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## Balancing act for North Jersey towns, residents as tough times give rise to tax appeals

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As a deadline to file tax appeals looms Tuesday, municipalities in North Jersey are facing another wave of property owners asking for a break — and another round of worries about a dwindling tax base.

Tax appeals from residents and business owners remain high for the third straight year, a new normal that indicates the slow economic recovery still has people watching their expenses closely.

Outdated property assessments are partly to blame. But homeowners are also more savvy about the appeals process, experts say. Most have nothing to lose, save the nominal filing fee.

And big businesses are becoming serious about slashing spending by routinely filing annual appeals — even taking towns, like Woodcliff Lake, to court — to pay a smaller share.

All this has led some towns to face budget shortfalls or issue debt as they scramble to dig deep for refunds. For many officials, it's a balancing act as they struggle to rein in costs and keep property taxes — some of the highest in the nation — down.

To stem the tide of appeals, municipalities are reassessing properties more often — another cost to taxpayers. But the decision can have a reverse effect as property values can plummet — a scene that has played out recently in Westwood and Totowa.

The deadline for most appeals is Tuesday, and May 1 for towns that have revalued properties this year.

In Bergen County last year, there were 12,185 tax appeals filed, roughly the same as in 2012, according to the county Board of Taxation. That's still thousands of more filings than during prerecession times.

Passaic County saw a drop in appeals in 2013 from 2012 — 9,487 compared with 11,386 — and the county is on track to receive roughly the same number this year, said Jay Schwartz, the Tax Board administrator.

Again, those figures are still far higher than the county's average. In 2011, Passaic County saw 7,703 appeals, up from 4,541 in 2010. In good economic times, the county usually sees around 3,000 appeals in a season, Schwartz estimated. He also recalled a time around 17 years ago when the county had only around 1,200 appeals.

"It's just pretty clear it's all economically driven," he said. "People are feeling the tension."



CARMINE GALASSO/STAFF PHOTOGRAPHER

A residential neighborhood in Westwood, which is expected to have a lower total assessment after its revaluation.

John Fox, who lives in a town house in Wyckoff, filed tax appeals annually from 2010 until his case was settled in 2013. Fox, who is retired, received just over \$8,000 for the four years, and his town house's assessment was reduced to around \$700,000 from \$900,000 in 2010. Then, he was paying around \$13,000 in taxes. Now, he expects to pay around \$11,000.

"I just felt that my property assessment was way above what I could get for my house back in 2010, and that's what drove me to do it," Fox said.

New Jersey in 2011 saw one of the largest booms in tax appeals, with more than double the normal level of appeals filed. Many have yet to be settled, said Kara Kaczynski, an associate at the Lyndhurst law firm of Scarinici Hollenbeck, which both files appeals and helps municipalities defend against them.

"I think that due to a lot of increasing costs that both residents and business are experiencing and a decrease in income ... a lot of people are just taking a shot," Kaczynski said.

Some municipalities are trying to find ways to handle mammoth-size tax appeals by major corporations in their towns.

In Clifton, Mayor James Anzaldi said the city always is concerned about any possible ratable loss should an appeal be filed, particularly by the pharmaceuticals giant Roche, the city's largest taxpayer that will be closing its campus by 2015. The company, whose onetime headquarters spanned two municipalities, pays \$4.5 million to Clifton and \$9 million to Nutley in property taxes annually.

But Anzaldi said the city saw an increase in its ratables this year — only one of two municipalities in Passaic County to do so — from the opening of data centers and the continual conversion of industrial buildings into retail spaces. Should any major appeal be filed this year by Roche or any property owner, the city is likely to try to negotiate an outcome, he said.

"We're going to take the lemons and make lemonade," he said.

Woodcliff Lake recently settled more than 15 such appeals by BMW of North America, which has its headquarters in the town and is the borough's largest taxpayer. Woodcliff Lake has to take on debt that will be passed on to residents to cover the \$4 million settlement.

And it has 15 other corporations filing for appeals in addition to 60 residential appeals, a number expected to increase this year, according to the borough's new tax assessor. The borough now is considering reassessing properties annually — a move designed to keep parcels close to their true market value and to stop the rise of appeals.

