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Added assessments: Beware of the hidden real estate taxes

Death and taxes. Two things that cannot be avoided. Everyone is aware of death and taxes and tries to plan for them. Most property owners however are not aware of Added Assessments and the resulting real estate taxes.

Each October, tax assessors file with the County Board of Taxation a list known as the Added Assessment Tax List and the Omitted Assessment Tax List. These lists permit tax assessors to assess new construction or physical changes to properties that have been completed during the tax year. Unlike regular real estate taxes, which are payable four times a year, Added Assessment and Omitted Assessment taxes are due in full on November 1 of each year.

Property owners have a limited right of appeal, which must be filed by December 1 of each year. A property owner will forever lose his right of appeal by failing to file the appeal on or before December 1.

Under NJ Law, Added Assessments may be placed on a property when an improvement to a property has been "erected, added to or improved" and the improvement has been "completed" during the tax

year. Completed has been defined by statute as "substantially ready for its intended use." Many property owners believe that a property assessment is increased when the Certificate of Occupancy is issued. Although the Certificate of Occupancy may evidence when the improvement is ready, it is not conclusive for Added Assessment purposes. Sometimes the Certificate of Occupancy is not applied for when the work is completed. The tax assessor, however, is still entitled to assess the property when it is "substantially ready", even though a Certificate of Occupancy has not been issued.

NJ Law permits the tax assessor to assess the improvement for the number of months remaining in the tax year after completion. For example, if the improvement was completed on January 15th, the tax assessor may place an Added Assessment commencing February 1st, an eleven-month Added Assessment for the current year. This would result in eleven months of taxes due in a single payment on November 1st. A tax assessor may, in addition to Added Assessments, place Omitted Assessments on a property. An Omit-

ted Assessment is an Added Assessment that the Tax Assessor forgot to impose on a property for the current year or the prior year. In order to impose the Omitted Assessment, the assessor must provide a notice to the property owner by certified mail advising the owner of the Omitted Assessment. Many times, assessors utilize the Omitted Assessment Statute to catch up on assessments that were missed. Under NJ case law, the assessor must follow the



statutory guidelines for imposing the Omitted and Added Assessments. Therefore, property owners must closely scrutinize an Added or Omitted Assessment in order to ascer-

tain whether or not the assessor properly placed the additional assessment on the property. Assessors also place Added Assessments on properties after a renovation to a previously occupied commercial space. The case law in NJ is divided as to whether or not a renovation for tenant improvements would be assessable under the Added Assessment Statute. In the only reported decision concerning commercial property, the Tax Court in Harrison Realty Assoc. v Harrison stated "the mere retrofitting, upgrading or remediation of deferred maintenance does not constitute an addition to the property; nor does it constitute an improvement."

As discussed earlier, property owners have a right to file an appeal challenging the Added or Omitted Assessments. These appeals must be filed on or before December 1st of the tax year.

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