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ANNUAL REASSESSMENT VS. PERIODIC REVALUATION: THE SOMERSET COUNTY EXPERIENCE

There have been two recent proposals advanced to modify the local property tax assessment process in New Jersey. These are the Gloucester Pilot Program, which is essentially the same as the current approach to the assessment of real property but with a centralized county-wide assessment system, replacing municipal assessors, and the Assessment Demonstration Program now underway in Monmouth County, which will institute annual reassessment for each municipality in that county. This program will preserve municipal assessors, but expands their responsibilities to include an annual reassessment program using a five year (20% annually) reinspection cycle, while also significantly modifying the assessment and appeal calendars. In Somerset County, 11 municipalities (soon to be 14) have been conducting four year (25% annually) reassessments for many years now, and the results of these programs are fully comparable to anything proposed or envisioned throughout the State of New Jersey to date.

There are two different methods used to maintain accuracy and equanimity in local property tax assessments. These are periodic revaluations, in which a municipality will hire an outside contractor to revalue all property in the district every 10 years (on average), and annual reassessment, in which the local tax assessor, often with the assistance of staff members or an inspection contractor, attempts to inspect 25% of the ratable base every year, a continuous process in which every property is visited at least once during each 4 year cycle. However, in an annually reassessing district, the assessor is able to update values on all properties every year. It is important to understand that not all property values must be changed annually, but this system enables the assessor to recognize and respond to value changes in the marketplace as they are occurring, stabilizing the equalization ratios and preserving the accuracy of local assessments.

The purpose of this document is to present the potential benefits of an annual reassessment program in order to encourage any Somerset County municipality, which currently relies upon periodic revaluations, to initiate the annual reassessment process in their town. I will look at costs and benefits in this document. The reader will see that annual reassessment programs have the potential to produce a substantial reduction in tax dollar losses, by reducing both the numbers of appeals and the losses per appeal filed, which may reduce or eliminate the necessity of modifying the assessment and appeal calendar. Further, an annual reassessment program can produce substantial savings to the benefit of the towns and the taxpayers by eliminating the need for any revaluations in the future.

Somerset County offers a unique opportunity to examine the fiscal impacts of annual reassessment v. revaluation based assessment maintenance in that this County, with 21 municipalities,

has 11 towns which have engaged in annual reassessment for more than 5 years, and 10 towns which have not, instead relying on periodic revaluations to maintain the accuracy of assessments.

It will be useful to compare several areas of concern in conducting this analysis. First, I will look at the number of appeals filed in reassessment districts contrasted with the number of appeals filed in revaluation-reliant districts, considered as a percentage of the overall line item count for each district. The results are shown below for the years 2011 through 2013.

2011

ANNUAL REASSESSMENT DISTRICTS	REVALUATION DISTRICTS
1. Bedminster Township: 12/4788: 0.25%	1. Bound Brook Borough: 67/2598: 2.58%
2. Bernards Township: 31/10052: 0.31%	2. Green Brook Twsp.: 44/2699: 1.63%
3. Bernardsville Borough: 25/3039: 0.82%	3. Hillsborough Twsp.: 203/14382: 1.41%
4. Branchburg Twsp.: 8/5491: 0.15%	4. Manville Borough: 124/3771: 3.47%
5. Bridgewater Twsp.: 55/15905: 0.35%	5. Montgomery Twsp.: 122/7363: 1.66%
6. Far Hills Borough: 2/466: 0.43%	6. North Plainfield: 223/5334: 4.18%
7. Franklin Twsp.: 204/21538: 0.95%	7. Raritan Borough: 14/2144: 0.65%
8. Millstone Borough: 1/180: 0.56%	8. Rocky Hill Borough: 4/284: 1.41%
9. Peapack-Gladstone: 7/964: 0.73%	9. Somerville Borough: 87/3172: 2.74%
10. Warren Twsp.: 31/5945: 0.52%	10. South Bound Brook: 20/1293: 1.55%
11. Watchung Borough: 13/2207: 0.59%	

