

Property Tax in New Jersey



Changes in Property Taxes

"Look at this bill. How come my property taxes are so high?"

In order to answer that question, you need to consider all the factors that go into the computation of your property tax liability and how they can change, from year to year.

Factors

Your tax is determined by six basic factors:

1. The market value of the property that you own
2. The cost of municipal and county programs and services
3. The costs of your local public schools
4. The availability of other revenues to cover those costs
5. The extent of the presence of tax exempt properties in your municipality
6. By the total value of all the taxable properties in your municipality

Bigger Tax Bill

If your property was to become more valuable due to an event such as structural additions or renovations, and all other properties remained unchanged, your tax liability (bill) gets bigger. Increased value beyond average appreciation means that your property represents a larger portion of the value of the municipality and therefore it is assigned a larger portion of the "amount to be raised through property taxation." If it costs more to deliver local government services and programs and to educate our public school kids or if the State and Federal governments impose new demands on local institutions and/or reduce funding back to local government, all else being equal, your tax bill gets bigger.

If your local governments and school districts cannot count on other revenues keeping pace with inflation, all else being equal, your tax bill gets bigger. If the State exempts certain classes of property from local taxation or if previously taxable property is now being used for property tax exempt purposes, all else being equal, your tax bill gets bigger. And, if a large local industrial operation relocates or a big commercial business closes, all else

being equal, your tax bill gets bigger.

All else rarely remains equal. In fact, more often than not, the things that we want to stay level, in order to keep property taxes down, go up. And the things we want to go up, stay level. To better understand New Jersey property taxes, consider the following.

Colonial Period

Our local property tax goes back to the colonial period. In 1670, a levy of one half penny per acre of land was imposed for the support of the central government. Until the middle of the 19th Century, property taxes were levied on real estate and certain personal property at arbitrary rates within certain limits, referred to as "certainties."

The Public Laws of 1851 brought to New Jersey the goals of uniform assessments based on actual value and a general property tax. This meant that all property classes were to be treated the same for the purpose of taxation. In 1875 the concept of uniform assessments was enshrined in the State Constitution. Our Courts held that the amendment, however, permitted the classification of property for tax purpose and the exemption of certain property classes from taxation. A long period of the erosion of the "general property tax" concept followed.

In 1884, a State Board of Assessors was created to assess the value of railroad and canal property. The State, thereby, inserted itself into the local property tax assessment process.

Local Property Tax Assessment Process

As a local tax, this levy is, generally, locally assessed and collected for the support of municipal and county governments and local school districts. No part of it supports State government, but a large part of it supports functions that the State has imposed on local units. All taxable property is assigned a value - assessed-by a local assessor in each municipality. An assessment is given as "taxable value," except in the case of qualified farmland, which is specially valued. The amount of the tax is annually determined each year, in every municipality, to provide sufficient revenues to meet the budgeted expenditures of municipalities, counties and school districts, minus revenue available from other sources.

Each year school districts, municipal governing bodies, and county governing bodies notify the County Tax Boards of their budgetary requirements through submission of adopted budgets. The various levies are totaled to represent the "amount to be raised by taxation" for each taxing jurisdiction.

The tax levy is divided by the total assessed value of all taxable property within the municipality-or the tax base - to determine the general tax rate. The general tax rate is then applied to the assessed value of each individual parcel of property to determine the property owner's tax liability. Local budgets, assessed value and the availability of other revenues, then, are the prime determinants of each taxpayer's burden. The rate is annually adjusted to account for these factors. Because of this, you will see our property tax referred to as a "residual tax."