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COVID-19 May Make 2021 the Year to Consider Tax Assessment Appeals

By all accounts, 2021 should be a very good year for property owners to consider appealing their New Jersey real property tax assessments, depending upon the type of property they own. All property in New Jersey is valued for tax assessment purposes as of October 1 of the pretax year, which is October 1, 2020. The type of properties that would typically be appropriate for consideration are properties valued on an income approach to value (*i.e.*, rental properties), based on rental income and vacancy rates where income has dropped and vacancies have increased. Also, any property that has been forced to remain vacant or partially vacant due to market forces, government edicts or orders should be considered. Properties where landlords have granted rent concessions to tenants are also potential targets. Examples include:

- Any office or other facility that has been rendered vacant or partially vacant by government order or edict or due to market forces as of October 1, 2020, which vacancy has resulted in a diminution of net income.
- Owner-occupied properties that are subject to occupational limits. An argument could be made that the property was partially or entirely unusable as of the October 1, 2020 assessment date.
- Other properties that have seen a precipitous decline in rental revenue due to the pandemic. Examples include retail centers where rents have declined or have been voluntarily abated, apartment buildings where tenants have not paid rent, and hotels that have seen losses in revenue and high vacancy rates. Similarly, properties such as restaurants; fitness centers and gyms; sports, event and entertainment venues; nightclubs; and movie theaters that were closed for a period of time and as of October 1, 2020, were either still closed or limited in terms of occupancy would also be worthy of consideration.
- Retail, hospitality, office or similar projects in the process of development that were stopped in their tracks as of October 1, 2020, because of COVID-19 and attendant market forces.

Residential (other than rental where rents are not being paid), affordable housing, warehousing and industrial properties (unless diminution of value can be proven by environmental contamination or some other impairment) are less likely to have been impacted by the pandemic, government orders and resulting economic impacts, and therefore they may not be as successful in a tax appeal.

The deadline for appealing most assessments in excess of $1 million is April 1, 2021, and for those districts that have instituted revaluations or reassessments, the deadline for such appeals is May 1, 2021. Owners can appeal property tax assessments, as can tenants who pay taxes as part of their rent.

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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