For the year 2011, the percentage of the total district line items appealed varied between 0.15% and 0.95% in reassessment districts, averaging 0.51%; in districts relying upon periodic revaluations the figures are between 0.65% and 4.18% with an average of 2.13%. If we total the statistics county wide, we get the following results:

Annual Reassessment Districts	Revaluation Districts
No. of Appeals: 389/Line items: 70575 = 0.55%	No. of Appeals: 908/Line items: 43030 = 2.11%

2012

ANNUAL REASSESSMENT DISTRICTS

1. Bedminster Twsp.: 5/4788:	0.10%
2. Bernards Twsp.: 38/10069:	0.38%
3. Bernardsville Borough: 21/3233:	0.69%
4. Branchburg Twsp.: 5/5491:	0.09%
5. Bridgewater Twsp.: 113/15877:	0.71%
6. Far Hills Borough: 0/468:	0.00%
7. Franklin Twsp.: 172/21656:	0.79%
8. Millstone Borough: 1/180	0.56%
9. Peapack-Gladstone: 6/961:	0.62%
10. Warren Twsp.: 57/5943:	0.96%
11. Watchung Borough: 26/2208	1.18%

REVALUATION DISTRICTS

1. Bound Brook Borough: 88/2596:	3.39%
2. Green Brook Twsp.: 73/2695:	2.71%
3. Hillsborough Twsp.: 125/14246:	0.88%
4. Manville Borough: 244/3596:	6.84%
5. Montgomery Twsp.: 174/7356:	2.37%
6. North Plainfield: 160/5348:	2.99%
7. Raritan Borough: 26/2144:	1.21%
8. Rocky Hill Borough: 15/285:	5.26%
9. Somerville Borough: 76/3172:	2.40%
10. South Bound Brook: 34/1276:	2.66%

For the year 2012, the percentage of the total district line items appealed varied between 0% and 1.18% in the 11 reassessment districts, averaging 0.55%; within the 10 districts relying upon periodic revaluations the percentages ranged between 0.88% and 6.84%, with an average of 3.07%. If we total the 2012 statistics county-wide, we get the following results:

Annual Reassessment Districts

No. of appeals: 444/Line items: 70874 = 0.63%

Revaluation Districts

No. of Appeals: 1015/Line items: 42714 = 2.38%

2013

ANNUAL REASSESSMENT DISTRICTS		REVALUATION DISTRICTS	
1. Bedminster Twsp.: 9/4791:	0.19%	1. Bound Brook Borough: 90/2596:	3.47%
2. Bernards Twsp.: 32/10067:	0.32%	2. Green Brook Twsp.: 65/2698:	2.41%
3. Bernardsville Borough: 17/3049:	0.56%	3. Hillsborough Twsp.: 95/14377:	0.66%
4. Branchburg Twsp.: 6/5491:	0.11%	4. Manville Borough: 390/3554:	10.97%
5. Bridgewater Twsp.: 75/15879	0.47%	5. Montgomery Twsp.: 210/7426:	2.83%
6. Far Hills Borough: 0/471:	0.00%	6. North Plainfield: 197/5346:	3.68%
7. Franklin Twsp.: 138/21754:	0.63%	7. Raritan Borough: 29/2135:	1.36%
8. Millstone Borough: 3/178:	1.69%	8. Rocky Hill Borough: 3/276:	1.09%
9. Peapack-Gladstone: 8/964	0.83%	9. Somerville Borough: 66/3171:	2.08%
10. Warren Twsp.: 44/5952:	0.74%	10. South Bound Brook: 24/1201:	2.00%
11. Watchung Borough: 26/2211:	1.18%		

For the year 2013, the percentage of the total district line items appealed varied between 0.00% and 1.19% in the 11 reassessment districts with an average figure of 0.61%, and between 1.09% and 10.97% in the 10 districts relying upon periodic revaluations, with an average figure of 3.05%. If we total the statistics county-wide, we get the following results:

