential type properties. Two years of this experience shall have been in the mass appraisal field and have occurred within the past five years.
- (3) All field men involved in classifying properties and inspecting properties for prime data to be entered on property record cards shall have had not less than two years of experience in mass appraisal work.
- (4) All field men shall be over twenty-one years of age and shall be thoroughly indoctrinated in all phases of their work before starting actual field work.
- (5) Personnel determining final land values shall have qualifications not less than those prescribed for supervisors in direct charge of work in the field.

Further points of qualifications to be checked are:

- (1) Whether the firm has adequate financial resources.
- (2) Whether the firm has sufficient staff for the contract involved.
- (3) Whether the quality of mass appraisal work performed for other clients for purposes of taxation has been satisfactory.
- (4) The designations of supervisory personnel, such as M. A. I. (Member Appraisal Institute), C. A. E. (Certified Assessment Evaluator), A. S. A. (Member American Society of Appraisers), S. R. A. (Society of Residential Appraisers), P. E. (Licensed Professional Engineer), S. M. A. (Society of Municipal Assessors).



" BASE YEAR ASSESSING "

ALFRED J. GREENE, JR., M.A.I., S.M.A.  
TAX ASSESSOR  
CITY OF CLIFTON, NEW JERSEY

NEW JERSEY TAX POLICY COMMITTEE  
TASK FORCE C  
TRENTON, NEW JERSEY  
MAY 7, 1971

A 163

## USE OF BASE YEAR IN ESTABLISHING ASSESSMENTS

The use of the base year concept for the valuation of real property for tax assessment purposes is not new and certainly not novel nor unique in the assessing profession. I believe it is safe to say that almost all assessors follow this procedure to some degree particularly so after the completion of a good revaluation program.

BASE YEAR- The adoption of any base year consideration must also be coupled with a time period for revisions, with any departure from our present requirements necessitating a change in law by our legislature, in the State of New Jersey.

The present recommendation for your consideration, is for a periodic legislative change in assessment practice in multiples of three years, to coincide with present law of County boards of taxation requiring establishment of assessment ratios every three years, in the State of New Jersey. It is our opinion that this change in base year concept should occur in no less than six years, upon the establishment of a base year. The examples used in this discussion are on a nine year analysis. I have always been of a strong conviction that the use of a base year is the only uniform and equitable method to be undertaken to maintain the constitutional requirement of "same standard of value." This application of a base year is simply extending the present practice of municipalities who have completed revaluation programs and subsequently value all new construction or value changes back to the level of values as initially adopted.

Present statutes in New Jersey assume that all taxing districts have the capability of revising assessments annually, based upon the assumption that the assessor can accurately forecast the conditions of a bona fide sales price, which in the assessor's opinion, each parcel of real estate would sell for on each October 1 of the pre-tax year.

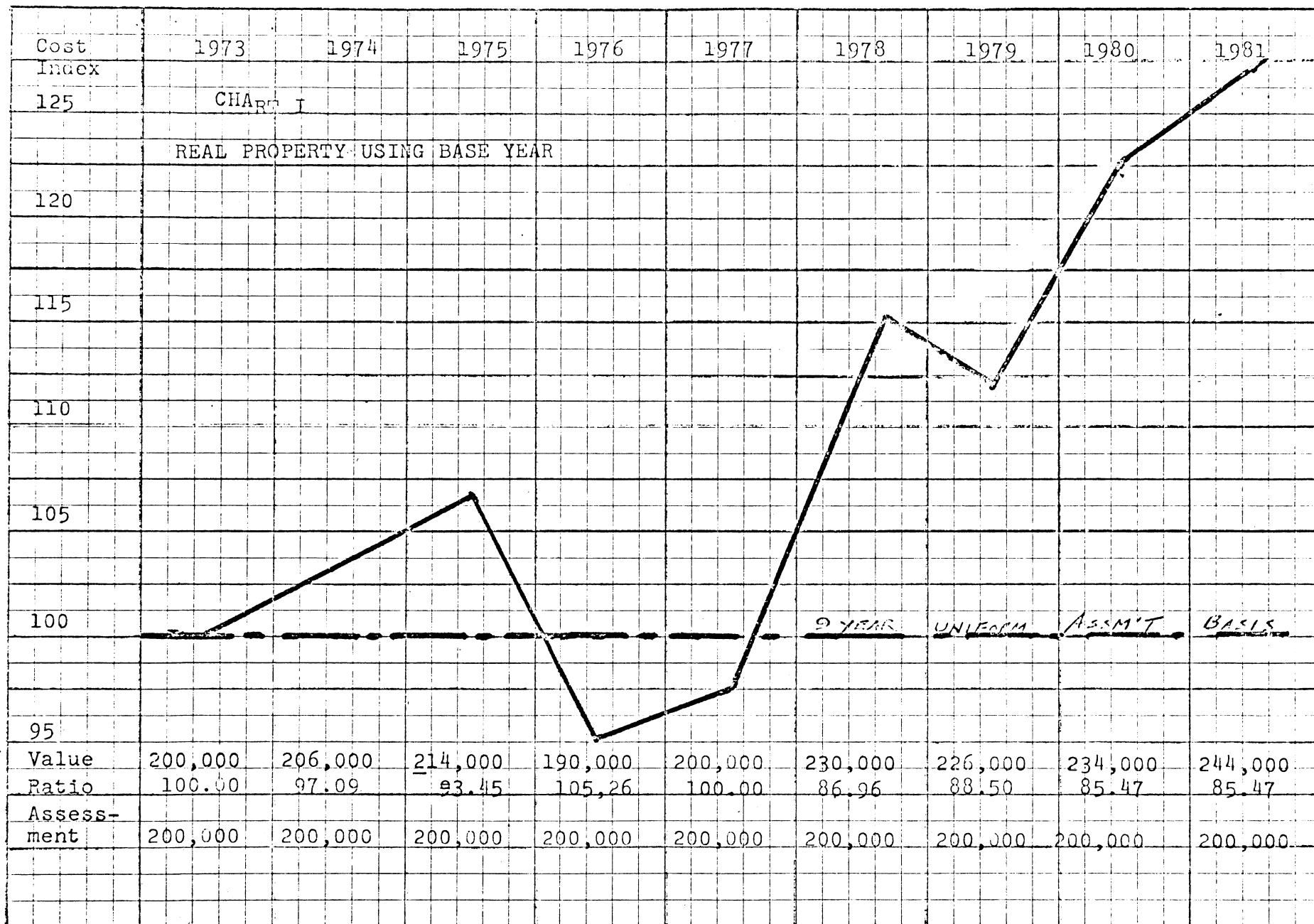
During a rapidly moving inflationary period, such as we are now in, or the reverse during a rapid spiral downward in our economy, the foregoing becomes manifestly impossible to achieve.

This is not only an impossible and insurmountable task, which in practice would solve none of the tax assessment problems as presently encountered in New Jersey, but could very well compound and create inequalities because sales prices or predictions cannot be properly interpreted in such a short period of time to enable the assessor to properly interpret the trends and indications of the sales market.

Under the adoption of "base year concept" all new construction, and alterations and additions as well as other required changes, would be valued as of the base year, and would therefore receive the same uniform and equitable treatment of taxation as all other properties originally valued as of the base year. This method is advocated by assessors as well as numerous county boards of Taxation.

An illustration of the projections of this principle is further illustrated on the updated hypothetical property wherein the property has a value, as of the base year of 1973, of \$200,000 and an established declared county ratio of 100%. It retains its original value level and assessment of \$200,000 without considering the rise and fall of cost and value over the suggested nine year period, unless of course, unusual depreciation influences are encountered in addition to normal physical deterioration.

