



## TAXPAYERS ASSOCIATION OF CAPE MAY

**Enewsletter October 2024**

# REVALUATION

In our April Newsletter, TPA alerted our members to the inevitable revaluation of our properties and advised them to stand by for further details.

Here they are:

The NJ Constitution requires all real property must be assessed for taxation purposes at the same standard of value. The legislature has made that standard the **full and fair value of the property**.

By law at N.J.S.A. 54:4-2.26, property is assessed for taxation at a percentage of its **“true market value”** set by each County Board of Taxation. All 21 counties in New Jersey have chosen 100% as the level at which property is to be assessed for local tax purposes.

**“True Market Value”** is the most probable price in terms of cash or cash equivalency which a property will bring in a competitive and open market under all conditions requisite to a fair sale.

Periodically municipalities assess all properties at 100% true market value for taxation purposes. In Cape May the last comprehensive assessment was done in 2010.

Since then, properties which have been sold or improved have had their assessments updated, while others which have not, remain taxed at the 2010 assessed value. This static assessment could lead to over taxation or under taxation relative to other properties within the municipality.

Annually, the state monitors the ratio between aggregated assessed value and the true market value of every municipality. By statute, when that ratio drops below 85%, it is suggested that there may be a need for revaluation. This is referred to as the **“Director’s Ratio”**. **The ratio for Cape May is currently 62%.**

Ultimately, there can be a voluntary revaluation or one that's ordered by the Board of Taxation and subsequently approved by the Director of the Division of Taxation.

While not yet required by either the county or the state, Cape May has begun preparing for the process of revaluation by upgrading the city’s digital tax map. This project will take about a year to complete at a bonded cost of about \$250,000.

## What is a Revaluation?

### **Step 1: Bring in the Experts**

The city retains one of five state approved appraisal firms.

### **Step 2: Data Collection**

Revaluation firm personnel visit your property to gather information and must present a photographic identification card.

The interior and exterior of each property is physically inspected. Photographs and measurements of the outside of the property are taken. The square foot of living space is calculated; are basements and/or attics finished/unfinished; heating/cooling systems; the condition of the structure; the number and condition of kitchens, bathrooms, bedrooms; and additional amenities such as porches, decks, garages, fireplaces, pools, saunas, and outbuildings.

### **Step 3: Analysis**

All information that may have influenced the value of the property will be gathered and analyzed to determine each property's full and fair value.

Recent sales are studied and may be adjusted to estimate the value of properties that have not been sold.

Investment properties are analyzed in terms of income-production capability.

A revaluation firm is an extension of the Cape May City municipal assessor. Although revaluation firm personnel make the initial property value determinations, **the municipal assessor reviews the values for completeness and correctness and makes or approves the final determinations.**

### **Step 4: Preliminary Valuation/Appeals Process**

Prior to the new value being officially listed on the tax list, the revaluation firm is required to mail each taxpayer a notice of the new appraised value. The notice includes guidance on how to arrange for an informal hearing should the taxpayer be dissatisfied with the proposed assessment.

### **Step 5: Adoption**

City adopts new tax map with revised assessments for each property. These assessments are then tallied and become the new aggregate true value of property within the city.

This aggregate true value of 100% then becomes the basis for determining the property tax rate for subsequent budgets.

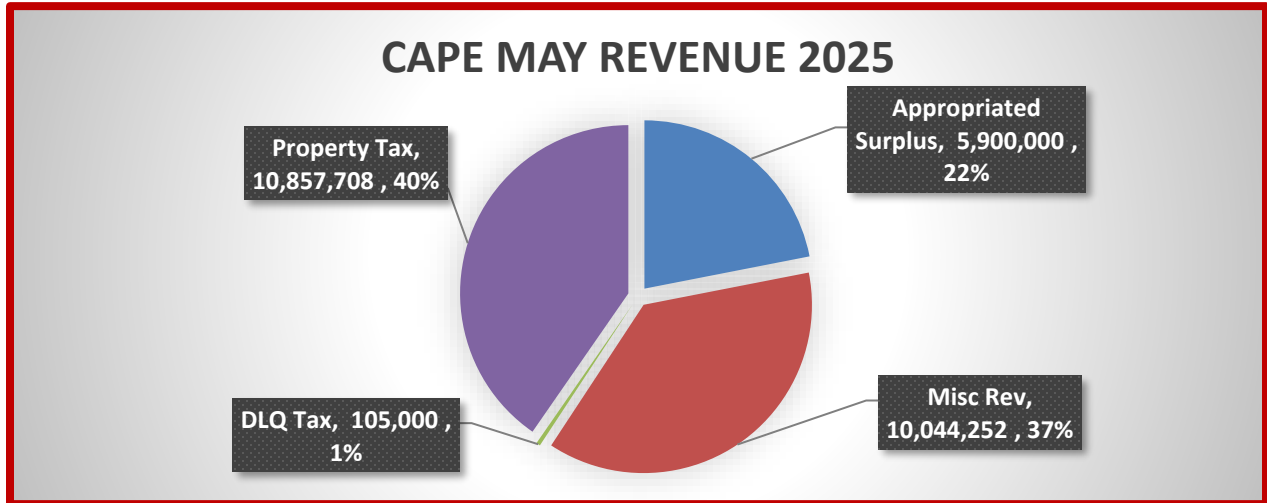
It is important to note that a revaluation will cost significant money to complete and does not result in more tax revenue for the city. The budget is the budget -- it has nothing to do with a revaluation. The

revaluation merely seeks to allocate the budget to each taxpayer based upon the true value of their property.