Annual Reassessment Districts	Revaluation Districts
No. of Appeals: 358/Line Items: 70807 = 0.50%	No. of Appeals: 1169/Line Items: 42780 = 2.73%

A review of this county-wide data shows that, over three years from 2011 through 2013, the 11 districts which have been performing annual reassessments have experienced, on average, 397 tax appeals filed at the county level each year, which represents 0.56% of the average total of 70,752 line items in these same districts. In contrast, the 10 districts which have relied upon periodic revaluations have experienced, on average, 1,030 tax appeals filed each year at the county level, which represents 2.41% of the average total of 42,841 line items in these same districts. Considered on a per line item basis, the districts which rely on periodic revaluations experience 4.30 times the percentage of appeals as compared with the districts which perform annual reassessments. In other words, districts which annually reassess experience, on average, 77% fewer appeals per line item than do districts which rely upon periodic revaluations to maintain assessments.

COEFFICIENTS OF DEVIATION AND ACCURACY OF ASSESSMENTS

The Coefficients of Deviation, compiled and published annually by the Division of Taxation, are useful indicators of the accuracy of assessments within each taxing district. In the table below, I have considered the Coefficients of Deviation as reported by the Division of Taxation for the annual reassessment districts v. periodic revaluation districts within Somerset County. I have compiled a three year average for each of the 21 towns in Somerset County, eliminating Millstone Borough because it has only had one usable sale over the last three years and thus has no reported coefficients for the three years we are analyzing in this study. I am left with 10 municipalities in each category, and the resulting three year average coefficients are as follow:

ANNUAL REASSESSMENT DISTRICTS		REVALUATION DISTRICTS	
1. Bedminster Twsp.:	5.18	1. Bound Brook Borough:	13.85
2. Bernards Twsp.:	4.19	2. Green Brook Twsp.:	10.36
3. Bernardsville Borough:	8.27	3. Hillsborough Twsp.:	7.25
4. Branchburg Twsp.:	5.11	4. Manville Borough:	12.70
5. Bridgewater Twsp.:	8.48	5. Montgomery Twsp.:	10.16
6. Far Hills Borough:	6.49	6. North Plainfield:	13.94
7. Franklin Twsp.:	6.56	7. Raritan Borough:	13.15
8. Peapack-Gladstone:	8.79	8. Rocky Hill Borough:	15.01
9. Warren Twsp.:	11.05	9. Somerville Borough:	10.76
10. Watchung Borough:	9.09	10. South Bound Brook:	9.35

The three year average coefficient for 10 annually reassessing districts is 7.32, and the three year average coefficient for the 10 districts relying on periodic revaluations is 11.65. The breakpoint between good coefficients and marginally satisfactory coefficients is generally set at 10, with the lower numbers representing greater accuracy. The results indicate that the accuracy of assessments within the districts which conduct a program of annual reassessment is substantially greater than that found within the districts relying upon periodic reassessments. Greater accuracy in assessments should result in fewer appeals, which we have already seen in the first set of data presented above, reporting on the numbers of appeals filed. Greater accuracy should also result in lower losses resulting from the appeals which are filed. I will examine this issue next.

AVERAGE PERCENTAGE REDUCTION IN ASSESSMENT AND LOSS IN TAX DOLLARS, PER APPEAL, IN ANNUALLY REASSESSING DISTRICTS AND IN DISTRICTS RELYING UPON PERIODIC REVALUATIONS

Annual Reassessment Districts (three year averages)

	Avg. % Reduction in Assessed Value	Average tax \$ loss, Per Appeal
1. Bedminster Township	8.06%	\$1,129.44
2. Bernards Township	2.25%	\$ 345.71
3. Bernardsville Borough	4.76%	\$ 747.18
4. Branchburg Township	13.06%	\$2,575.91
5. Bridgewater Township	6.18%	\$ 700.87
6. Far Hills Borough	2.08%	\$ 406.67
7. Franklin Township	6.68%	\$1,437.72
8. Millstone Borough	35.69%*	\$ 172.34
9. Peapack – Gladstone Borough	0.81%	\$ 135.97
10. Warren Township	2.95%	\$ 444.52
11. Watchung Borough	5.04%	\$1,002.41