One of the strongest points in favor of the base year concept is that it provides an excellent adaptability to update the assessment structure at the lowest possible cost to the community. It also provides the assessor with the adequate necessary time to properly interpret the sales trends from sales-ratio studies for use in making time adjustments in the market as well as a market data analysis,



EXAMPLE I

REAL PROPERTY

BASE YEAR

ASSESSMENT RATIO = 100%

EST. 200,000 VALUE - 1973

STATE MANUAL

1973 VALUE AS A BASE YEAR

<u>YEARS</u>	<u>BASE YEAR VALUE</u>	<u>COST 1960 INDEX FACTOR -</u>	<u>CURRENT MARKET VALUE</u>	<u>COMMON LEVEL ASSM'T 100%</u>	<u>RATIO OF ASSM'T TO MARKET VALU</u>
		%			
1973	200,000	100	- 200,000	200,000	100%
1974	200,000	103	206,000	200,000	97.09%
1975	200,000	107	214,000	200,000	93.45%
1976	200,000	* 95	190,000	200,000	105.26%
1977	200,000	100	200,000	200,000	100.00%
1978	200,000	115	230,000	200,000	86.96%
1979	200,000	113	226,000	200,000	88.50%
1980	200,000	117	234,000	200,000	85.47%
1981	200,000	117	234,000	200,000	85.47%

\* 1976 Market Value drop 12% from 1975 due to economic condition-  
Therefore value is adjusted by cost index factor to 95%.

of depreciation for the various types of structures in the assessment jurisdiction. This also requires the same cost basis and appraisal manuals to be used if uniformity is to be achieved.

The base year concept does not change or revise the present methods of county equalization.

The intent of the law is for everyone to bear their fair and equal share of the tax burden. This cannot be achieved in a rising economy without a base year for values-- QUESTION-- Should the assessors be subject to the whims of the financial world and fluctuating interest rates? Supposing through deferred expenditures the tax rate doubled in a particular taxing district. Under present court decisions relative to capitalization techniques, income producing property owners could objectively show lower values--in spite of the fact that the intent of the law is for the increased expenditures to be borne by all.

Sales prices by themselves will never substitute "Market Value" as an assessing standard. Sales prices fluctuate greatly between classes of property, i.e. residential properties VS industrial or special purpose properties. To further illustrate the latter class of property, I quote herewith excerpts of an Article in the February 1965 issue of I.A.A.O. Newsletter:

"Market for industrial property is limited and the financial conditions of the owner tends to place the sale on a forced basis. The competitive method of disposal tends to sub-normal prices. With the potential purchasers aware of this, he attempts to acquire industrial property at a sufficiently low price to give him a distinct advantage, rather than at a price that is fair and reasonable, considering the property and its potential use to him." It likewise holds true the larger the plant, the more restricted the market and less opportunity for its disposal. From studies of sales prices, it is safe to say the market for

industrial property is depressed (and are oftentimes disposal sales) but this is not to say the value of the industrial property is depressed."

"Income-producing property is likewise affected by the taxing policies of the Internal Revenue Service. High tax rates and capital gains provisions greatly influence the market price of this type property. Income property is managed in the light of the best advantage to be obtained from the standpoint of depreciation for federal tax purposes. ~~Property that is at the end of its economic life.~~ Property that is at the end of its economic life, from the standpoint of federal income tax depreciation, becomes less profitable to own."

In reviewing the Advisory Commission on Intergovernmental Relations publications of June, 1963, "The Role of the States in Strengthening the Property Tax", the following is excerpted:

To meet the requirement of uniformity, the assessor using the particular valuation methods that are most suitable for each class of property, must produce not only intraclass but interclass uniformity. This means, for example, that his appraisal of any given dwelling not only have the same relation to market value as his appraisal of any other dwelling but must have the same relationship as that for any factory, grocery, vacant lot, etc. The only true basis for the assessor's appraisal is market value. Once that is determined correctly for all taxable property the basic uniformity is not affected by the use of fractional assessment for tax purposes. (and in addition promotes the concept of "Base Year" thinking.

Because of the inherent difficulties in determining precisely the market value of some classes of property, because market values are not static, and because objective assessing procedures must be supplemented to some extent by the assessor's judgement, the attainment of absolute equality of assessment throughout an assessment district is not feasible. If the assessor can keep the variation in ratios within a fairly narrow

range he is doing a very acceptable job."

Economic Definition of Value: An economic definition of value might be expressed as the power of one commodity to command other commodities in exchange, in form of money, at a given time and place. However the term "value" has a more abstract connotation than does the term "Price". For example, a person might pay a ridiculous price for an article which to most others would not represent the value of the article at all. Obviously, then, value is a different thing or concept from price. It contains an element of judgement, of subjectivity, of evaluation that is absent from a simple sales transaction.

In reviewing assessment standards in various other states, it is generally accepted or intended that the basis of tax assessment be reflective of "market value" even though others terms such as "true value", "full cash value", etc. are used. The levels of assessments vary and can either be full 100% market values or fractions thereof. In addition, courts in most of the states reviewed in this study, have been uncompromising in their insistence on equity of assessments and on the same standard rule of valuation. This has been indicated to mean that any particular property must be valued in accordance with market value, but adjusted so that the evaluation will be on the same as the value given to comparable properties; this is to insure that property assessments be made in such a way that every owner of taxable property would pay his proportionate share of the cost of government and particularly annual increases.



The technical feasibility of finding market value must be qualified, as noted, by allowance for a reasonable range of tolerance. Precision as to the level of assessment is no more attainable than precise uniformity of assessment. Market Values must be approximated in many instances and, additionally, they undergo constant change of cyclical as well as secular change. Not all these changes, moreover, are uniform within a community; some occur variously in different sections as these sections improve or deteriorate. A complete reassessment each year may not be feasible or desirable; but if the checking of significant changes is a continuous process and adjustment for secular trend is made every few years, assessing can achieve what former Tax Commissioner Thomas A. Byrne calls "a conservative full value rather than a precise reflection of the market in any year."<sup>1</sup>

<sup>1</sup> Thomas A. Byrne, "Full Value Assessment in Practice; Reasons for Under-assessment," in National Tax Association, Proceedings of the Fifty-First Annual Conference on Taxation, 1958, P. 426. Mr. Byrne, Tax Commissioner of Milwaukee and an outstanding assessment expert, after reviewing the reasons for underassessment, including the widely varying quality of assessment administration, concludes "that a full value assessment everywhere and on each assessment date is a result which is actually unattainable. The best use we can hope for is periodic approximation."

The foregoing illustrates the thinking of what we are discussing today, "Base Year Concept of Valuations for Assessment Purposes," with periodic revisions. This has been ineffect in other states including Iowa changing its base every four years; Connecticut every 10 years; Ohio every 6 years, etc.

## CAPITALIZATION AND BASE YEAR VALUES

Inflationary trends combined with widely known weaknesses in the income approach play havoc with assessments. Taxpayers are fully aware that capitalization of income is afforded great weight on appeal resulting most often in unwarranted relief.

WHY As tax rates climb in keeping with larger municipal budgets, the  
UNWARRANTED burden is supposed to be borne equally. Any current capitalization of net income tends to conflict with this statutory requirement of equitable and uniform assessments.

Simple arithmetic dictates that the higher the rate used in capitalization, the lower the answer indicating value. Taxpayers of income producing properties can therefore take undue advantage of increases in the tax rates and interest rates to influence a lower assessment. If relief is granted on appeal, in any such case, the taxpayer escapes his obligation to his community to pay his fair share of the larger budget requirement.

EXAMPLE Assume a 100% base year assessment made in 1965, a net income of \$12,000 and a cap rate of 10% to include an 8% rate of return before depreciation and a 2% tax rate. Obviously the value indication via the income approach is \$120,000. By way of illustration assume that the current 1969 tax rate is 4% and a reasonable rate of return is now 10% to produce a cap rate of ~~\$14~~<sup>14%</sup> which when applied to \$12,000 indicates a value of \$85,714. We would even be more realistic and assume that the net income also went up \$2,000 to help defray the increased tax expense. In spite of this, a lower value is indicated because \$14,000 capitalized at 14% produces \$100,000 indicating an unwarranted lowering of the assessment.

BASE                    It is proposed by many authorities that equitable and  
YEAR                   uniform assessments can be maintained by base year  
CAP                    revaluations and subsequent periodic reassessments.  
RATE                   Concerning income producing property, base year cap rates  
                         would have to remain in effect, otherwise different  
                         standards would be applied on appeal. This is what is  
                         taking place now, all over the country, invirtually every  
                         tax district. In short, the taxpayer in the minority,  
the squeaky wheel, using a current cap rate is quite often  
granted undue relief in the face of rising taxes for all  
other taxpayers. This results in shifting a part of his  
tax obligation to others.

In the previous example, the base year standard cap rate  
is 10%, therefore no relief on appeal is justified because  
there was no cut-back in net income before taxes.

