

Tax Cuts and Jobs Act of 2017 May Have Negative Effect on Property Values

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At the close of 2017, the Tax Cuts and Jobs Act was signed into law. While the debate continues on the merits of the law and the speed with which it was enacted, there was seemingly no debate over the fact that New Jersey homeowners will be among those most negatively impacted by its enactment. It was therefore not surprising that only one New Jersey Congress member voted in favor of the bill.

The provision in the law likely to have the greatest impact on New Jersey homeowners is the capping of the real estate tax deduction at \$10,000. New Jersey taxpayers pay some of the highest property taxes in the nation. For numerous homeowners in New Jersey, the \$10,000 real estate tax deduction cap does not nearly cover their annual tax payments. The loss of this critical deduction, coupled with the potential increase in mortgage rates, will likely drive down home values especially for higher taxed residential properties. In fact, according to Moody's, 15 of the 30 counties most negatively affected by the new tax structure are located in New Jersey and home prices are projected to dip 7 to 10% due to the loss of the full real estate tax deduction.

Following the Great Recession in 2008, there was a dramatic increase in property tax appeals filed on residential properties. Settlement of these appeals and numerous revaluations and reassessments thereafter worked to adjust the assessments to reflect the new market realities. However, given the projected drop in residential real estate values following enactment of the tax bill, it is possible that New Jersey may be on the verge of another significant increase in residential tax appeals.

New Jersey taxpayers should carefully review their tax assessment now to determine whether an appeal should be filed this year. Filing an appeal ahead of the April 2, 2018 filing deadline (May 1st for revalued/reassessed municipalities) is the only way to reduce your 2018 real estate tax liability and limit the negative impact of the new law.

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