Revaluation Reliant Districts (three year averages)

	Avg. % Reduction in Assessed Value	Average tax \$ loss, Per Appeal
1. Bound Brook Borough	8.00%	\$1,000.79
2. Green Brook Township	5.68%	\$ 934.82
3. Hillsborough Township	3.89%	\$ 416.76
4. Manville Borough	12.18%	\$ 974.03
5. Montgomery Township	6.58%	\$1,150.58
6. North Plainfield Borough	13.06%	\$1,489.44
7. Raritan Borough	9.08%	\$ 864.14
8. Rocky Hill Borough	2.61%	\$ 272.51
9. Somerville Borough	4.32%	\$ 738.42
10. South Bound Brook Borough	13.76%	\$1,262.31

*Millstone Borough includes as its only appeal the vacation of a \$1700 assessment in one year, which reflects a 100% reduction for that one year, skewing this figure. See discussion below.

In order to fairly consider the appeal results, avoiding large and potentially misleading percentage adjustments such as the Millstone instance described above, as well as irregularities in individual years, I will consider the total net adjustments achieved by all appellants over the three year period from 2011 through 2013 and divide by the total assessed value of all properties which were the subject of these appeals. I will do this separately for both the reassessment districts and the revaluation reliant districts. In doing so, I arrive at the following figures and conclusion:

	Total of Assessments Appealed	Total Net Reductions
Reassessment Districts: 2011	\$ 387,867,903	\$ 20,172,903
2012	\$ 382,459,400	\$ 21,754,620
2013	\$ 292,464,700	\$ 16,530,150
Three Year Total:	\$1,062,792,003	\$ 58,457,673

Average Reduction per appeal for reassessment districts, 2011-2013: 5.50%

Revaluation Districts: 2011	\$ 537,848,287	\$ 40,086,964
2012	\$ 496,664,770	\$ 39,585,040
2013	\$ 485,315,409	\$ 37,183,054
Three Year Total:	\$1,519,828,466	\$116,855,058

Average Reduction per appeal for revaluation districts, 2011-2013: 7.69%

Considered county wide, the average percentage of reduction in assessments at the county level is approximately 28% lower in reassessment districts than is the case in districts relying upon periodic revaluations. This 28% figure is calculated by dividing the difference between the 7.69% average reduction experienced in the revaluation-reliant districts and the 5.50% reduction achieved in the reassessment districts, by 7.69%.

RATIOS

The equalization ratios within the 11 annually reassessing districts have been consistently maintained at levels between 90% and 100%, rarely exceeding 100%, over many years within Somerset County. The ratio for towns relying upon periodic revaluations, on the other hand, moves much more widely and frequently exceeds 100%, as the assessors in these districts are not able to respond quickly or effectively to a changing (weakening or appreciating) market. In Somerset, four towns have had ratios exceeding 100% during the entire three year time period we are considering, and all of them are non-reassessing districts. The most recent Director's Ratios (10/1/13) show six of Somerset's 21 districts with ratios above 100%, five of which are districts which do not conduct annual reassessments. Three of these have ratios which exceed 110%, including North Plainfield, at 110.12%, Bound Brook, at 114.65%, and Manville, at 123.66%. The only reassessment district with a current Director's Ratio above 100% is Franklin, at 100.57%; however, Franklin, like all reassessment districts, will be the subject of a "Page 8" ratio recalculation in January and will almost certainly drop below 100% as a result.

Only one district in Somerset County has a Director's Ratio below 90%, being Montgomery Township, at 83.58%. Montgomery does not currently conduct annual reassessments.

Assessments which are uniformly maintained at levels close to 100% are more easily understood by the public we are trying to serve. These assessments have an obvious proximity to market value and can be a useful tool for the property owners. These same property owners can more easily perceive instances where the assessments are incorrect as well as when they are correct, and this should produce a lower overall number of appeals, specifically a lower number of both erroneously filed appeals and successful appeals. The statistics as reported above bear this out.

