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REVALUATION INFORMATION

Dear Livingston Residents,

The mandatory revaluation of all property in the Township of Livingston is progressing on schedule. Pursuant to state law, the Township was ordered by the Essex County Board of Taxation to undertake a town-wide revaluation and to have it completed for the 2020 tax year. In compliance with that order, the Township solicited proposals from qualified appraisal firms and awarded a contract to Appraisal Systems, Inc. (ASI) earlier this year. ASI has completed its preparatory work and the “public” portion of the revaluation process will soon be underway. The cooperation of the Livingston residents is greatly appreciated.

As a first step, ASI recently mailed out introductory letters and an informational pamphlet to all residents. The purpose of that mailing was to briefly explain the revaluation process, including the property inspection component. ASI will undertake this work into 2019 and the new valuations arrived at will not take effect until 2020.

The revaluation process should not be viewed as an adversarial situation. Property owners have a vested interest in the outcome of the revaluation and cooperation is vital. If one person’s property is unfairly under-assessed, then all other property owners in the Township pay higher taxes to make up for the underpayment by the under-assessed property.

I am writing to you today to provide more detailed information, to answer some frequently asked questions and to correct common misconceptions concerning the revaluation process and the impact it may have on your tax bill.

Questions That Are Often Asked When A Municipality Is Undertaking a Revaluation

WHAT IS A REVALUATION?

A revaluation is a program undertaken by a municipality to appraise all real property inside its borders according to its “full and fair value.” A revaluation and a reassessment are basically synonymous. The goal of a revaluation program is to spread the tax burden fairly and

equitably throughout a municipality by valuing every property as of the same date under the same standards. Real property must be assessed at the same value standard to ensure that every property owner is paying his or her fair share of the property tax. For example, two properties having the same market value should be paying the same amount in property taxes. However, if one of those properties is, for any reason, assessed at a lower value then they will unfairly pay less in taxes than the other property of equal market value.

WHAT IS MEANT BY “FULL AND FAIR VALUE?”

“Full and fair value” is the price at which the assessor/appraiser believes a property would sell for at a fair and bona fide sale by a private contract on October 1st of the pretax year. The sale must be between a willing buyer and a willing seller where the buyer is not obligated to buy and the seller is not obligated to sell. New Jersey courts have held “full and fair value”, “true value” and “market value” to be the same. Thus, the Livingston revaluation will determine the full and fair value of every property as of the exact same date, October 1, 2019 under the exact same standards, by the same appraisal company. The new values derived will then be applicable for the 2020 tax year.

WHY REASSESS NOW?

Revaluation is required by N.J. statutes when properties in a taxing district are being assessed substantially below or above true market value. Under the authority of that state law, **the Essex County Board of Taxation ordered the Township to conduct and complete a revaluation by tax year 2020.** The last revaluation in the Township was completed in 2007.

WILL MY TAXES GO UP?

It is a popular misconception that taxes will go up as a result of a revaluation. **THAT IS NOT TRUE.** **The total amounts allowed to be raised by taxation by the Township, the Board of Education and the County remain exactly the same before and after the revaluation and the Township remains subject to the statutory 2% limit on annual increases in the overall tax levy.**

While the total amount of taxes allowed to be raised remains the same, the taxes on any specific individual property may increase, decrease or remain the same. Although a revaluation would be expected to result in some change in the assessed value of every individual property, it does not mean that all property taxes will increase. While it is expected that most properties will see an increase in their assessed value, **the result of the higher total assessed value will be a lower tax rate, which thereby ensures that no additional total taxes are collected.**

Assessed values are the basis used to apportion the tax levy. The tax levy is the amount that our municipality must collect for the operation of county and local government and the support of the school system. **The tax rate will go down in 2020 as a direct result of the projected increase in the total assessed value.** Since not all properties have appreciated in value at the same rate, some tax bills will go up, some will stay the same and others will go down. For example, if a property has been under-assessed for any reason (prior tax appeals,

unreported improvements, above average market appreciation in a neighborhood) that property may see an increase taxes once it is fairly assessed. Conversely, if a property has been over-assessed for any reason, (no prior tax appeals, deterioration in condition of the improvements, a decline (or below average appreciation) in the neighborhood market), that property may see a decrease in taxes once it is fairly and equally assessed. Most properties that have been fairly assessed and that have appreciated in value in line with the overall rate of appreciation would see no tax impact due to the revaluation.

HOW ARE TAXES CALCULATED?

