

TAX POLICY GROUP METHODOLOGY

GOALS

1. Created a spreadsheet of revaluation assessments for NCC properties;
2. Created a spreadsheet of NCC abated and exempt properties;
3. Identified potential policy implications of the revaluation; and
4. Created a plan for fostering greater public understanding of the revaluation process and outcomes.

GETTING STARTED

The first step was to become knowledgeable about local property taxes in general and about property tax revaluation, abatements, and exemptions in particular. The entire class met with two practitioners in the field of local taxation – Plainsboro Tax Assessor, Jean Jacobson, and Ernest C. Reock, Jr., from the Rutgers University Center for Government Services. The class also completed readings on property tax assessment in New Jersey, the appeals processes, and the history of the revaluation process in Newark (they can be found in the bibliography).

Based on an initial meeting and conversations with NCC's CEO and members of the development staff, we defined our work products. The specifications for our work products evolved throughout the project as we gathered more information about NCC's needs and discovered the limitations of our data.

WORK PRODUCTS

Data

1. Spreadsheet detailing tax abated and exempt property including: abatements and their expiration dates, exemptions and their renewal dates

2. Spreadsheet showing the revalued assessments of all NCC properties, the 2001 pre-revaluation assessments, the equalized valuations of the 2001 pre-revaluation assessments, and the pre-revaluation tax amount paid, where available.
3. GIS map showing the location of property tax exempt or abated properties in colors
4. Written analysis of the revaluation's effect on the assessed value of NCC property and how the expiration of abatements will further affect NCC's property tax payments in the future.

Analysis of Potential Policy Implications

1. Discussion of the impact of the property tax revaluation on NCC and residents of Newark residents in different wards
2. Description of potential sources of tax relief for NCC and residents of Newark including property tax abatement programs, the legislated Newark tax relief fund, and the five-year phase-in plan.
3. Foster greater public understanding of the revaluation process and outcomes

PROCESS

Gathering Data

Abatements and Exemptions. NCC had a preexisting "master list" of many of its properties by block and lot number. The master list included the property status (abated, exempt, commercial, vacant, etc.), the owner, the street address, and the total assessed value of the property and any improvements prior to the revaluation.

NCC records also contain the municipal resolutions that grant abatement status for each of its abated properties. We indexed each of these documents with an "abatement identification number" so that NCC may match them up with the entries in the abatement and exemption

database we created. We used the information in the abatement documents to enter data on all abated lots, including the length of the abatement, and the terms of the payment in lieu of taxes. We eliminated abated lots from the database that, according to the Newark parcel map, had been consolidated with other lots. We calculated the expiration date for each abatement by counting from the certificate of occupancy date for the building on the abated lots. Where there was no building on the abated lots, we were unable to calculate the expiration date of the abatement. NCC will determine how to handle abatements on its vacant lots.

From NCC's original master list we were also able to add the exempt lots, their ownership, and their account number (when available) to this spreadsheet. We formatted the spreadsheet so that NCC may add the renewal date of each exemption to the appropriate column when this information is obtained from the Newark tax assessor's office. An exemption must be renewed every three years, so NCC may calculate the next renewal date by counting in three-year intervals from the last renewal date on record at the tax assessor's office.

Assessed Property Value. Other key pieces of information came from Certified Valuations, the firm that performed Newark's property tax revaluation. To date, NCC has received an official letter from the firm for most of the properties it owns, reporting the new assessed fair market value. An addendum available for some lots included the pre-revaluation assessed value of the property and the tax paid prior to the revaluation year. On NCC's original master list, we could find the pre-revaluation assessed value for some additional properties. This data was captured in a second spreadsheet, containing the use of each NCC property and all available pre-revaluation assessment values, pre-revaluation tax amounts paid, and new assessed values. When NCC receives the remaining new assessments from the firm hired to conduct the revaluation, this information can be added to complete the database.

Analysis

Our assessed property value database is not 100 percent complete with the data specified above. Several lots are missing one or more pieces of property value information. Therefore, we were not able to provide a complete analysis of the change in NCC's property value assessment after the revaluation. In addition, the change in actual property tax paid on each NCC property could not be determined because Newark had not yet calculated its new tax rate based on the revaluation of all property in the city.

Instead, we provided examples of how several properties changed in value due to the revaluation. We also compared these properties' new assessed fair market values to their old assessed values to determine whether the assessed value increased beyond the amount suggested by the equalization ratio. We calculated equalized property values as shown in the following example:

A commercial property was assessed at \$150,000 in 2001, and its equalization ratio was 12.00. This means it was assessed at only 12 percent of its fair market value. Therefore, 12 percent of the equalized value of the property is \$150,000. To solve for the equalized value, multiply \$150,000 by 100 and divide by 12.00. The 2001 equalized value, or fair market value of the property is \$1,250,000.

In our analysis sections, we also provided recommendations on what NCC should do to complete the missing property value, abatement expiration, and exemption renewal data, so that the usefulness and accuracy of the spreadsheets is ensured.

Collaboration

Collaboration with the GIS group early on and throughout the project produced a shared expectation of the data needed and the necessary timeframe. After we completed our

spreadsheet of abatements and exemptions, the GIS group mapped the abatements in one color and the exemptions in another color by lot.

Potential Policy Implications

After completing our course readings on property tax, revaluation, and the legislated property tax relief fund we had many specific questions. To augment the tax policy information we were able to find through the New Jersey Department of Taxation's website, the group interviewed several experts. The two experts named above came to speak to our studio class. We researched contacts at the New Jersey Department of Taxation and interviewed Michael Ticktin of the New Jersey Department of Community Affairs. This interview helped us to learn the details of the tax abatement and exemption processes and how NCC's abated and exempt properties will (or will not) be impacted by the revaluation. To meet our goal of fostering public understanding of the property tax revaluation we compiled this information into a question-and-answer format pamphlet that can be used for informational purposes.