Ratios which exceed 100% tend to engender high numbers of appeals, which appeals are not defensible because no assessment in New Jersey can legally exceed 100% of full market value. Municipalities with very high ratios attract the attention of law firms specializing in tax appeals, again leading to high volumes of appeals. Annual reassessment programs can address situations where the ratios are increasing, which has been occurring during the recent period of declining property values. A reassessment program enables the assessor to recognize this situation and address it every year, so that ratios above 100% can be minimized or avoided totally.

COST

The final area to be considered is comparative cost. Included in my estimate of cost is the expense of conducting annual reassessments vs. the expense of conducting periodic revaluations. Also to be factored into cost is the net difference in appeal losses generated by each system of assessment maintenance, which incorporates both the reduced number of tax appeals experienced by reassessment districts and the lower percentage of loss reflected in these appeals. Costs that are not quantifiable but are considered nonetheless to be of great importance are the levels of public service and satisfaction achieved by each system, something I will discuss in the conclusion of this document.

My survey of direct costs for the districts in Somerset County which currently are conducting annual reassessment projects now includes Hillsborough Township, which will become the 12th annually reassessing district. Hillsborough is now about to complete its first annual reassessment, for the upcoming 2014 tax year. This survey reveals that the costs of conducting this work vary according to the method the assessor uses to inspect the properties and to review and process the data. Some of the assessors do their own inspection and data entry, some hire an outside inspection firm. Some have staff members responsible for the field inspections and data entry. I have asked all of the Somerset assessors to estimate the additional costs related to annual reassessments, and these figures average between \$18 and \$25 per line item processed. As the projects all involve the inspection of 25% of the ratable base in each town, the annual cost per line item is approximately one fourth of these figures, falling in a range of \$4.50 to \$6.25 per district ratable line item.

Revaluations also vary widely in terms of cost per line item, but the entire town is done in one year. The overall range of revaluation costs in Somerset County is consistent with statewide figures, ranging from \$60 to \$100 per line item. However, as revaluations are done once in 10 years (average) this cost must be divided by 10 to produce a figure which can be usefully compared with the cost of annual reassessment as noted above. This figure is a range, between \$6 and \$10 per line item. It becomes apparent that the direct cost of doing annual reassessments does not exceed the cost of doing periodic revaluations, even if the interval between revaluations is expanded, something that is not desirable for any municipality due to other related costs that will rise as a result. On the contrary, recent proposals to reduce the percentage of properties inspected annually from 25% to 20%, as in the Assessment Demonstration Program now underway in Monmouth County, should result in annual costs per line item consistently below those experienced in the revaluation-reliant districts.

The savings in appeal losses attributable to annual reassessment must also be considered. Our data show that the districts which rely upon periodic revaluations experience 4.3 times the number of appeals, per line item, as do the districts which perform annual reassessments. This reflects a potential reduction in appeals filed, per line item, of approximately 77%. In addition to lower numbers of appeals, the average ratable value lost per appeal is also reduced, by approximately 28%.

While the precise impacts of these savings will vary from district to district, it may be useful to consider the potential impacts on a few of Somerset County's 10 districts which do not currently conduct annual reassessments. I will consider the following five municipalities which have experienced varying percentages of appeals filed against them, including some of the highest and some of the lowest. I have chosen Green Brook Township for the first example, as its appeal burden, at 2.41% percent of its line item count, is reasonably close to the 2.13% average for revaluation-reliant districts. Further, Green Brook's average percentage of reductions per line item appealed was also close to the county-wide average, at 7.85% compared to 7.69%. I will first present the actual results of the tax appeal season for 2013 in Green Brook, and then I will present the same figures modified to reflect the potential effects of an annual reassessment program.

