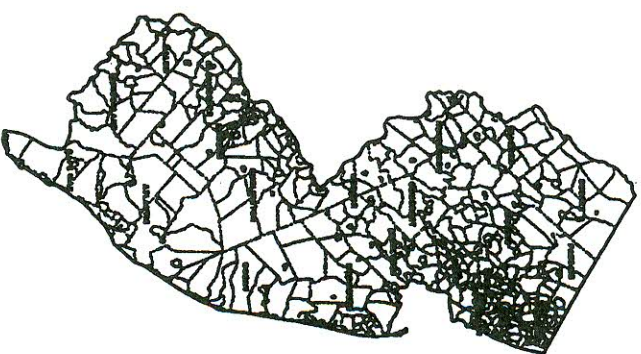


PROPERTY TAXES IN

NEW JERSEY



BERGEN COUNTY BOARD OF TAXATION
ROBERT F. LAYTON, Tax Administrator

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1. THE LOCAL PROPERTY TAX in New Jersey is in fact a **LOCAL TAX**.

This means that the tax is assessed and collected at the **LOCAL MUNICIPAL LEVEL** for the support of:

LOCAL SCHOOLS
MUNICIPAL GOVERNMENT
COUNTY GOVERNMENT

2. THE LOCAL PROPERTY TAX in New Jersey is a **RESIDUAL TAX**.

Residual tax is one which is levied to raise the amount of money required over and above the total revenues available from other sources.

For example, in Anytown, New Jersey the total budget requirements are:

LOCAL SCHOOLS	\$800,000
MUNICIPAL SERVICES	550,000
COUNTY SERVICES	250,000
TOTAL BUDGET REQUIREMENTS	\$1,600,000

The available revenues to offset these requirements are:

STATE SCHOOL AID	\$60,000
STATE MUNICIPAL AID	30,000
OTHER REVENUES	10,000
TOTAL AVAILABLE REVENUES	\$100,000
AMOUNT TO BE RAISED BY LOCAL PROPERTY TAXATION	\$1,500,000

This \$1,500,000 is the **RESIDUAL** amount to be raised by taxation after deducting all other sources of revenue.

3. THE LOCAL PROPERTY TAX in New Jersey is an **AD VALOREM TAX**.

AD VALOREM TAX means that each taxpayer shares in the total

tax burden of his town in the direct proportion as the value of his property bears to the total value of all the property in his town.

That each taxpayer pays according to the value of the property he owns. The amount of property he owns is used as a yard stick in determining his ability to pay.

That each taxpayer pays their proportionment or fair share.

FOR EXAMPLE:

John Q. Public owns a house and lot having a market value of \$150,000.

The total assessed valuation of all property in Anytown is \$30,000,000.

ACCORDINGLY:

John's share of the total local property taxes in Anytown is .005%.

This percentage is usually shown as a tax rate charged for each \$100.00 of Assessed Valuation. (see #4)

4. WHAT IS THE MEANING OF TAX RATE?

A. It is the number of dollars per \$100 of Assessed Valuation which must be applied to the Assessed Valuation of all property in a taxing district in order to produce the amount of money required to support the School, County and Municipal Budgets.

B. It is another method used to arrive at the amount of each Taxpayer's proportional share of Local Taxes.

C. It is determined by the following arithmetic calculation:

Total Amount to be raised by Taxation	1,500,000
Total Value of all property in the Municipality	30,000,000
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	$\frac{1,500,000}{30,000,000}$ equals .05

The TAX RATE is then \$.05 per \$1.00 of Assessed Valuation
OR

\$5.00 per \$100.00 of Assessed Valuation.

EXAMPLE:

John's house and lot have an Assessed Valuation of \$150,000.

The TAX RATE per \$100 of Assessed Valuation is \$5.00.

The Calculation is as follows:

$$\frac{\$150,000}{100} \text{ equals } \$1,500.00$$

$$\$1,500.00 \times \$5.00 = \$7,500.00$$

THUS John's Tax Bill is \$7,500.00

5. WHAT IS THE MEANING OF:

TRUE VALUE

True Value is Market Value, the amount a parcel of Real Property would sell for at a Fair and Bona Fide Sale.