LOSS                   When using base year values, some practical means should be  
IN                      found for processing appeals. One of the more outstanding  
NET                    methods suggested is to capitalize only the change in net  
INCOME                income before taxes by the base year cap rate. Of=course  
                         base year cap rates are always subjective and therefore  
                         different for different persons and different types of  
                         properties. Assume in the example previously used that the  
                         net income before taxes \$10,000 showing a \$2,000 loss. The  
                         latter figure capitalized at 10% indicates a loss in value  
                         of \$20,000 and that relief to the taxpayer is warranted.  
                         More important, the method forces the taxpayer to play fair.  
                         He can no longer come in with an unrealistically high  
                         current cap rate, for to do so would reflect a far less loss  
                         in value.

REDUCING  
NUMBER  
OF  
APPEALS

Since only a change in net income would be subject to capitalization in the interim years between revaluations. it is obvious that the appeal work load would be drastically reduced. It is estimated that appeal traffic could be effectively reduced to say 20% to 25% of the current number.

NEW  
CONSTRUC-  
TION

Some thought should be given to relying on the cost approach for all new construction. (Except in extenuating circumstances.) The common sense of the matter in most all cases is that someone believed the new construction warranted, and his cost was most assuredly not less than his market value. In simple terms the fair market price to acquire something newly built is the fair cost to build it inclusive of overheads, commissions and a fair margin of profit. Relative to income from new construction, a realistic set of figures can not be made available until the property is in operation a reasonable number of years. Only then can true operating ratios be established. This condition contributes the practical school of thought that the cost approach is more reliable for all new construction, except in most unusual cases.

All new construction during the interim period between revaluations should be valued via the base year replacement cost schedule. This provides equitable and uniform treatment.

THE  
APPRAISAL  
PROCESS

Base year systems do not contemplate any change in the widely accepted methods of appraising-assessing. The standards used of course must remain in effect until anew district wide reassessment is made. To change, in mid stream, so to speak, for any one property would result in applying standards in conflict with those employed for the equitable assessment.

on appeal.

To make matters worse, assessment ratios further compound the tax (crack split) fractures to homeowners, who cannot employ the income approach.

Thus it becomes more clear that current cap rates and current ratios, which are by-products of market prices and assessments, should be outlawed because they are not applicable to base year values and are in conflict with the base year guide rules used to control the quality of the assessment.

SIMULATED BASE YEAR ASSESSMENT VIA INCOME APPROACH  
(1965- 100%)

Gross Income	\$90,000
Vac. & Loss Allowance (5%)	<u>4,500</u>
Effective Gross Income	\$85,500
Operating Expenses (25%)	<u>22,500</u>
Net Income Before Deprec. & Taxes	\$63,000

Overall Capitalization Rate

Interest	6.50%
Taxes (100% Reval.-Effective)	3.00
Deprec. (Bldg. Ratio X rate - 0.70 X 3% yr)	<u>2.10</u>
Total	11.60%

Indicated Value (100%)

$$\$63,000 \div 0.116 = \text{(rounded)} \quad \$543,100$$

Taxes (1965)

$$\$543,100 \times 0.03 \quad \$16,293$$

Gross Income	\$100,000
Vac & Loss Allowance (5%)	<u>5,000</u>
Effective Gross Income	95,000
Operating Expenses (25%)	<u>25,000</u>
Net Income Before Deprec. & Taxes	70,000
Overall Capitalization Rate	
Interest	8.00%
Taxes (rate X ratio = 5x 0.80)	4.00
Deprec. (bldg. ratio X rate = .70 x 3% yr.)	<u>2.10</u>
Total	14.10%
Indicated Value	
\$70,000 ÷ 0.141 = (rounded	\$496,500
Assessment Ratio	<u>0.80</u>
Claims Assessment Should be	\$397,200
Claims Taxes should be	
\$397,200 X 0.05	\$19,860

EQUITABLE TAX OBLIGATIONS OF TAXPAYER ON 1969 APPEAL

One Method (Presumption of Correctness)

Base Year Assessment	\$543,100
1969 Tax Rate	<u>0.05</u>
Taxpayers 1969 Tax Obligation	\$ 27,155

Proof of above

Tax Rate changed from 0.03 to 0.05 for all taxpayers.  
Taxpayers increased obligation =  $0.05 \div 0.03 = 166.67\%$

1965 Taxes	16,293
Obligation Increase	<u>1.667</u>
1969 Tax Obligation	\$ 27,155

His gain in Net Income was \$7,000 and the common sense of the matter is that he is not entitled to tax relief.



BOROUGH OF NEW MILFORD

BERGEN COUNTY, NEW JERSEY

COLFAX 2-8100

BOARD OF ASSESSORS

February 27, 1970

Mr. Alfred J. Greens, Jr.  
Assessor  
City of Clifton, N.J.

Dear Al:

Your article entitled "Effect of Base Year on Income Producing Property" appearing in the December 1969 issue of the New Jersey Assessor's Bulletin is most timely. It is an excellent presentation of a situation which every effort should be made to rectify without avoidable delay.

The impact of the increased costs of public school services and local and county government on home owners should not be aggravated by an additional assumption of the tax burden caused by relief granted income property. This relief results from what appears to be a method of arriving at current fair market value by including the current rate of interest charged on mortgages on income producing property as a factor in the overall capitalization rate and then, for the purpose of equalizing a subject property with values determined for all other classes of property, as of the last preceding district wide revaluation date, applying the Director's Sales Ratio for that District to the computed current full true value.

As logical as this procedure may seem the results can be obviously unrealistic. For example: We have a 1,750 unit garden type apartment complex, known as Brookchester, built in the early 1950's as a "608" Federal project. The statutory date of our most recent revaluation is October 1, 1961. In 1966 a value was set by the Bergen County Board of Taxation of 11,824,200. We make the assumption of correctness that this figure represented Brookchester's equalized value corresponding to their economic status at that time. Brookchester appealed their 1969 assessed values which had remained unchanged from the County Board's determination in 1966 and submitted statements of income and expense for the preceding three years. To keep my capitalization approach to value consistent with other approaches to value, for the purposes of comparison, I used Brookchester's figures unmodified except to limit their operating expenses to 33% of effective gross exclusive of taxes. The following computation adheres closely to the pattern used in Bergen county so far as I can ascertain it.

I adjusted our Base Year Land Value of 4,329,200 by projecting it to a presumed 1968 value of 4,986,409 by the application of our 1968 ratio of 86.82 to avoid a duplication of this "equalization factor" to a land value that was already equalized. I equalized our actual 1968 tax rate of 3.71 to 3.22 to again avoid a duplication, in the effect of the actual rate, inasmuch as the ratio equalizer was to be later applied to the combined values of Land and Buildings estimated as of October 1, 1968.

Net Income before Depreciation or Taxes	1,298,370
Land Value	4,986,409
Cap Rate: Return	7.00%
Tax	<u>3.22</u>
Total	10.22
Net Income attributal to Land	<u>509,611</u>
Net Income applicable to Buildings	788,759
Cap Rate: Return	7.00%
Tax	3.22
Deprec.	<u>2.50</u>
Total	12.72
Capitalized Value of Buildings	6,200,936
Value of Land	<u>4,986,409</u>
Total Value of Land and Buildings	11,187,345
10-1-68 Director's Sales Ratio	<u>86.82%</u>
"Equalized Value"	9,712,853
10-1-69 Director's Sales Ratio	<u>82.10%</u>
	9,184,810
	528,043

A reduction of 2,111,350 in value when Brookchester's statements showed the increase in their actual income from 1966 to 1968 to have exceeded the increase in their expenses, including taxes, by 30,900 did not make sense. Furthermore, in consideration of the fact that Brookchester was very cheaply constructed and all ready 18 years old it could well be that a return of 8% instead of 7% would have been deemed more appropriate. That 1% in the cap. rate would have worked itself through to a further 7% reduction in value in the amount of 707,900.

The foregoing results were definitely an indication that the conventional method of capitalizing net income was malfunctioning in some manner or other.

Conviction that the use of the sales ratio, as an equalizing factor, was inappropriate came with the realization that should all other factors remain the same, the income and expense unchanged, for another year the application of the October 1, 1969 sales ratio of 82.10 would further reduce the estimate of Brookchester's value by 528,000. In other words the fact that selling prices of other classes of property produce a reduction in value of a different class of property, whose economic status has not changed, makes it evident that there is a fallacy in the system.

