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Residential Property Taxes: Could there be a more potent issue for real estate right now in New Jersey?

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Published: December 11, 2009



Tom White for The New York Times

RATE DISPARITIES In New Jersey, property tax rates vary widely. For instance, annual taxes on a four-bedroom house in Summit, on a third of an acre, above, are \$12,685, while taxes on a four-bedroom home in Blairstown that sits on 6.6 acres are less than half that amount.



Tom White for The New York Times

Polls indicated that voter concern over high taxes — New Jerseyans pay the highest average of any state — was the defining issue last month in the gubernatorial election that swept Gov. Jon S. Corzine out of office after one term.

Brokers and sales agents report that tax rates are often the first thing on anyone's lips when a home sale is discussed today.

“We're now at a point, even in the high-end towns, where people are extremely aware of what they pay in taxes,” said Roberta Baldwin, an agent with Re/Max Village Square in Montclair. “And buyers are very aware of what they might be signing up for.”

“You will have some setting limits at the outset on what they are willing to pay in taxes,” she added. “They’ll say, ‘I want the perfect house, but I don’t want taxes over \$16,000.’ Or \$20,000, or whatever.”

Policy analysts and politicians have started focusing intently on the disparities between New Jersey and other states, especially Pennsylvania.

State Assemblyman Louis D. Greenwald of Voorhees, speaking to developers at a recent trade association meeting, asserted that in Bucks County, Pa., for instance, “you can own five acres of land and pay only \$12,000 in taxes,” the amount you would pay on a third of an acre in New Jersey. Mr. Greenwald, the chairman of the Assembly’s Budget Committee, also described his own taxes on a half-acre property as headed toward a level that he personally “can’t justify.”

So what do typical homeowners do when their property taxes reach that point? Relocate?

The answer seems to be that despite vociferous disgruntlement over taxes and a record number of tax appeals this year — and despite recent numbers indicating more people moving out of New Jersey than moving in — buyers remain willing to pay high taxes if they have children in well-regarded schools that the taxes underwrite.

From 2000 to 2008, a period during which average property taxes rose by 50 percent, to top out slightly over \$7,000, a total of 439,000 people left the state, according to James W. Hughes, the dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. Over that same period, he said, 385,000 moved in, many of them immigrants.

But he acknowledged that there was “no way to know exactly if taxation figured in,” adding: “You can’t untangle it statistically, I don’t believe. For one thing, different states impose different types of taxes to fill in the revenues New Jersey garners from property taxes.”

Looking within the state — with its extreme tax rate disparities from county to county, town to town, and sometimes even house to house — it is also difficult to discern how, or if, taxes actually affect sales, or the desirability of a particular place.

For instance in Blirstown, a Warren County community near the state's border with Pennsylvania, a four-bedroom three-bath home set on 6.6 acres and priced at \$629,700, with property taxes of only \$6,200, has sat on the market for more than a year.

The seller, Lee Jamison, said the taxes were unusually low, even for his community — which is home to the high-profile Blair Academy, but an hour's drive from centers of employment. In the last few years, he said, he has made significant energy-saving improvements and repairs to the property, but these were not reflected in the last townwide property revaluation.

Still, it is striking to note the difference in the effective rate of taxes on Mr. Jamison's home and a similarly sized four-bedroom two-and-a-half-bath house set on just a third of an acre in Summit, in Union County. A customized bilevel at 45 Dale Drive, the Summit house is assessed annual property taxes of \$12,685, more than double what Mr. Jamison pays in Blirstown.

Taking a look at sales statistics to see how they might correspond to tax rates in given towns and counties, Jeffrey Otteau, the president of the Otteau Valuation Group in East Brunswick, said crunching the numbers produced “counterintuitive” results.

Many of the towns with the lowest tax rates have the biggest backlogs of homes sitting on the market. Exhibit A: The exclusive town of Alpine in Bergen County, which has among the lowest tax rates, currently has six years' worth of “unsold inventory” on the market, according to Mr. Otteau's statistics.

In Montclair, in Essex County, where the tax rate is more than four times greater than Alpine's, there is only a four-month inventory of homes available.

A town with a high tax rate in Essex is West Orange, which has a six-and-a-half-month inventory, according to Mr. Otteau, who called that “healthy,” given market conditions.

[Lois Schneider](#), who operates a [brokerage](#) under her name in Summit, said she didn't see concern over taxes as having any effect on the pace of real estate sales. "We have more people inquiring about taxes, and more owners filing tax appeals," Ms. Schneider said. "But we have not had anyone walk away from a deal because of the taxes."

Michele Kolsky-Assatly, a broker in Bergen County with Coldwell Banker, says she deals mostly with people decamping from New York City. "When they are moving to suburbia," she said, "what is the one thing they care about the most? Schools. Families with children, first and foremost, they focus on towns with the best schools, such as Tenafly, Demarest and Cresskill."

Those towns have relatively high tax rates, she said, but most buyers she sees appear willing to "bite the bullet" as long as their children are in school.

Ms. Baldwin said she long ago confronted the issue of the high property taxes that she has paid as a resident of Montclair for more than 25 years.

"We thought we had reached a breaking point when we were going to have the kitchen redone in our home, and looked at the assessments, and found our house worth less than we had paid for it while our taxes had gone way up," she said.

She said she and her husband cruised around "lake country," looking at houses in Passaic County — and fantasizing.

Then, reality sank in: "We don't want to move out to the country. We need to live in this wonderful town, with all these smart and artsy people we know and like, and wonderful culture, and so close to Manhattan. And we are willing to pay for it."