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## How COVID-19 Could Impact New Jersey Property Tax Assessments

Real property tax assessments in New Jersey are based on the fair market value of the property as of October 1 prior to the tax year in question as equalized (if not assessed at 100 percent of fair market value). Depending on the results of the economic impact of the COVID-19 pandemic, and the resultant partial shutdown of the New Jersey economy, many landlords may experience lower rental streams for 2020 and higher vacancy rates by year's end. This trend may be particularly acute for retail centers and restaurant properties. Any trends may also extend to the service, travel and hospitality sectors due to the prohibition on travel in nonessential sectors. If tenants cannot generate income, their businesses could become stressed and ultimately close. There is hope that the Coronavirus Aid, Relief, and Economic Security Act will mitigate certain detrimental economic effects, but it is possible that by October 1 the full economic effect of the COVID-19 pandemic will become evident in terms of occupancy, rent, and sector resurgence and/or contraction. It is possible that some sectors will not recover from what may become a two-month or more partial shutdown of the New Jersey economy, with unemployment rates predicted to reach between 20 percent and 30 percent.

Moreover, it is not only tenanted properties that may be impacted. Demand for multiunit residential or commercial development currently under construction may be impacted as well. In such a case, developers may be left holding vacant units as of October 1. The absorption of these units may take longer, or be in doubt, depending on the nature and extent of any economic contraction. These factors will therefore be relevant in connection with real property tax assessments going forward into 2021.

Added assessments may also be impacted by COVID-19. While permanent or temporary certificates of occupancy may not have been issued, the issuance of these permits are not always tied to the levying of added assessments and the proration of the same. It is likely that municipal tax revenues will fall substantially due to the impacts of the COVID-19 crisis, due to the inability of taxpayers to pay taxes and/or the reduction, or outright elimination, of state aid or expected grants to municipalities, thereby resulting in more aggressive levies of added and omitted assessments.

In situations where temporary or permanent certificates of occupancy have been issued, taxpayers can generally expect the levying of an added assessment after October 1 of the tax year, which is the date by which the assessor has to file the added assessment list with the county board of taxation. In such cases, the added assessment is the difference between the property's full market value, after equalization, as of the date of the added assessment (which would be the date of substantial completion, oftentimes, but not always, the date of the issuance of a permanent or temporary certificate of occupancy), and the fair market value, after equalization, prior to substantial completion. However, given the current COVID-19 crisis, many nonessential businesses or individuals may be precluded from occupying new space. Then what is the appropriate date of an added assessment? Is it the date of substantial completion, when in fact the improvements cannot be used for their intended purposes due to government intervention? Taxes on added assessments levied in 2020 have to be paid by November 1.

All these are issues that may arise due to the COVID-19 crisis and may manifest themselves on October 1, the assessing date for 2021, or at the time of the levying of added assessments for new improvements that are substantially completed during 2020. The deadline for filing assessment appeals for 2020 has been extended to the later of May 1 or 30 days following a determination by the governor that the state of emergency declared under Executive Order 103 has ended. The deadline for filing appeals of 2020 added assessments is December 1. The full effect of the partial COVID-19 shutdown on the New Jersey economy, rental streams, vacancy rates and capitalization rates, as well as the completion, occupation and

absorption of new units by the market, remains to be seen. Depending on such benchmarks, which may not be known for months, values of certain types of properties may be depressed going forward.

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For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our [COVID-19 Resource Center](#).

COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

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