

Glossary of Terms

Abstraction Method—Method of land valuation in the absence of vacant land sales, whereby the value of the buildings and structures are subtracted from sales prices of their property to yield land value estimates.

Ad Valorem Tax—A tax levied in proportion to the value of the thing(s) being taxed.

Arm's-Length Sale—A sale between two unrelated parties, both seeking to maximize their positions from the transaction.

Coefficient of Deviation--A measure of uniformity among individual assessments. Calculated by subtracting each ratio of assessed value compared to actual sales price from the average ratio of assessed value to actual sales price. Each deviation is then totaled without regard to the plus or minus sign and divided by the total number of sales.

Common Level Range--A range which extends from 15% below the Director's Ratio to 15% above the Director's Ratio. A property with an assessed value within the common level range will be considered to be fairly assessed for property tax appeals purposes.

Comparative Approach—One of three allowable methods for determining assessment value for residential property. Also termed "Market Approach" or "Direct Sales Comparison Method," this method takes recent sales of homes of comparable value to determine assessments. It is the most commonly used method.

Compliance Plan—A plan for maintaining assessments in which an assessor analyses the assessments and sales and as a result adjusts some assessments, less than 49%, after looking at all the assessments.

Director's Ratio—The average ratio of assessments to current market value which is determined for municipality each year by the Director of the NJ Division of Taxation.

Income Approach—One of three allowable methods for determining assessment value for residential property, this method uses rental income to determine the value.

Market Value--The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by agencies that regulate federal financial institutions in the U.S. is: The buyer and seller are typically motivated; Both parties are will informed or well advised, and acting in what they consider their best interest; A reasonable time is allowed for exposure in the open market; Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Mass Appraisal—The process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing.

Reassessment—A town-wide examination and adjustment of the assessments in order to bring all property assessments to market value. If the properties have been inspected within four years, there is no inspection requirement.

Replacement Cost—One of three allowable methods for determining assessment value. It is most often used for non-residential uses. The cost is calculated to include material, labor, and overhead that would be incurred in constructing a building having the same utility to its owner as the existing building.

Revaluation— A town-wide examination of all properties and assessments in order to bring all property assessments to current market value. All properties are individually inspected as part of the process.

Senior Freeze—A state program for freezing property taxes for income-qualified seniors. The governor has not funded the program for 2011. The income limit for 2010 was \$80,000

http://www.state.nj.us/treasury/taxation/2009ptr_seniorfreeze.shtml

Tax Assessor—Employed by the County, the Tax Assessor oversees assessments and record-keeping for the municipality.

True Value--The price which, in the assessor's judgment, each parcel of real property would sell for at a fair and bona fide sale by private contract on October 1 next preceding the date on which the assessor shall complete his assessments. New Jersey courts have determined "full and fair value", "market value" and "true value" to be synonymous.