I next made a Reproduction Cost approach by using Brookchester's own figures of their cost of construction in 1950 of 10,352,115

which I trended to 1961 to a figure of 12,836,623

against which I gave them 11 years depreciation at 2.50% per year to be consistent with the depreciation factor used in the cap. rate and came up with a depreciated value of 9,306,552

to which I added the 1961 Land Value of 4,329,200

for a total of 13,635,750

I also checked out the Gross Multiplier which I found was 6.19 in 1966. Applying this to their 1968 reported income of 1,991,900 the value would be 12,329,850

These two latter values are more realistic.

The explanation of the fallacy of applying the Director's ratio to income property is that buyer's of income property do not evaluate their prospective purchase by the same approach that is used by a prospective home owner, whose purchases in the aggregate largely determine the percentage level of the ratio.

Most home owners after locating a house that meets their minimum needs, in an acceptable neighborhood and in reasonable reach of shopping and transportation will, under the compelling circumstances of an expiring lease or a commitment to sell and vacate their present home, pay any price they can finance in order to get a roof over their heads while dwellings are in such short supply. They never use an appraiser's or assessor's method of determining fair market value to arrive at a decision to buy or not.

In contrast to the home owner who buys first to meet the necessities and next the amenities required by his family and in this seller's market will stretch his ability to pay to the limit to acquire a desired dwelling, the purchaser of income property buys only for income or anticipation of capital gain or for a tax shelter. He is not coerced by the circumstances weighing on the home owner. His thinking as an investor or speculator is focused on "cash flow." His estimate of what a property will produce in this respect sets the limit of the price he will pay. This class of property is always a buyer's market. If a prospective buyer cannot acquire a property on his terms he goes elsewhere to buy. He is under no compulsion to buy except to keep his capital working to the best advantage.

In this kind of business there must be a pattern of analyzing values from which uniform factors for assessing purposes could be developed. It might prove difficult to assemble sufficient verifiable data in an area that could be well guarded trade secrets.

It is going to be difficult to dislodge the capitalization of income approach because of its many years of acceptance. Also the use of the district sales ratio as a trend equalizer to the base assessing date has the support of logic, or is it false logic, on the basis that if a district had a current revaluation the income property values would have the same currently determined values and home occupied properties would be equalized at their current fair market value with the relationship between the two classes of property remaining the same as they would be under the system we are now criticizing.

Perhaps greater emphasis should be placed on the "economic rent" aspect of the matter. Brookchester has just announced a rent increase of \$65.00 a month across the board. This is a drastic increase but not out of line with current increases in higher grade apartments. The owner's are clearly making an all out test of their competitive position. The future will tell whether or not they can hold this scale but for consideration in our problem the revised up to date appraisal would be:

Gross Income	3,356,900
Vacancies (conventional 5% allowed)	<u>167,845</u>
Effective Gross Income	3,189,055
Operating Expense (including Management fees and Insurance. 33% allowed because of cheap construction with high maintenance and heat)	<u>1,063,018</u>
Net Income before Depreciation and Taxes	2,126,037
Land Value	5,273,08
Cap. Rate: Return	8.00%
Tax	<u>3.42</u>
Total	11.42
Net Income attributable to Land	<u>602,186</u>
Net Income applicable to Buildings	1,523,851

Cap Rate:	Return	8.00%
	Tax	3.42
	Deprec.	<u>2.50</u>
	Total	13.92

Capitalized Value of Buildings	10,947,205
Value of Land	<u>5,273,082</u>
Total 10-1-69 Value of Land and Buildings	16,220,287
10-1-69 Director's Sales Ratio	<u>82.10%</u>
"Equalized Value"	13,316,856

Note Base Date 10-1-61 Reproduction Cost Depreciated of 13,635,750

It would obviously be impossible at the time of the 1969 appeal, based on 1968 data, to get into the form of evidence the forthcoming scale of rents then dormant in the minds of the owners.

The foregoing sketchy analysis of the problem does nevertheless indicate serious weaknesses in the conventional capitalization of income approach and suggests that the Reproduction Cost Depreciated approach, except in extenuating circumstances, as you point out, is a more accurate and certainly a more stable basis for equalizing values.

Whatever the method used I think after a revaluation, assuming that all classes of property are satisfactorily equalized at that time, that tax escalator clauses should be made mandatory in all leases, even if legislative action is necessary, because apartment residents are provided with the same municipal services as home owner residents and should pay their fair share of the annual budget increases.

In any event the situation needs prompt attention because the present method of equalizing income property values simply operates as a device to reduce taxes. A study by the best qualified economists, specializing in the field of property taxation with assistance from the Division of Taxation and Rutgers that will develop a method of evaluating income property under present economic conditions that will satisfy the assessors, be accepted by the appellate boards and convince all classes of taxpayers that it is fair and equitable is what is needed. Those districts most seriously involved may have to pool their financial support for such an enterprise.

If there is anything I can do to help get the project underway please let me know.

Sincerely,

Statement  
of  
Marriott G. Haines, Assessor  
before  
Commission on Exempt Property

My name is Marriott G. Haines, Assessor of Taxes for the City of Vineland. I am a graduate of the University of Pennsylvania and have successfully completed many in-service training courses at Rutgers University. I am in my twenty-third year as an assessor, having served fourteen years as an elected assessor on a part time basis in Hainesport Township, Burlington County and nine years as an appointed assessor on a full time basis in Vineland.

During this time I have been very active in the assessing profession, serving on various committees on the local, county and state level. I am a past president of two county associations and the State Association of Assessing Officers. I am the holder of three professional designations in the assessing field and a Tax Assessor Certificate from the State of New Jersey. Since 1953, I have been a member of the co-adjutant staff of Rutgers University for whom I instruct various courses on Municipal Assessing.

It has always been my contention that an assessor is an administrative officer, rather than a policy maker. In this capacity we administer the statutes of the assessor's office, furnish sundry information to various levels of government as requested, and perform related duties in carrying out the various functions assigned to us from time to time. However, in view of the creation of your commission to study the various tax exemptions, many of which we are charged to administer, we welcome this opportunity to give you our views on this subject, as there are many aspects of these statutes we are constantly confronted with that you probably would never learn of except by a presentation such as this. With that thought in mind, an attempt will be made to touch on each of the many exemption statutes. I trust these remarks won't be too repetitious of what has been presented to you at

your previous hearings. They are intended to emphasize the assessors points of view about curtailing rather than continuing existing exemptions.

Please understand that this paper is not an official statement of the Association of Municipal Assessors of New Jersey but a presentation of many comments assembled from throughout the State during several discussions held relating to various exemptions.

#### Exemption of Property

of

#### Nonprofit Organizations

The law under which these organizations are exempt is 54:4-3.6, commonly referred to as the general or catch-all law under which most exemptions are granted. Many would like to see this law rewritten. It is a very cumbersome and ambiguous statute. If the classes of properties covered by this law are to continue to be exempt then it should be rewritten in such a manner that the types of properties would be listed rather than buried by ambiguities as at present. The present 5 acre limitation per building should also be revised because applicants want to count every pump house, woodshed or other insignificant structure in applying this limitation. Some other means should probably be derived to establish a strict limitation. Many assessors think that some classes of properties included in this exemption law should be made taxable.

The review of this statute where nonprofit organizations are concerned is recommended because the veil between profit and nonprofit is so thin in many instances as to be practically nonexistent. Such being the case, the question is raised as to whether or not the assessor should have to be confronted with this final determination under existing requirements. If so, then a financial statement should be required to augment the initial and further statements because at present this information is not furnished to the assessor. On the other hand, many would like to see this law repealed.

#### Educational Television

The provisions of 54:4-3.6A grant this exemption. This is a

relatively new law, taking effect with the tax year of 1968. It is possible that assessors will be confronted with problems by this statute in the future, because of the type of property to which it applies. We predict that a commercial station will claim an exemption because a program could be aired that might be construed as having some educational value.

#### Burial Grounds and Vaults

There are at least three statutes R.S.8:1-1, R.S.8:2-27 and R.S.54:4-3.9 on the books today, under which burial grounds or cemeteries may claim exemption. In fact, this class of exemption is one of the oldest in force, as one statute dates back before the Civil War. The assessors have had trouble with cemeteries. What bothers us most is the one incorporated for private profit or operated on a purely commercial plan, claiming an exemption. We are also concerned with land acquired and held for future expansion being granted an exemption, by appeal, after it has been assessed. Like other growing enterprises, many of our cemeteries are big business today. It is suggested that these statutes be reviewed and if at all possible, be tightened up. Not only should land being held for future cemetery use be taxable, but more than a single interment should be required to meet the exempt requirements.

