



March 5, 2013

## **REVIEW OF REAL PROPERTY TAX ASSESSMENTS FOLLOWING HURRICANE SANDY**

Many residential and commercial property owners suffered significant property damage as a result of the widespread and devastating impact of Hurricane Sandy. Under New Jersey law, properties that were damaged in the storm may qualify for a reduction in property tax assessment while property owners make necessary repairs. However, property owners should be aware that qualifying properties receiving a damage adjustment will likely be subject to a future added assessment once those repairs are completed.

Ordinarily, all real property in the State of New Jersey is assessed according to its value on October 1 of the pretax year ("assessment date"). For example, a property's tax assessment for the 2013 tax year will be determined according to its value on October 1, 2012. However, there is a limited statutory exception that extends the assessment date from October 1 to January 1 of the following year.

N.J.S.A. 54:4-35.1 provides that when any building or structure has been destroyed, demolished, or altered in such a way that its value has materially depreciated due to a storm or other casualty after October 1 and before January 1 of the following year, the Tax Assessor must determine value as of January 1. Thus, in this instance, a qualifying property's 2013 tax assessment will be based upon the property's value on January 1. This is important because the new assessment date will reflect post storm damage that could result in a significant reduction of one's tax payment obligation.

The statute requires that all taxpayers seeking this form of relief file a notice with their Tax Assessor by January 10 requesting a review of their assessment. For those who have complied with the notice requirement, an adjustment may be warranted. If a reduction in assessment is granted it is likely the property will be subject to a future added assessment upon completion of any contemplated repair work. A structure is deemed complete when it is substantially ready for the purpose for which it was intended. This does not mean that the structure must be *in* use; it is taxable when it is *ready* for use.

Virtually any improvement to property that increases the overall market value can result in an added assessment. Some common examples include additions, porches, garages, sheds, decks, patios, pools, finished basements, kitchen and bath renovations and fireplaces. Repairs of damages caused by Hurricane Sandy and other similar casualties are also subject to the added assessment law.

Taxpayers who did not receive a reduction in assessment after filing the statutory notice or who otherwise disagree with the amount of reduction as a result of the storm damage may file a tax appeal in a similar manner as appeals from real property assessments. If you are interested in filing a tax appeal for this year, the deadline is April 1, 2013.

Further, taxpayers who receive an added assessment because of storm repairs or other improvements to existing structures may file an appeal of the added assessment. Appeals from added assessments must be made to the county board of taxation on or before December 1 of the year of levy, or 30 days from the date the Tax Collector completes the bulk mailing of tax bills for added assessments, whichever is later. In limited instances, appeals from added assessments may be made directly to the Tax Court.

Schenck, Price, Smith & King’s Hurricane Sandy Insurance Advisory Group includes attorneys experienced in litigating residential and commercial tax appeals before County and State Tax Courts and has prepared a presentation on a wide range of topics which are likely to arise from Sandy-related insurance claims and other matters. Please feel free to contact any member of the Group with any questions which you may have at 973-539-1000.

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