

ADP UPDATE – Year 3 of 5 Complete

The **Assessment Demonstration Program** (P.L. 2013 Ch. 15) can be viewed as three primary components namely; **Revised Assessment Calendar**, **Annual Reassessments** and **Technology**; each designed to provide cost-savings and improved public service.

ADP ASSESSMENT CALENDAR

The ADP Assessment Calendar seeks to address the systemic costs which result from the losses due to successful assessment appeals by property owners. In its simplest form, the ADP assessment calendar places the *annual County Board appeal process* before the *municipal budgetary process* thereby avoiding “anticipated but uncollected taxes” resulting from successful appeals.

When coupled with the use of annual reassessments, the Assessment Calendar enables the Assessor to address newly filed current-year Tax Court appeals. When the municipality receives a newly filed Tax Court appeal by April 1st, the ADP calendar permits the Assessor to review and, where warranted, revise the current year’s assessment before the submission of the Final Tax List on May 5th thereby managing and mitigating future refunds associated with Tax Court judgments.

Municipal governing bodies are legally bound to pay their current bills regardless of their collections. This fact means that regardless of what is collected, the municipality must pay the schools which are typically 65% of the total annual levy. This often forces the governing body to employ emergency bonding, with interest, to raise the required funds. Within Monmouth County since 2014 (2014, 2015 and 2016) the ADP calendar has permitted the complete avoidance of **\$20,689,318** in *municipal budgetary shortfalls*. Statewide, for the same 3-year period, the 21 County Tax Boards granted **\$6,206,863,546** in assessment reductions through appeal. Using a conservative General Tax Rate of \$2.00, this represents an estimated **\$124,137,271** in budgetary shortfalls.

Based on the above reality, it is great news for the taxpayers of New Jersey to see that sections of Senator Sweeney’s S2836/A4448 would employ the ADP calendar throughout the State. The above data is reflective of historically “good” years which generally depict an appreciating market and a decline in assessment appeals. To ensure the stability of future municipal budgets it is imperative to implement the revised assessment calendar before the next cyclical downturn. The revised assessment calendar *serves us* in good times; it *saves us* in bad times.

ANNUAL REASSESSMENT

The ADP Annual Reassessment component is intended to provide taxpayers with a more transparent annual assessment which reflects current market value. As opposed to the old model of Fractional-Assessments (assessments which only represent a percentage of current market value), by performing annual reassessments the taxpayer can more easily understand the basis for taxation. Year-over-year assessment changes within the annual reassessment model are relatively

small in comparison to the significant assessment changes experienced when updating an assessment-base that has not been updated in many years. Annual reassessments more closely adhere to the Constitutional requirement that everyone pay their fair share of the annual property tax levy in accordance with the market-value of their property and reduce the extended periods of overpayment and underpayment which plague the old-model. Annual reassessments shift a greater maintenance burden on the Assessor. By requiring the local Assessor to perform the tasks of *annual-reassessments* and *appeal-defense* the costs of the traditional revaluation are reduced. Ongoing annual internal inspections permit data collection.

Consecutive annual reassessments provide for significantly greater individual assessment accuracy due to the availability of updated market-data used to annually further refine and calibrate the individual sub-markets within a given taxing district. Ultimately, more accurate assessments will lead to taxpayer confidence and a reduction in all of the systemic costs associated with the appeal of assessment.

TECHNOLOGY

Working in conjunction with the Monmouth County Assessor's Association, the Monmouth County Board of Taxation continues to develop and refine integrated software that is intended to improve assessment accuracy, appeal judgment accuracy and transparency; all while reducing the total cost of ownership of the assessment function.

ADAM 360 – Assessment Data Analysis Module – is a growing suite of online tools to assist the Assessor in establishing and reviewing assessment accuracy and uniformity.

TIARA – Taxpayer Informal Assessment Review Application – provides taxpayers with the ability to electronically request the Assessor to review the assessment for the following year.