#### Fire Associations

Our volunteer fire companies enjoy an exemption under 54:4-3.10. This statute has been on the books since 1918. We have the utmost respect for these organizations and the services they render to the property owners and residents of this State. However, a question is raised as to what the legislative intent would be today if we compare current practices with those of 1918. It is a well known fact that many of these companies are being subsidized by the municipality far beyond all expectations 50 years ago, through the purchase of fire equipment and underwriting certain items of fixed charges and operating expenses.

They are permitted to conduct various functions for pecuniary profit, in competition with taxpaying properties. A complaint frequently received from a taxpayer is - "Why can the fire company rent out their hall or conduct money making functions and not pay taxes while my hall, that is also suitable for similar affairs, is taxable?" This is occur-



ring throughout the State. My taxing district eliminated the cause of this complaint by accepting title to all the fire company property and maintaining same for the volunteers, who still retain their own organizations and render services to the community.

#### Railroad and Canal Property

The law (54:4-3.11) under which the above property is exempt was amended by Chapter 251, Laws of 1964. You might want to take a good hard look at this law from the standpoint as to whether or not the present conditions warrant a change, in view of the subsidies now being granted by the State, as some railroad property is being leased out for other purposes.

#### Fire Patrols or Salvage Corps

This is another exemption statute 54:4-3.13 that has been on the books for several years. (1920) This should also be reviewed with the thought that perhaps such groups might prefer to convey title to the municipality where located, if such groups are still in existence and active today.

#### Crippled Soldiers

Exemption of real or personal property by a corporation organized under the Laws of New Jersey to provide instruction in agricultural pursuits for soldiers and sailors of the United States, who have been permanently crippled while in active service in time of war, was granted under 54:4-3.15 in 1918. It is doubtful if the lists of exempt property furnished the Director of the Division of Taxation by the assessors, from which an analysis is being prepared for your Commission, will reveal any assessments being presently made under this law. There is a question as to whether or not it is needed today, in view of other benefits now available to veterans.

#### Motor Vehicles

Since 1918 all motor vehicles registered by the Motor Vehicle Department of the State of New Jersey have been exempt from taxation under the provisions of 54:4-3.21. Such an exemption does not hold true in all states. For example, Connecticut taxes their vehicles. It is understood that they annually collect at least one hundred million dollars from this source alone. Your Commission might want

to look into this as a possible new source of revenue for the municipalities.

Young Men's Christian Association, etc.

This statute (54:4-3.24) was enacted in 1936. It is very liberal in that it exempts all property, real and personal, improved and unimproved with the 5 acre limitation the same as 54:4-3.6. There is a question in the minds of some that this law could be construed as class legislation, and, as such might be declared unconstitutional by the courts of our State, if put to a test.

Veterans' Associations

Both real and personal property used in the work and for the purposes of national war veterans whether incorporated or unincorporated, existing and established on June 18, 1930, are exempt under the provisions of 54:4-3.25, which has been on the books since 1918. This is another category that generates problems for the assessor, because of the various money raising affairs held on their premises, such as club liquor licenses, bingo games, wedding receptions, birthday parties, etc. Here again we have exempt property being used for pecuniary profit in competition with taxable property.

What might be construed by some as a collateral tax abatement, is the fact that the members of these organizations who own real estate in New Jersey, could conceivably be receiving the benefit of a double tax exemption, in those cases where they also receive a tax deduction on their own property as well as an exemption on their club.

Fraternal Organizations

This law was first enacted in 1918. After it was later amended (see 54:4-3.26) the courts declared it unconstitutional. Yet many fraternal buildings are being granted tax exemptions today. It is understood they are being exempt under some other statute, usually 54:4-3.6. As you can see a uniform policy is not being applied throughout the State. In one county fraternal buildings are taxable while in another they are exempt. This makes it difficult for the assessor. What we would like to have is a uniform application of the exemption

statutes in all 21 counties and 567 taxing districts. In other words, if a Masonic Temple, Elks Home, Moose Home, Grange Hall, Woman's Club, Knights of Columbus, etc. are taxable in my taxing district (I assess them in Vineland) then they should be taxable in every other taxing district in New Jersey. A recommendation will be made later for your consideration. In the meantime you might advocate the repeal of this statute as many are not aware of the court action just mentioned.

#### Volunteer Aid and Relief Associations

While reading 54:4-3.27, it was learned that this exemption is limited to organizations incorporated or unincorporated for the purpose of furnishing volunteer aid to the sick and wounded of armies in time of war, etc. No doubt this alludes to the American Red Cross.

Speaking for myself, as a combat veteran of World War II, who has the highest regard for the work of the American Red Cross in combat zones, I question the practice of one municipality carrying the cost of all local services for any organization that in turn serves a much larger area.

#### Growing Crops, Trees, Shrubs or Vines

This is the law (54:4-3.28) under which growing crops, etc. have been exempt since 1943. Any value by which such items enhance the value of land is reflected in the land appraisal. In view of the Farmland Assessment Act of 1964, and the manner in which Chapter 51 has been amended, it is doubtful if this law is needed today.

#### Veterans Suffering from Certain Disabilities

It is doubtful if any assessor in the State of New Jersey has any quarrel with 54:4-3.30, the law under which our declared disabled veterans or their widows have been receiving a total exemption from taxation on their residences.

#### Residences of District Supervisors of Religious Organizations

This law (54:4-3.35) was placed on the books in 1955, with a limitation of \$5,000, which was later raised to \$25,000 of assessed value per residence. The limitation has now been removed in total.

The principal objection raised to this exemption is the fact that usually the District Supervisor serves an area far beyond the boundary of the municipality in which the residence is located. In the meantime that municipality bears the entire cost of furnishing the local services. This is deemed not to be fair to the local taxpayer by some assessors and should be repealed because of the burden imposed on the home municipality.

#### Blast or Radiation Fallout Shelters

It is understood that only a few people took advantage of the opportunity to erect the protective shelters exempt from taxation under these statutes passed in 1962, 54:4-3.48, 54:4-3.49, 54:4-3.50 and 54:4-3.51. Whether or not they accomplished their intended purpose is a matter of conjecture. There is also the possibility that only a few are now in proper condition for immediate use in case of an emergency today. You are urged to question the need for continuing this exemption.

#### Historic Sites

Here is a case where the entire cost of furnishing the local services for the property to be exempt is borne by the municipality in which the historic site is located, while it is available to everyone to enjoy, usually for a small fee. This is a mandatory exemption if the site has been certified to the Director of Taxation by the Commissioner of Conservation. The assessors of this State are conservative and for the most part like to see such sites preserved for future generations to enjoy. Yet, on the other hand we feel that some provisions should be made to see that the effected municipalities are reimbursed in some manner for the loss of taxes suffered by 54:4-3.52, 54:4-3.53 and 54:4-3.54, enacted in 1962.

#### Pleasure Boats

With the adoption of 54:4-3.55 in 1964, pleasure boats ceased being taxable. The number of these craft has been steadily increasing each year, and at the same time causing many local problems. The current registration fees don't begin to solve the problem or underwrite the cost of policing these boats. Perhaps this exemption should be studied the same as automobiles. When boats were taxable, problems were created by the assessors in that some assessed them while others

overlooked them. As a result, just before October 1, each year, boats seemed to disappear until after the tax lists were completed. Perhaps some method of self assessment and determination of the home port could be developed to the benefit of the local municipality.

#### Air and Water Pollution

##### Abatement or Prevention Equipment

These are recent (1966 and 1967) exemption statutes (54:4-3.56, 54:4-3.57 and 54:4-3.58) adopted to encourage the installation of both air and water pollution abatement or prevention equipment. In order for such equipment to qualify for an exemption however, a certificate must be obtained from the State Commissioner of Health. As assessors, we are not opposed to either clean air or pure water. However, there are two areas of this statute that do concern some of us. There is a strong possibility in some situations, that what the State Commissioner might construe as anti-pollution equipment, could be considered as part of the main structure. It would be helpful if we could be consulted on any borderline situation before the final determination is made by the Commissioner.