1. Actual 2013 figures for Green Brook Township:

2013 appeals:	65	% of line items appealed:	2.41%
Assessments prior to appeal:	\$40,105,009	% of ratable base appealed:	3.07%
Assessments after appeal:	\$36,995,250		
Net Reduction:	\$ 3,149,759	% reduction achieved:	7.85%
2013 Tax Rate:	\$ 2.517/100		
Total refund/reduction in taxes:	\$ 79,279.43		

2. Green Brook Township figures hypothetically adjusted to reflect annual reassessment:

2013 appeals:	15 (23% of 65)	% of line items appealed:	0.55%
Assessments prior to appeal:	\$ 9,224,152	% of base appealed:	0.84%
Assessments after appeal:	\$ 8,716,824		
Net Reduction:	\$ 507,328	% reduction achieved:	5.65%
2013 Tax Rate:	\$ 2.517/100		
Total Refund/reduction in taxes:	\$ 12,769.45, a net savings of \$66,509.98		

This savings of \$66,509.98, divided by the ratable line item count of 2,697 in Green Brook, represents a potential annual savings of \$24.63 per line item. Considered alone, these potential savings are sufficient to fully offset the costs of annual reassessment, and annual reassessment would eliminate the need for any revaluations in the future. Green Brook will be implementing an annual reassessment program for the 2016 tax year.

Manville Borough is another district which relies upon periodic revaluations and is experiencing a high volume of appeals due in part to its high 2013 ratio of 117.71% as well as mounting inaccuracy in its assessments. The same exercise as applied above to Green Brook Township's appeal figures could, hypothetically, yield the following results for the municipality of Manville Borough:

1. Actual 2013 figures for Manville Borough

2013 Appeals:	390	% of line items appealed:	10.97%
Assessments prior to appeal:	\$125,397,320	% of ratable base appealed:	11.09%
Assessments after appeal:	\$108,907,110		
Net Reduction:	\$ 16,490,120	% reduction achieved:	13.15%
2013 Tax Rate:	\$ 2.293/100		
Total refund/reduction in taxes:	\$378,118.45		

2. Manville figures hypothetically adjusted to reflect annual reassessment:

2013 appeals: 90 (23% of 390)	% of line items appealed:	2.52%
Assessments prior to appeal: \$ 28,841,363	% of ratable base appealed:	2.55%
Assessments after appeal: \$ 26,112,970		
Net Reduction: \$ 2,728,393	% reduction achieved:	9.46%
2013 Tax Rate: \$ 2.293/100		
Total Refund/reduction in taxes: \$ 79,941.91, for a net savings of \$298,176.54		

The potential savings of \$298,176.54, divided by the Manville ratable count of 3,554 line items, reflects an annual savings of \$83.90 per line item in the district. Such an amount would approximately equate to the cost of doing an annual revaluation. It obviously would dwarf the estimated cost of performing an annual reassessment program.

It is also useful to note that, in the hypothetical example above, I have used a 28% average reduction factor to yield the 9.46% reduction anticipated in appealed property assessments. This figure is probably well in excess of what would occur if annual reassessment is instituted in this town, meaning that the projected net savings figure is probably understated.

The next municipality to consider is Bound Brook Borough, with 2.58% of its line items appealed in 2013 and an average appeal loss of 8% over three years.

1. Actual 2013 figures for Bound Brook Borough:

2013 appeals: 90		% of line items appealed: 3.47%
Assessments prior to appeal: \$29,677,100		% of ratable base appealed: 3.56%
Assessments after appeal: \$27,330,400		
Net Reduction: \$ 2,346,700		% reduction achieved: 7.91%
2013 Tax Rate: \$	2.796/100	
Total refund/reduction in taxes:	\$65,613.73	

2. Bound Brook figures hypothetically adjusted to reflect annual reassessment:

2013 appeals: 21 (23% of 90)		% of line items appealed: 0.81%
Assessment prior to appeal: \$6,825,733		
Assessments after appeal: \$6,444,174		
Net reduction: \$ 381,559		% reduction achieved: 5.69%
2013 Tax Rate: \$	2.796/100	
Total refund/reduction in taxes: \$10,668.39, a net savings of \$54,945.34		

The hypothetical savings of \$54,945.34 divided by the line item count of 2,596 yields a savings of approximately \$21.16 per line item, again substantially offsetting the costs of annual reassessment. Bound Brook is in the process of conducting a hybrid reassessment for 2014, at an approximate cost of \$90,000, but will commence with annual reassessments starting in 2014 for the 2015 tax year. These actual and projected figures can be reviewed and compared for accuracy in the near future.