ASSESSMENT RATIO

Is that percent of True Value used by the Assessor in making up his assessment rolls. (Total aggregate Assessed Valuations divided by the total of all usable sales.)

ASSESSED VALUATIONS or ASSESSMENTS

Is the value placed on each parcel of property by the Tax Assessor.

6. WHAT IS THE RELATIONSHIP AMONG THE FOLLOWING:

- A. Total amount to be raised by taxation
- B. Assessed Valuations
- C. Tax Rate
- D. Amount of individuals tax bills

The relationship among these factors can best be illustrated by the following example.

IN JOHN'S HOMETOWN:

The total amount to be raised by taxation is \$1,500,000.

The true value of all Real Property is \$40,000,000.

The Assessment Ratio is 75%.

Thus the Total Assessed Valuation Taxable is \$30,000,000.

$$(\$40,000,000 \times .75 = \$30,000,000)$$

$$\text{The tax rate then is } \frac{1,500,000}{30,000,000} \text{ equals } \$5.00 \text{ per } \$100 \text{ of Assessed Valuation.}$$

Accordingly, if John's house and lot have a market value of \$150,000 and the Assessment Ratio is 75%, John's house will be assessed at \$112,500 (\$150,000 X .75).

By applying the tax rate of \$5.00 per \$100 of Assessed Valuation (\$112,500 divided by 100 = 1,125 X \$5.00 = \$5,625.00), John's Tax Bill will be \$5,625.00.

NOW ASSUMING THAT ALL THE BUDGETS REMAIN THE SAME.

The total amount to be raised by taxation is still \$1,500,000.

Now assuming the Assessment Ratio is 100% of True Value, then the Total Assessed Valuation Taxable is \$40,000,000.

$$\text{The Tax Rate is then } \frac{1,500,000}{40,000,000} \text{ equals } \$3.75 \text{ per } \$100 \text{ of Assessed Valuation.}$$

Since all Assessments are at True Value, John's house will now be assessed at \$150,000.

Applying the tax rate of \$3.75 per \$100 of Assessed Valuation (\$150,000 divided by 100 = 1,500 X \$3.75 = \$5,625.00), John's Tax Bill will be \$5,625.00.

Thus we learned that if the amount to be raised by taxation remains the same:

- A. Tax rates are high when Assessment Ratios are low.
- B. The amount of a property owner's tax bill is not affected by Assessment Ratios or by Tax Rates.
- C. The amount of an individual's tax bill is determined by the amount to be raised by taxation, and by the proportionate value of his property as it bears to the total value of all Real Property in his municipality.

7. EQUALIZATION

The Term **EQUALIZATION** as commonly used has a two-fold meaning:

INTER-DISTRICT EQUALIZATION

Equalization among taxing districts has as its purpose the determination of the True Value wealth of every municipality to the end that each receives a fair amount of State School Aid and pays an equitable share of the costs of County Government.

A. The State School Aid Equalization Table, which is based on a continuing Statewide Sales-Assessment Ratio study, provides for the equitable apportionment of the costs of County Government among the taxing districts.

B. This table is also used as the basis of apportioning certain costs of Joint, Consolidated and Regional School Districts.

C. The table is also used for determining the Chapter 123 Ratio Formula.

INTRA-DISTRICT EQUALIZATION

Equalization within a municipality means equitable tax treatment among property owners of the same class of property and equitable tax treatment among property owners of different classes of property.

A. This simply means that homeowners having homes of similar value are assessed alike; that is, John's home and your home, having an equal value, are assessed at the same value.

B. This is known as **INTRA-MUNICIPAL EQUALIZATION** and is the very core of the principle of Ad Valorem Taxation.

C. Intra-Municipal Equalization is generally attained by carrying out a district-wide Professional Revaluation Program.

8. REVALUATION

The Revaluation of a taxing district is accomplished by having an appraisal made of every piece of Real Property within the taxing district by a competent professional revaluation firm.

A. Carrying out a high quality revaluation program involves the application of uniform standards and procedures in arriving at equitable appraised values for all parcels of property in the taxing district.

B. The purpose of a revaluation program is to secure the basis for attaining uniform and equitable assessments on all properties within the same classification and as among the several classifications of property in order to assure an equitable apportionment of the increasingly heavy local property tax burden among all the taxpayers within a taxing district.