The other point concerns the permanence of this exemption. While we agree with the motive behind this legislation, some of our number think that the exemption should not extend beyond the time it took the owner to recover the cost of the installation by a depreciation write-off. A time limitation, such as Schedule D of the Internal Revenue Code should be incorporated in this law.

##### Improvement to Water Supply or Sewerage Disposal System

This is another recent exemption (1967) that was placed on the books by 54:4-3.59, 54:4-3.60, 54:4-3.61 and 54:4-3.62. The primary purpose of this exemption was to encourage the owners of these facilities to improve living conditions for farm workers. Many of us have observed the conditions that this law was designed to help correct. We believe this is a step in the right direction. However, here is another exemption that has no limitation. It is believed that the same limit should be considered here as was suggested in the case of air and water pollution equipment. On the other hand, some assessors

question the fairness of this exemption in view of the benefits enjoyed by farm owners under the provisions of the Farmland Assessment Act.

#### Veterans and Widows

As you are probably well aware, our veterans and widows originally received a \$500 tax exemption under 54:4-3.12, passed in 1918. This was changed to a \$50 tax deduction by 54:4-8.10, 54:4-8.11, 54:4-8.12, etc. in 1964, as the result of an amendment to our State Constitution, approved by the electorate of New Jersey. What bothers us is the cost of this deduction to our local taxpayers. In 1968 it totaled approximately \$22,515,000. We would like to suggest that since this deduction is granted under the provisions of our State Constitution that some procedure be adopted whereby the State would assume the entire cost of this deduction. This would lift a tremendous tax burden off our local taxpayers.

Another point that we would like to bring to your attention regarding this deduction, is the fact that it applies to all veterans who have established a residence in this State as of October 1st, preceding the tax year to which the deduction is to be applied. In other words, a veteran could have moved into the State September 30, 1968, and if otherwise eligible, receive a \$50 deduction on his 1969 tax bill. We would like to suggest for your consideration that this deduction be limited to residents of the State of New Jersey at the time of entering the service. While processing their applications, it has been observed that many of our veterans from other states have already received a cash bonus. They move into New Jersey and if otherwise eligible will then receive our tax deduction. This doesn't seem fair to our veterans who have resided in New Jersey their entire life. A recent check of my tax list shows 2311 veterans and widows deductions for 1969. Of this total 560 were from out of the State. Sixty-one of them had received a cash bonus from their home state. It is understood the percentage of out of state veterans is even higher in some municipalities than what I found in my district.

#### Veterans of Southeast Asia

Rather than amend the act just discussed by adding the name and applicable dates for our Viet Nam veterans, the legislature enacted 54:4-8.11A in 1965. This has proven to be a most difficult law to administer. The applicant, in addition to filing in the manner provided under existing veteran regulations, must provide proof that service was performed in the "Southeast Asia area of warlike conditions" as defined by law. This proof normally would be found on the service record. However, such has not always been the case. As a result, many veterans have had to secure additional information to meet these requirements. Incidentally, this is the first time that an area restriction has been placed on this deduction, which requires some explaining to our boys who return from other areas where our servicemen have served. You are also urged to consider transferring the cost of these deductions to the State.

#### Senior Citizens

This tax deduction was first provided for by Chapter 9, Laws of 1961, as an exemption. It was changed to its present form by Chapter 172, Laws of 1963. (54:4-8.40) In 1968, this cost the taxpayers of this State approximately \$11,257,000. Adding this amount to the veterans (\$22,515,000) deduction gives us a total of \$33,772,000. This is a substantial sum of money that the taxpayers of this State have to make up. Under our present setup, even the veterans and senior citizens contribute to the makeup, so that actually the amount of their deduction is considerably less than the amount called for by our Constitution. This is another reason why the assessors think the cost of these deductions should be directly assumed by the State.

Are you aware of the fact that the citizenship requirement for this deduction is inconsistent with that for veterans, yet both are granted in accordance with our State Constitution? To receive a veteran's deduction one must be a citizen of the United States of America. On the other hand, to receive a senior citizen deduction, one need be a citizen of the State of New Jersey. This situation does not meet with universal acceptance with some of the administrators of this deduction.

There is one aspect of this law that could be changed to make it easier for our senior citizens. At present they file an original or renewal application, as the case may be, during the month of October each year. A post year statement is filed the following January. It is suggested that the statutes be amended so that these forms can be consolidated into one form. Remember, we are dealing with senior citizens, many of whom are up in years. Many of them get quite confused by the present requirements.

Another part of this program that should be reconsidered is Chapter 79, Laws of 1968, which provides for (1) transferring the administration of this deduction from the assessor to the collector, (2) under certain conditions setting up a contingent liability and (3) constituting a lien. In the first place the collectors prefer not to have this additional duty thrust upon them. There is much dissatisfaction being expressed over the personal debt provision of this new law. Many also question how a workable procedure of administering the lien feature can be enforced. Finally, the assessors are geared for administering the senior citizen tax deduction. We have trained personnel who have rendered an excellent service for our elder taxpayers. As long as the symbol for each \$80 deduction approved is to appear on our respective tax lists, the assessors of New Jersey prefer to retain the responsibility of administering the application and retaining it in our files. By this method you retain a system of check and balance. The assessor administers the deduction and the collector grants it. It worked during the first nine years this act has been law. We can see no reason to change it now. With all respect to the legislature that enacted this new law, we urgently suggest that it be repealed.

#### Farmland

The following comments are offered relative to 54:4-23.1 through 54:4-23.23, otherwise known as the Farmland Assessment Act. Since this is a form of tax exemption, the following points are called to your attention.

First of all, we have reason to believe that this act is



being abused by certain farmland owners, who are not bonafide tillers of the soil. We don't think the legislature intended for land speculators and corporations to receive the benefits of this tax deduction the way some are at present. Some assessors think that in order for an owner to qualify, the main source of his income should be derived from farming.

Another thing that bothers us is the spread between the values recommended by the farmland evaluation advisory committee and the prices actually being paid for land for farm use. Perhaps their formula should be reviewed.

Finally, we question whether or not this program is accomplishing its purpose to the extent anticipated. If not, perhaps it should be studied.

At a recent meeting of the Water Resources Association, Mr. Paul M. Felton, their executive director, warned of the alarming inroads on agricultural land being made by industry and urban needs. Mr. Felton suggested that only by adequate planning for the future will our land suitable for agricultural use be preserved. I don't think the Farmland Assessment Act is adequately accomplishing this aim. If the price is right, there is nothing to prevent a farmer from selling for any use.

This brings two points to my mind that occurred back in 1963, when the campaign was underway to win approval of the farmland amendment. During the public hearing held in the assembly chamber, I, as State President of the Association of Municipal Assessors of New Jersey, was the only person to go on record as opposed to this amendment. The assessors opposed departing from the single standard of value for assessment purposes, that had been the policy of this State for years. We felt the risk being taken would establish a dangerous precedent for the future and would outweigh the gain desired.

Later on in the campaign a committee representing the supporters of this amendment met with our executive committee (Assessors Association) at Rutgers University in New Brunswick hoping to change our stand. They were unable to win our support, nor did we campaign against the proposal. We suggested to them that the best

way to retain land for open space and farm use was by strict zoning. This is still our contention today. As Mr. Felton suggests, if land is to be preserved for any future use, we had better look to some iron-clad zoning restrictions rather than tax exemption inducements.

#### Mobile Homes

Up until recently many assessors had been assessing mobile homes being used for residential purposes, as real estate, regardless as to whether they were located on individual lots or in mobile home parks. In the case of South Brunswick Township vs. Middlesex County Board of Taxation, the Division of Tax Appeals ruled that those mobile homes located in parks are personal property. After Chapter 51 was amended personal property not used in business is no longer taxable in New Jersey. This action removed mobile homes from the taxable category. Many of us still assess mobile homes as real property that are permanently located on private owned land and are being used for residential purposes. To recover part of the tax revenue lost when mobile homes located in parks no longer were taxable, we have urged municipalities not only to adopt an ordinance to license their mobile home parks but also advocated that they adopt an ordinance to license the individual mobile homes as well. A number have taken such action. This speaker has knowledge of individual mobile home license fees ranging from \$2.00 to \$3.00 weekly and \$5.00 to \$12.00 monthly. There could be other rates in force today. Obviously, these small fees do not begin to cover the cost of services provided by the municipality. Taking my taxing district with sixteen licensed parks and several hundred mobile homes as an example, the last count revealed nearly one hundred children of school age to be educated. This is only one of the many services provided by the municipality.