Another town which is useful to analyze is the Borough of North Plainfield which, like Manville Borough, experienced significant appeal losses for the 2013 tax year. North Plainfield Borough exhibits the following statistics and hypothetical figures:

1. Actual 2013 figures for North Plainfield Borough:

2013 appeals:	197	% of line items appealed:	3.68%
Assessment prior to appeal:	\$69,546,100	% of ratable base appealed:	4.14%
Assessment after appeal:	\$59,570,700		
Net reduction:	\$ 9,975,400	%r reduction achieved:	14.34%
2013 Tax Rate:	\$ 3.119/100		
Total refund/reduction in taxes: \$ 311,132.73			

2. North Plainfield figures, hypothetically adjusted to reflect annual reassessment:

2013 appeals:	45 (23% of 197)	% of line items appealed:	0.84%
Assessment prior to appeal:	\$15,995,603	% of ratable base appealed:	0.95%
Assessment after appeal:	\$14,344,089		
Net reduction:	\$ 1,651,514	% reduction achieved:	10.32%
2013 Tax Rate:	\$ 3.119/100		
Total refund/reduction in taxes: \$ 51,510.72, a net savings of \$259,622.01			

The potential savings of \$259,622.01, when divided by the total line item count of 5,346, yields a potential savings of \$48.56 per line item, a very significant amount which would clearly indicate that North Plainfield would benefit from annual reassessment. The North Plainfield Borough tax assessor is planning to conduct some extensive Compliance Plan work this year, effective for the 2014 tax year. These figures should be revisited next year to see if the kind of improvement experienced by Somerville, partly owing to their completion of a Compliance Plan during 2012, will be reflected in their actual statistics.

The final town I will analyze is Somerville Borough, which experienced a 2.08% appeal rate during 2013, a comparatively modest overall figure. This figure may have been reduced by the completion of a significant Compliance Plan during 2012, which addressed assessments on approximately 50% of the borough's properties.

1. Actual 2013 figures for Somerville Borough:

2013 appeals:	66	% of line items appealed:	2.08%
Assessments prior to appeal:	\$23,282,700	% of ratable base appealed:	1.98%
Assessments after appeal:	\$22,780,900		
Net reduction:	\$ 501,800	% reduction achieved:	2.16%
2013 Tax Rate:	\$ 3.241/100		
Total refund/reduction in taxes: \$ 16,263.34			

2. Somerville Borough figures hypothetically adjusted to reflect annual reassessment:

2013 appeals:	15 (23% of 63)	% of line items appealed:	0.47%
Assessments prior to appeal:	\$ 5,355,021	% of ratable base appealed:	0.46%
Assessments after appeal:	\$ 5,271,482		
Net reduction:	\$ 83,539	% reduction achieved:	1.56%
2013 Tax Rate:	\$ 3.241/100		
Total refund/reduction in taxes: \$ 2,707.50, a net savings of \$13,555.84			

Somerville's projected savings of \$13,555.84 reflects \$4.27 per line item in net savings. This is not a significant amount, which may be in part attributable to the efficacy of the substantial Compliance Plan Somerville's assessor conducted for the 2013 tax year. Entering into an annual reassessment program would serve to ensure that these savings would continue, and would obviate the need for any future revaluations in the Borough or Somerville. The costs of a full revaluation, as discussed above, range from \$6 to \$10 per line item if distributed over the typical 10 year interval for revaluations. Somerville's last revaluation was done during 2010 for the 2011 tax year, at an approximate cost of \$217,800 or \$68.68 per line item.

