Division of Taxation Orders South River to Commence Revaluation

TRENTON – The New Jersey Division of Taxation has ordered the Borough of South River to commence a property tax revaluation, because the Borough has been delinquent in complying with State law and its county tax board has failed to provide proper oversight.

The Borough has not had a revaluation in more than 30 years. John Ficara, Acting Director of the Division of Taxation, ordered the South River revaluation pursuant to the State Constitution, which requires property taxes to be assessed uniformly state-wide. He said the Division started its investigation because the Middlesex County Board of Taxation has failed to meet its constitutional obligation to oversee its taxing districts. Middlesex County has the only tax board in the state that has not ordered an involuntary revaluation in more than two decades.

“The Middlesex County Commissioners have become the antithesis of good government and best practices by ignoring their constitutional mandate,” Ficara said. “Their failure to act is ironic because Middlesex County actually helped to establish the right of a county tax board to order an involuntary revaluation when it engaged in litigation with Sayreville in 1975.”

The South River Order follows a three-month investigation and a public hearing last month to determine if there is any compelling reason to preclude the Division from ordering a revaluation. During the hearing, 20 people testified about taxes and real estate values in the Borough. However, no residents offered any substantive evidence that would preclude the Division from ordering a revaluation.

Some local officials assert that home sales in the Borough have been adversely affected by “Blue Acres” property buyouts resulting from Superstorm Sandy. However, following an analysis of South River’s property sales, the Division concluded that the first round of Blue Acres buyouts from 2014-2016 have had a minimal impact, resulting in an average annual loss in the ratable base of less than one half of 1%. In addition, some properties located in flood-prone areas might not be purchased by the State but still have land values established three decades ago and are entitled to assessments that reflect their true value.

The South River revaluation must be completed by Nov. 1, 2018. An explanation of what happens during a revaluation can be found at: http://www.state.nj.us/treasury/taxation/pdf/lpt/revaluation.pdf
The Division started the investigation in April 2016 as part of a review of five towns that have been delinquent in their revaluation obligations. The other four towns have been ordered by their respective county tax boards to begin revaluations. So far, eight delinquent towns in New Jersey have been ordered by the State or their respective County Tax Boards to start revaluations following investigations initiated by the Division in November of 2015.

South River has not had a revaluation since 1986, and its last reassessment was in 1973. A revaluation or reassessment that has not taken place in a municipality in 10 years or more is a factor in ordering a revaluation.

As part of its investigations, the Division reviews assessment data from each municipality to measure the disparity between assessed value and true value. One such measure is the Director’s Ratio, which is the average ratio of assessed-to-true value. A ratio of 85% or lower generally denotes noncompliance. South River has a Director’s Ratio of 30.82%.

A third measure is the one-year, district-weighted ratio, which is determined by adding the total ratables for different property classes (such as residential, commercial or vacant land) and dividing the sum by the true value of all classes of real property. For example, the level of assessment established by the Middlesex County Board of Taxation is 100%. However, South River’s district-weighted ratio is 29.86%.