Perhaps enacting legislation similar to what New York, Pennsylvania or Florida has, (to name a few) making mobile homes taxable as real estate, regardless of where located, would help the local situation. It is understood one of the current members of the legislature is contemplating introducing such a bill, as I was recently contacted by Legislative Service for some information on this subject.

#### Private Aircraft

Under the provisions of Chapter 123, Laws of 1964, otherwise known as the "Aircraft Registration Act," certain aircraft are exempt from assessment and taxation as personal property. This is another segment of personal property representing a very substantial sum that is now exempt and should be reconsidered.

#### Freeze Act

During 1933, 54:3-26 was amended by Chapter 266, otherwise known as the freeze act, to overcome a bad situation during the depression years. In its broadest sense, the effect of this amendment could be construed as a tax exemption. In many instances it has prevented an assessor from reflecting changes in value during the three-year period. It has also discouraged many assessors from trying to do a better job. It acts like a one-way street, in that it prevents the assessor from making any change. Yet the property owner is free to seek further reductions if he so desires. In the eyes of the assessors, this amendment is most unfair. We urge its immediate repeal.

#### In Lieu Statutes

While these statutes probably are not directly within the scope of your commission, the exempt land on which such payments are made, does meet the test. It is believed that the amounts established by these laws should be reviewed. They have been on the books for years. The assessors are being urged to reflect exempt property assessments based on realistic appraisals. To carry this thought a little further we are urging that these in lieu payments also be made realistic with today's values. This would be a great help to those municipalities that have lost considerable ratables, due to acquisition of large tracts of land to various state programs, such as state forests, green acres, etc. You are urged to review 54:4-2.1 and 54:4-2.2.

It would also be in order to make sure that the state appropriates enough money each year to take care of these payments. We understand that this has not always been the case in the past.

#### Appeal Procedure

One of the reasons for the unrealistic exempt property section to be found in some tax lists, is the unfortunate experience many assessors have had as the result of appeals having been filed against certain property assessments that someone else thought should be exempt. Certain pressures have been applied both on the local and the county level. As a result, there is a lack of uniformity in interpreting our exempt property statutes. The more pressure is exerted at certain levels, the greater the dispersion of interpretation.

Permit me to give you the benefit of one experience I had with some appeals involving parsonages. At the time of assuming my present position, the \$5,000 limitation was in effect. In applying the limitation, three parsonages became taxable for the balance of the value. All three church owners appealed. At the hearing, the only testimony offered by the appellants was why should they be assessed when the limitation had never been applied in the county before. The board disregarded my testimony on valuations and granted all three appeals. This is an example of why the following recommendation is submitted for your consideration.

Since appeals of assessments for exemptions usually involve an interpretation of some statute, it is doubtful if any uniformity or improvement can be obtained under the present appeal procedure. Perhaps such appeals should bypass both the county boards and the State Division of Tax Appeals and go directly to the Superior Court. This would require legislation. It is recommended that this be given some serious study because if an improved appeal procedure involving exemptions could be provided, the exempt property picture would result in an improvement for the municipality.

This suggestion is not intended as a reflection on any of the county boards. It is offered as a means of avoiding certain pressures locally and countywise, and at the same time acquire uniform application of the exemption statutes throughout the State. Bypassing the State Division in this proposal is due to the tremendous backlog of cases still confronting them. It is also possible that the number of such appeals might be reduced.

#### Conclusion

In concluding this statement there are three points to be stressed.

First of all, there are too many statutes related to exemptions in this State today. For the most part, they have been enacted since World War I. They have eroded our property tax base to the point where the remaining taxpayers are being required to carry a much greater share of the tax burden than ever before. As has been suggested most of these exemptions could and should be eliminated as soon as possible.

This leads to the second point. Many of the exemptions just discussed have been in force for fifty years or more. The groups receiving these benefits will probably not let them be taken away entirely without a fight, to put it bluntly. Therefore, since land in New Jersey today is a most valuable item, it might be in order to tax all land not owned by a public agency, such as the three levels of government and their agencies, including the various boards of education. This would leave only the improvements to be considered for an exemption, which could be based on use rather than ownership. A new policy such as this would certainly aid the local situation.

Finally, since many of the exemption statutes are administered by the assessor, advocating that some be repealed is being made, not to reduce our work load, but to restore to the local tax base that which we believe rightly belongs there. To accomplish this will not be easy. However, you can rest assured that the municipal assessors of this State will continue to assume our share of the responsibility for administering the tax laws of New Jersey, both taxable and exempt. If you can get us some better laws we can and will produce a better tax list.

It has been said that trying to change or eliminate a tax exemption law is like grabbing a tiger by the tail. Don't let go until you come up with some improvement over the present situation.

P R E S E N T A T I O N

to

Task Force on Property Taxes

of

The N. J. Tax Policy Committee

by

ASSOCIATION OF MUNICIPAL ASSESSORS

of

NEW JERSEY

####

Intergovernmental Relations

Sales-Assessment Ratios

Norman Harvey  
May 7, 1971

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### Introduction

Mrs. Klein and Gentlemen:

In Atlantic City last November, I had the privilege of representing the Association of Municipal Assessors at a hearing you had arranged for that occasion. We put ourselves at your disposal then, and suggested that if time were made available, we could make a constructive contribution to your deliberations. We are very appreciative and gratified that you have made today's opportunity available to us. We hope we can be helpful.

Recently, in a conference on Property Tax Reform held at George Washington University, Senator Muskie raised some penetrating questions. Near the end of his remarks he observed, "If these questions seem complicated, it is only because they are complicated." This Task Force must now be more aware of this than any other group in the State. This is a field in which both the questions and answers are difficult.

There were a number of specifics mentioned in Atlantic City that I believe my colleagues will cover at some length here today. Since that meeting, we have learned that there have been some proposals to restructure the administration of the property tax in New Jersey by changing the roles of the State, County and Municipal levels of government. These recommendations were designed to strengthen the administration of the tax by increasing the authority and responsibilities of the higher levels of government, and thus diminishing the influence of local assessors on the valuation process. It was alleged that this would help eliminate the real or imaginary inequities said to be typical of the present mode of administration.



Aside from an enlightened self interest which would stimulate us to a defense against the implied short comings of local assessors, we need to point out that present State law places a large measure of responsibility and all of the authority for assessments in this State at the State level. The statutes and decisional laws make it perfectly clear that the tax assessor, although a "local" official, is answerable to the County Board of Taxation and to the Director of the Division of Taxation. The answerability to these supervisory agents of the State and County extends even further than to the voters for an elected assessor or to the appointing authority in the case of an appointed assessor. The essential feature of the property tax power is the power to levy against the assessment base, not the determination of that base. The State or County could take over the entire administration of the property tax in effect under existing statutes, and it would not disurb, in the least, the power of the locality to levy whatever taxes it desired against the base determined by the State. What purpose would be served by such a take-over? The key question remains whether the

administration of the property tax would be improved. Obviously, some feel that it would, but we must ask, what interest does the State or County have that localities do not have? All three jurisdictions have equal interest in equity among the taxpayers. The goals of the State or County, in tax administration, cannot be found possessed of any superior moral motivation. It would, therefore, have to be argued that the capability for administration is greater at the State or County level. How can this be so? The property tax is an intensely local tax. It is unlikely that state or county administrators could be as aware of local conditions as is the local assessor whose intimate knowledge of his district is an essential ingredient for objective judgements. What really matters, is that there be uniform treatment of similar taxpayers, within the jurisdiction. This problem is just as much a matter of concern for the local jurisdiction and its assessor as for the State and County. In New Jersey, both the State and County have the power to audit and approve or reject the whole or any part of each tax list to make sure that the tax is being fairly administered at the local level. These powers already exist in New Jersey. They are frequently

exercised; witness the recent flurry of county ordered revaluations. It is a fair estimation to say that if all of the money spent on contracts with commercial mass appraisers had been devoted to the local assessors' training, staff and office facilities, the quality of assessment lists in New Jersey would be higher.

If the proposal for county assessors or state assessors embodies the concept of a single county rate or a single state rate, the resultant inequities between municipalities, to say nothing of inequities between taxpayers, would be awesome. Presumably, revaluation programs would be county-wide and even more difficult to administer properly. What can be gained by substituting county employees, isolated from the taxpayers, for local officials sensitive to local criticisms and available to hear them?