Income and Expense Portal – opened in 2016 the Income and Expense Portal provides for the electronic submission and management of Income and Expense data associated with Chapter 91 requests of income producing property.

Farmland Application Portal – opening in 2017 the Farmland Portal provides for the electronic submission and management of Farmland Assessment applications.

Online Appeal System - opened in 2010 and provided to Burlington, Hudson and Union counties via Shared Services agreements, the Online Appeal System is a robust tool for the submission and management of assessment appeals.

PROGRAM MODIFICATION

At the onset of the implementation of the ADP, greatly fueled by some measure of self-serving innuendo, two characteristics of program implementation were greatly criticized namely; *year-over-year assessment change volatility* and the *loss of the Freeze Act*. It is important to understand that

both of these concerns are NOT exclusive byproducts of the ADP. They are typical in the year of any New Jersey revaluation or reassessment. At this time, year three of the ADP implementation within Monmouth County, both concerns have been significantly administratively addressed.

“Year-over-year assessment change volatility” has been quelled through the submission of multiple years of assessment revision to 100% of market value and the requirement to utilize a weighted three-year sampling to set the new assessments. With consecutive reassessments it is expected that each year assessment changes will become smaller and smaller until annual changes are defensibly in direct correlation with the observable market change. The Assessor’s goal is to identify the most-likely sales-price, not the highest or the lowest.

In the old-model of fractional assessing appeal judgments generally were “frozen” for the two years after the award. The exception to this rule is if there was a districtwide revaluation implemented in the “frozen” years that would update all properties within the town. The annual reassessment component of the ADP requires the Assessor to revise all assessments including those that were awarded appeal judgments in the prior year. The *“loss of the Freeze Act”*, again, is a result of existing law, not the ADP. To administratively address the concerns of the *“loss of the Freeze Act”*, and having reviewed the treatment of annual reassessments outside of New Jersey and within Somerset County who has been successfully performing annual reassessments for 20 years, the Tax Board has, by resolution, required the Assessor to submit an explanation when a prior-year judgment is increased more than the average increase observed within the subject neighborhood.

SUMMARY

Within Monmouth County the average assessment-ratio (relationship between the assessment and the sales price) is moving closer to 100%. This means that the transparency of the individual assessment is improving. Further, within Monmouth County the *Coefficient of Deviation* (the measure of uniformity in assessments) continues to decrease which shows that assessment uniformity is improving. A statewide review of *assessment-ratios* and *Coefficients of Deviation* shows that three counties within New Jersey continue to demonstrate annual improvement; Somerset, Gloucester and Monmouth - the three counties that have departed from the traditional model of assessment.

Finally, be it between *neighbors within a town* or *towns within a county*, current discussions as to the *“fairness of levy distribution”* has not resonated with those that have opted-out of the ADP. While we seek to ensure that there is no way that opt-out town’s escape taxation to the detriment of ADP participants, there is the other side of the coin to consider; the impact of shared-levy apportionment if a municipality cannot adjust their assessments in a depreciating market. Shared levies are apportioned primarily on “Equalized Value”. In this process, if a town is found to be worth 5% of the County’s overall value, then they should pay 5% of the current tax levy. In considering a County in which some towns annually revise assessments and others do not, if the market was to dip, ADP towns are positioned to annually revise their assessments thereby they will be *apportioned current levy based on a more*

accurate “net valuation”. Towns that rely upon the old method of developing equalized value *based on historical sales sampling* will lag in their adjustments and possibly be assigned (inaccurately) too much of the current levy.

Source:

<http://www.state.nj.us/treasury/taxation/pdf/lpt/appeals2014.pdf>

<http://www.state.nj.us/treasury/taxation/pdf/lpt/appeals2015.pdf>

<http://www.state.nj.us/treasury/taxation/pdf/lpt/appeals2016.pdf>

<http://www.state.nj.us/treasury/taxation/pdf/lpt/appealsbycounty.pdf>