**How Does That Work?**

Let’s use the 2025 Cape May Budget as an example.

Cape May needs \$26,906,960 to operate in 2025. 60% of the projected Revenue comes from a variety of sources and \$10,857,708 is needed from property tax to fill the gap.



By dividing the \$10,857,708 by the total or aggregate value of all properties, you get the **Tax Rate** for this budget year. In 2024 the aggregate value of all properties in Cape May was **\$3,007,475,900**. The city uses this rate.

However, the county annually estimates a **True Value** assessment for every municipality. If that value were used the tax rate would clearly be lower. This True Value assessment is currently used by the county to calculate your county taxes. The County currently maintains a True Market Value for Cape May of \$4,830,510,601.

SET THE TAX RATE		
Revenue Gap filled by Property Tax	10,857,708	
2024 Current Assessment	<b>3,007,475,900</b>	0.36%
2024 True Value Assessment	<b>4,830,510,601</b>	0.22%

**So what?**

Once a true value assessment of each property is adopted, both the tax rate and your property tax will change.

A set of hypotheticals and assumptions might be helpful but only in general terms.

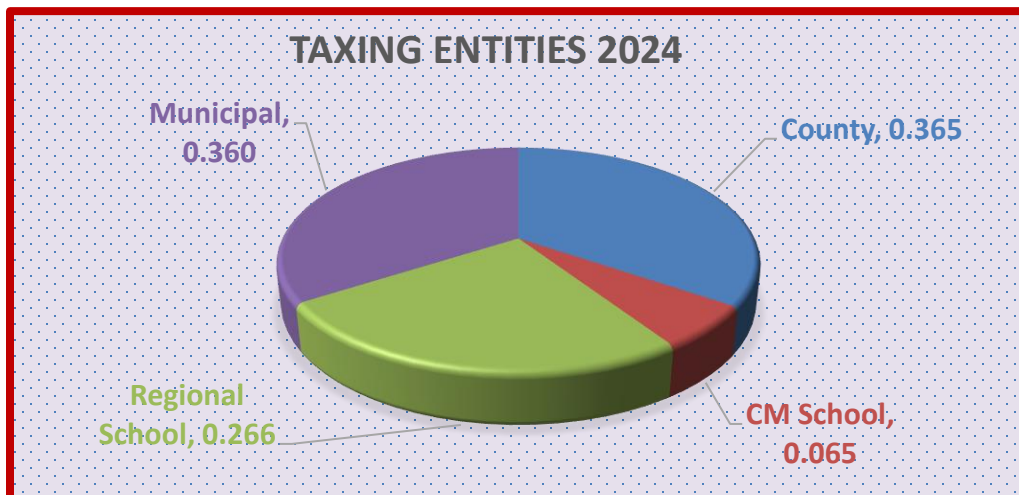
Let's look at two properties. One that was purchased and reassessed in 2021 for \$900,000 and one that remains assessed at the 2010 value. Using the rates noted above, here's what happens.

REVALUATION IMPACT		
		Muni TAX
<b>Property #1</b>	<b>2021 Sale</b>	
Current Assessment	900,000	3,314.12
True Value Assessment	1,200,000	2,975.64
<b>Property #2</b>	<b>2010 Assessed</b>	
Current Assessment	750,000	2,761.76
True Value Assessment	1,200,000	2,975.64

To get a general sense of how your property may fare in this process, the website [www.zillow.com](http://www.zillow.com) might be helpful. The map on that site notes the current estimated market value of every property.

Regardless of whether you have recently purchased or improved your property, or have owned it for decades, the map is a helpful benchmark to start preparing for the eventual process of revaluation.

These estimates are the product of analytical algorithms and by no means sharply assess any individual property but are an interesting snapshot of the overall state of the real estate market.



Important to note here that the coming process of Revaluation will only affect the about 40% of your tax bill calculated on the 2010 assessment used by the city. The remaining 60% is controlled by county and regional taxing entities which currently use the annual True Value Assessment model.

### **Now What?**

No point in worrying about it now. While a Revaluation can be ordered by either the City, the County, or the State at any time, there are too many moving parts that have not yet come together. Among these are the scarcity of firms that do this complex work, the continued volatility of the real estate market, the lack of clear direction from the either the state or the county, and the lack of temerity among municipal officials to move into uncharted waters.

It will, however, be a costly and annoying process when it eventually arrives. That being said, it's always better to know what's going to happen before it happens.

Sempre Paratus!!