Some would point to the sensitivity of local assessors as a drawback, rather than an advantage. For instance, it has been alleged that assessors find that they must grant extra-legal exemptions because of local political pressures. I submit there have been more

exemptions denied by local assessors than have been denied on appeal by County Boards sitting as appellate bodies. It raises the question as to which level of government is least sensitive to onerous political pressures.

We believe that better administration, when it is attained, will grow out of each level of property tax administration performing its role better, not by legislatively changing a sound relationship that already exists. This does not mean that assessors are opposed to change, quite the contrary. Many assessors are more ready for change, within the existing framework, than are the agencies exercising supervision and authority over them. For instance, it was progressive assessors in districts barely large enough to justify its use who instituted the first working data processing system for the production of tax lists in the State. Assessors are those who are noting with deep concern the fallibility of revaluation companies to produce valuations of lasting equality and who are seeking ways and means of providing more equitable results through new concepts in the appraisal process. One of the

obstructions always to be overcome, is the question of whether appellate bodies would give weight to testimony concerning these new procedures. We would hope that very careful consideration be given to the retention of the present structure of the administration until it can fulfill its potential. This potential will be realized as soon as the people involved act less like competitive adversaries and develop a mutual respect and devotion to the common goal, which is equitable administration.

Finally, I would like to discuss briefly the problem that what is now known as the Director's Sales Ratio or the County Equalization Ratio, presents to assessors. These ratios serve two essential purposes. The Director's Ratio, so called, is one term in the formula for aid to local school districts. It is a statistical by-product of a calculation which has the primary goal of determining a reasonable estimate of true value. The latter is required by the formula for weighing the ratable back-up for each pupil, and thus determining the relative need of the school district for aid. The ratio itself has no specific mission.

"Equalized true value" is accepted as the proper base for the levy of County taxes and as a means of apportioning the levy between districts. Techniques vary between counties in the estimation of equalized true value, with few exceptions. However, the same data are used by the County Board staff as are used in the Director's calculations. Differences in the figures obtained, are subtle and relate to the treatment of the sample with respect to class of property, time of sale and characteristic qualities. Consequently, differences between the equalization ratios and true value ratios are also small. In both instances, the ratios and the aggregate valuations that are produced by them, or which they produce, are the ends in themselves and were not meant to be a means to an end. The average ratio or the weighted ratio of the Director, is not typical of a relationship between each assessment and each corresponding sale price. The conclusion as to aggregate equalized true value is based on the assumption that the sales data used constitute a sample which is truly representative of the universe in which it is ~~a~~part. Whether or not this spread and range of assessed valuation to sales price ratios is a fair indicator of the

quality of a tax assessment list, is a moot question. However, because of the very nature of the data, it is safe to say that a relatively insignificant number of properties would be sold at prices precisely at the average ratio. When the ratio was used, in the landmark Kents v Atlantic City by the court, the judgment made plain that it was doing so in the absence of a determinable common level. The principle established by that expedient decision, is a sound one. However, the principle has been misused and applied almost pro forma, even when there was credible testimony by an assessor as to the presence and substantiation of a common level, or a system which, except for manifest error, would produce a high degree of equality. It is our contention that sales ratios are useful as market trend indicators, signs of changing economic values, and market parameters for the local assessor-appraiser. As already stated, they are not only useful but essential in the school aid formula, and for fairest possible apportionment of the County levy. Beyond these functions, average ratios, as unsupported evidence of an assessment scheme, should be eliminated.

In the recognition of the need for the ratios for their primary purposes, assessors concerned themselves, at length, with the criteria for determining the usability of a transaction, the time which should be covered by the sampling period and other administrative features concerning the manipulation of the data used in the Director's Sales Ratio studies. The report that grew out of conferences of this committee with the Division of Taxation, contained many recommendations. A copy of that report is available for your reference, here today. We submit it as evidence of the municipal assessors' willingness to work out the problems which require cooperation of State, County and local administrators. We are hopeful that the proposals incorporated in this report would serve to stabilize the ratios by refining the data which go into the calculation. Thus, even if it is not possible to eliminate the use of a ratio, in tax litigation, at least it would be a less difficult evidential hurdle.



"REMARKS ON BEHALF OF THE ASSOCIATION OF MUNICIPAL ASSESSORS OF NEW JERSEY TO THE TASK FORCE ON PROPERTY TAXES OF THE STATE TAX POLICY COMMISSION" PRESENTED BY EDWARD P. MARKOWICH, SENIOR ASSISTANT ASSESSOR, CLIFTON, NEW JERSEY

GENTLEMEN:

In order that this committee may better understand the role of tax assessor in the State of New Jersey in the past and his status today, I have been asked by my colleagues to speak on their behalf concerning education of tax assessors in the State of New Jersey.

The assessor today is far better trained to perform the duties of his profession than the assessor was twenty years ago. For example, back in 1951 only a handful of assessors had tax maps and it was not surprising in those days that most of the maps were out of date. Very few assessors had access to professional appraisal manuals. These basic tools were not even part of the average assessors office.

The assessors responsibility became greater as the property tax load increased, and still many taxing districts did very little to provide the assessor with the basic tools necessary to perform his duties.

The New Jersey Assessors Association took a new lease on life and in 1951 in-service training courses were initiated, at Stevens Institute of Technology. These courses were started and conducted by a small group of assessors. The first classes were held on the Stevens campus in Hoboken and was followed by an advance course at the same location. A similar course was organized in Newton. Drew University also offered substantially the same courses at Madison N.J. during 1951-1952. In all, about 105 persons attended the courses sponsored by Stevens Institute and Drew University in this period.

In the Spring of 1952, the Bureau of Government Research at Rutgers University offered its first extension courses in Principles of Municipal Assessing, patterned pretty much after the Stevens and Drew programs. This 14 week, 28 hour program, was intended as the introductory course and was followed by an advanced course known as Principles of Municipal Assessing II.

In order to include all of the material considered essential to an assessor, the courses were revised from time to time as new study material was introduced and as the instructors and the students gained a higher level of proficiency.

In 1953 a new bureau was created within the Division of Taxation known as the "Local Property Tax Bureau". This Bureau along with the State Assessors Association and the Bureau of Government Research were instrumental in developing the Assessors Law Manual, Assessors Hand Book and the Real Property Appraisal Manual. These manuals are presently used in all assessors training courses and members of the Local Property Tax Bureau and tax assessors are the instructors.

At the suggestion of the Director of the Division of Taxation, Mr. William Kingsley, a committee was established in 1963 to study in depth the qualifications and training of Municipal Tax assessors in New Jersey. The committee included representation from the Assessors association, the State Division of taxation and Rutgers the State University. After meeting for approximately a year a report was submitted to the director in October 1964. The report evaluated the then existing courses and proposed changes in the training program of future courses. The sequence of four training courses for tax assessors as recommended in this report was

instituted in 1965 and is in existence today. The report also recommended that a certification program for tax assessors be implemented.

I am sure if any member of this "Task Force" is interested in obtaining a copy of this report, copies can be made available.

Besides the four training courses, there is also available to the assessor a four and half day summer conference conducted each year at Rutgers University. This conference consists of special programs to supplement the regular training course. The most recent course made available to the assessor by the Local Property Tax Bureau and Rutgers University is a 14 hour course in Electronic Data Processing.

In an attempt to further advance the assessing field the Assessors Association of New Jersey in 1960 initiated a professional organization known as the Society of Municipal Assessors, (S.M.A.) Membership to this organization is available to all active assessors. Requirements are that the applicant get a passing grade on a very comprehensive written exam, and also submits two written appraisals. It is hoped that some form of recognition will be forthcoming to those assessors who attain the S.M.A. designation. In passing I would just like to mention, that in the State of Maryland when an assessor acquires a professional designation similar to the S.M.A., it entitles him to a \$700 increase in his salary.

During the past eighteen years, Rutgers University has made available to the assessors of this state 190 courses in some 25 different locations. The student enrollment for all courses totaled 4586. Approximately 85 per cent of those enrolled in the courses have received certificates of satisfactory completion.

The assessment of property for taxation is a technical administrative function which can be performed competently only by well trained specialists using all of the appropriate techniques known in the appraisal field. We in the assessing field feel that with the present training programs available to assessors in this state, New Jersey is well on the road to achieving this high degree *OF* competency desired in the property tax field.

JUN 17 1985