SUMMARY AND CONCLUSION

Review of the data presented above leads to a rather obvious conclusion that conducting an annual reassessment program is undeniably and vastly superior to relying upon periodic revaluations, for the following reasons:

1. Annual Reassessment districts experienced an average of 77% fewer appeals, per line item, than did revaluation-reliant districts.
2. Annual Reassessment districts exhibit superior accuracy of assessments, reflected in consistency of equalization ratios which are close to market value and low coefficients of deviation.
3. Annual Reassessment districts exhibit a lower percentage reduction of assessed value for the reduced number of properties which are the subject of county level appeals, approximately 28% lower.
4. The direct costs of performing annual reassessments do not exceed the costs of periodic revaluations, and in many instances are actually lower. The five towns examined above reflect potential annual savings, per line item, ranging from \$4.27 to \$83.90. The average annual savings per line item in these five towns was \$36.50, far exceeding the additional costs of performing annual reassessments. The savings attributable to eliminating periodic full revaluations increases these annualized savings to range from \$10.27 to \$93.90 per line item, or to an average figure of \$42.50 to \$46.50 for the five towns analyzed.
5. The combination of comparable or lower costs when compared to periodic revaluations, combined with the clear potential for annual tax dollar savings in the appeal process, indicates that annual reassessment programs can and do save the tax payers very substantial sums of money. In many instances, the local cost of the assessor's office can be more than fully offset by these savings.

Not to be overlooked is the fact that, in the Somerset County districts which have established annual reassessment programs, the resulting accuracy of the assessments, the proximity of the assessments to actual market value, and the superior knowledge of their districts exhibited by assessors who are demonstrably more involved in the operation of the program within their office, leads to greater public confidence in that office. The value of such well-run and effective municipal assessing offices can be preferable to county wide assessment offices in terms of both cost and familiarity with the needs of each district and its property owners.

Maintaining an annual reassessment program requires that the local assessor be fully competent and directly involved in the process. Not all tax assessors are capable of establishing and maintaining such a program, and some may be simply unwilling to try to do so, as it does present more challenging work. However, the changes occurring in NJ, as exemplified by the Gloucester program of county based assessing and the Assessment Demonstration Program in Monmouth County, which

incorporates annual reassessment, clearly indicate that the old system of relying upon periodic revaluations and not doing much in between revaluations other than watching the accuracy of assessments inexorably deteriorate, is rapidly becoming obsolete.

I have not yet mentioned that periodic revaluations, inevitably, are a politically inflammatory experience for any municipality that undergoes such a project. The public has a history of complaining about assessments, yet responds very unfavorably to the district wide revaluation process which is intended to address the very same complaints. In Somerset County, the assessors in our 11 current reassessment districts have achieved a high level of satisfaction on the part of the taxpayers, far exceeding that possible in districts relying upon periodic revaluations.

We have greatly improved the ability of assessors to perform the task of annual reassessment through the availability of CAMA (Computer Assisted Mass Appraisal) programs throughout the State of New Jersey. It has become my opinion that assessors should be using these programs, which we already pay for, to their full potential, by initiating an annual reassessment program in any district not currently running one. We have come a long way since the local tax assessor was an elected official working part time with minimal training and no certification. Now it is time to take another step forward in professionalizing the assessor's office and demonstrating its tremendous potential value to each municipality in Somerset County and in the State of New Jersey.

I am asking every municipality which does not currently have an annual reassessment program to commence a plan to institute this process. For some municipalities, such as Somerville and Rocky Hill Boroughs, the need may not be immediately apparent; for others, the need is clearly immediate in nature. However, such a system, once in place, will return benefits to any municipality where this is not yet being done. The value of such a system will become apparent as existing assessments age and as the market changes, for better or for worse. This office is available to any member of the governing bodies of such towns to discuss this process in detail. The assessors in each of the 7 districts in question are also advised to discuss the process with me at any time, and I am asking them to take any and all necessary steps to see that annual reassessment becomes a reality within their districts.