In 2018, the total tax levy, or the amount to be raised by taxes, for the municipal, school, open space and county taxes, is \$188,786,775. The total assessed value of all properties in Livingston for the 2018 Tax Year is \$7,306,561,395.00.

The tax rate per \$100 of property value is determined by dividing the tax levy (annual amount to be raised through taxation by the county government, schools and the municipality) by the total assessed value within the municipality (divided by \$100).

$$\text{Tax Levy to be Raised} \div (\text{Total Assessed value} \div 100) = \text{Tax Rate}$$

$$T \div A = R$$

Livingston's 2018 tax rate is determined as follows:

$$(T) \div (A) = (R)$$

$$\$188,786,775 \div (\$7,316,095,827/\$100) = \$2.581 \text{ per } \$100 \text{ of value}$$

Once the revaluation is completed, the total assessed value (A) will change, which will in turn cause the tax rate (R) to change for the same allowed total tax levy amount. The current average assessed home in the Township is assessed at approximately \$617,444. At the current tax rate, the total taxes on that home would be \$15,936. ($\$617,444 \div \$100 \times \$2.581 = \$15,936$)

The state equalization ratio suggests that the total assessed value (A) of all property in the Township will increase by approximately 10% or 1.10 times. Thus, after the revaluation, it is projected that the total assessed value will be 10% higher or approximately \$8,047,705,409.70. Utilizing the formula above and the current \$188,786,775 tax levy, the tax rate (R) would then drop to \$2.346 per \$100 of value. ($\$8,047,705,409.70 \div \$100 \times \$2.346 = \$188,786,775$)

Therefore, if the average assessed \$617,444 home increases in value at the same rate of 10%, the new assessed value for that house would be \$679,188. Applying the reduced tax rate of \$2.346 per \$100 of value, the taxes on that property would remain exactly the same at \$15,936. Thus, any property which has increased in value at the same rate of appreciation as the total assessed value would have the same tax bill for the same \$188,786,775 tax levy.

The new assessed values will be applied on the 2020 tax bills. At that time, while there

may be an increase in the total tax levies of the Township, the Board of Education and the County due to budget increases, **the law does not allow any additional tax increases as a result of the revaluation.** Thus 2020 budget increases (within the statutory limits) may cause your 2020 taxes to increase, but it would not be due to the revaluation, but rather due to Township, Board of Education and or Essex County budget increases as have occurred in past years. **Again, the revaluation has been ordered by the Essex County Board of Taxation pursuant to New Jersey statutes, and those statutes do not permit a municipality to use a revaluation to raise additional taxes.**

WHAT IF A TAXPAYER IS DISSATISFIED WITH THE PROPOSED ASSESSMENT?

At the conclusion of their inspection and appraisal work, ASI will send each property owner a letter setting forth ASI's proposed new assessment for their property. ASI will thereafter be available to answer questions and will, on request, arrange for personal informal meetings with residents at Town Hall or the Community Center. Residents can meet with a representative from Appraisal Systems, Inc. to review their proposed assessment. Residents attending a review meeting should be prepared to support any disagreement regarding the appraised value of their property. For example, recent sales of similar or comparable properties are an indication of value. A recent purchase of the property may also help to support a view as to value. Also, the cost of recently constructed comparable buildings could support a belief of fair market value. Similarly, information demonstrating an error in the assessment (i.e. square footage, number of rooms, adverse conditions that are not obvious, etc.) can also result in modification of the assessment. These errors, while infrequent, typically occur when ASI has not been able to inspect a property, which underscores the importance of residents cooperating with inspection requests.

WHAT CAN A TAXPAYER DO IF HE IS UNSUCCESSFUL IN HAVING THE VALUATION OF HIS PROPERTY REVISED AT THE INFORMAL HEARING?

If the valuation dispute is not resolved informally prior to the filing and certification of the 2020 tax list a formal tax appeal may be filed with the Essex County Board of Taxation or, in some cases, in the New Jersey Tax Court in the Spring of 2020.

Thank you in advance for your past and anticipated cooperation and understanding throughout this process. In the future, once preliminary assessment values are sent out, questions relating to the specific assessed value proposed for your property should be addressed through a phone call or meeting with ASI. Township employees will not have information on those issues. General questions regarding the revaluation process and the matters addressed herein may be addressed to my office at (973) 992-5000 ext. 5304.

Very truly yours,



Barry R. Lewis, Jr.
Township Manager