Successful tax appeals, which generate refunds for property owners, can be particularly damaging to a municipality. Although tax revenue is split among several sources — school districts, libraries and counties — it is the municipality that fronts the refund.

"We owe 100 percent," Woodcliff Lake Mayor Jeffrey Goldsmith said.

The issue is compounded because municipalities' total assessments are dropping and there is an increasing need to divert more resources for appeals. This year, the total assessed value of Woodcliff Lake will be \$1.785 billion, a 2.7 percent drop from \$1.835 billion in 2013 and 4.3 percent below \$1.865 billion in 2012. Goldsmith said the borough intends to set aside \$50,000 for appeals this year. Last year, the mayor said, it reserved \$34,000 but added \$150,000 the end of the year.

But as more property owners successfully challenge their assessments, the more likely it is that a municipality's tax rate will rise to bring in the revenue needed to operate, often confusing property owners who have their assessment lowered but still see increased taxes at the end of the year after municipalities pass budgets.

But there also is the risk that performing revaluations does not help a community as intended.

That was the case in Totowa, where the borough performed two revaluations — one that was court-ordered in 2008 and another in 2010.

The revaluations were completed as the real estate market plummeted, prompting a flurry of appeals — mainly from commercial properties which make up 10 percent of the borough's stock, but 30 to 35 percent of its tax base, Mayor John Coiro estimated.

"From 2008 to 2013, the market has been coming down, and companies and taxpayers have been successful in their appeals," he said.

Coiro said Totowa has lost around \$300 million in ratables, down nearly 15 percent this year, to \$2.3 billion, from \$2.7 billion in

2008.

The borough has used its surplus and set aside reserve funds to help pay for successful appeals. This year, the budget calls for using around \$750,000 of the surplus to fund appeals, as well as set aside a reserve fund of \$700,000, the same as last year, the mayor said.

Totowa, with businesses dotted along Route 46, still has the county's lowest tax rate — 2.1 percent last year. That's because of the large corporate tax base, which keeps rates stable, and because the borough has no debt, Coiro said. The rate has been creeping up, however, as more appeals are filed, he noted.

Washington Township and Westwood, which share a regional school district, completed townwide revaluations this year. Preliminary data shows that both towns' total assessments have dropped, and officials in Westwood said they must continue to find ways to further streamline their budget this year. In Washington Township, where the revaluation figures have not been released yet, officials remain uncertain how much the budget and taxes will be affected. The new figures are also likely to change how much each municipality contributes to the school district.

Westwood's assessed value is now \$1.75 billion, down more than 16 percent from \$2.1 billion three years ago, said Councilman Peter Grefrath, liaison to the borough Finance, Administration and Capital Projects Committee. He said the council was "very surprised" the decline was so significant.

The borough's commercial district increased in value, while its residential value decreased, leading to a net loss, said Grefrath. The councilman, who was elected in 1995, said he hadn't seen a drop that steep before — even after the 9/11 attacks.

Grefrath said the borough plans to budget more toward appeals, though he hopes the revaluation will keep that number low. It also is likely that commercial entities will appeal more because of their increased values, Mayor John Birkner said.

"People are concerned about what they're paying, and they want to be sure they're paying the true value of the property," Birkner said.

David Wolfe, a real estate attorney with Livingston-based Skoloff & Wolfe, said he files tax appeals for both residents and businesses across the state.

When a municipality undergoes a revaluation or a reassessment, it can lead to widespread concern among taxpayers, Wolfe said. And it does not help that applications for appeals are due in April or May, but the tax rate is not set until the budget is completed in the spring or summer, he added.

"It is difficult to predict what the impact is going to be on the taxes, even when municipalities give people an estimated tax weight," Wolfe said, adding "that causes many people great concern and leads many people to appeal."

Wolfe noted that not all property owners should run out and file appeals without doing due diligence. In New Jersey, if a homeowner files an appeal and a judge finds that the property should have been assessed at a higher value, the homeowner could end up paying more.

"It's important for people to examine if their assessments are valid," Wolfe said.

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