President's Message – January 2013

First of all, can I wish you all a very Happy New Year. I hope you all managed to enjoy time with family and friends over the holiday period and are now looking forward to what 2013 may bring.

In terms of IPTI, it looks as though 2013 will be a very busy and, I hope, productive year. I was delighted that we managed to pack in a great deal during 2012, but 2013 is already shaping up to be our busiest year so far in terms of events, projects and other activities.

We are due to start the year with the Sales Comparison and Analysis of Sales Data Seminar on January 16, 2013 in Toronto. This is seminar is being presented with the Institute of Municipal Assessors (IMA). Following this, we will making presentations at a 2-day property tax workshop in Las Vegas being held in conjunction with COST (the Council on State Taxation). This should be an interesting event covering both USA and international aspects of property taxation.

Just before Christmas, Jerry Grad and I met with Uche Obi, the Senior Valuation Officer & Information Manager in the Lands & Survey Department, Cayman Islands Government. This resulted in an invitation for us to participate in a property and construction conference being organised by the RICS to be held in Grand Cayman on 28 February.

This month we will be finalising our report relating to the work we have been doing for the IMA on valuation standards for their members. We issued an interim report at the beginning of December and this was the subject of a discussion with IMA representatives in Toronto last month. Further work on this project will be undertaken over the first 3 months of 2013.

We are also finalising the "storyboards" we have prepared for the Municipal Property Assessment Corporation (MPAC) in Ontario, explaining how different types of non-residential properties have been valued in Ontario's recent revaluation. The new valuations go "live" this month and the storyboards are intended to assist property taxpayers in understanding their new assessments.

December also saw us complete another training course for expert witnesses. Held in conjunction with the prestigious Osgoode Hall Law School in Toronto, this has proved to be a very popular course, although it is quite demanding as it involves a total of 4 days training split between 2 modules. In addition to running at least one more similar course in 2013, we have been invited by Osgoode Hall to run a related 4 day training course on report writing for property tax assessment practitioners.

In fact December was pretty "action-packed" as we also ran a workshop in New York on "Municipal Economic Incentives: Opportunities, Process and Pitfalls for Real Estate Owners and Tenants". We had an interesting range of speakers including academics and practitioners who looked at a variety of incentive programmes featuring TIFs, PILOTs, Green Building and other schemes. The debate continues about how effective such property tax incentive schemes are and the extent to which property tax should be used as a "tool" for encouraging desired behaviour.

We held one of our regular Corporate Advisory Committee meetings immediately after the New York workshop. Among other matters, Doug Turner updated the meeting with progress on the COST-IPTI survey and scorecard project. I am pleased to confirm that we have now received data from Hong Kong which will form part of this project. I am anticipating further inputs soon from IPTI colleagues in respect of Australia, New Zealand and South Africa. At the meeting, Philip Glenwright updated attendees on the activities and plans for the European Chapter of the Corporate Advisory Committee.

On the issue of property tax data, I am pleased to say that we have now completed a review of IPTIpedia and have agreed a plan to enhance the product over the coming months. I will provide more information about this in due course.

You may be mildly amused to hear that I recently read a paper with the unfortunate title of "The Hated Property Tax: Salience, Tax Rates and Tax Revolts". Written by Marika Cabral and Caroline Hoxby, the paper starts with the sentence "People hate the property tax more than other taxes." Whilst this may be true, it does not make for pleasant reading by property tax folks! Anyway, I think we all know that one of the main reasons why property is more unpopular than most other taxes is that it is normally a once-a-year, "in your face" bill which has to be physically paid by taxpayers in a one-off transaction or series of payments. Most taxpayers will pay far more each year in income tax, sales tax, etc., but these taxes involve relatively “painless” extraction whereas property tax is so transparent it hurts!

I hope I am not doing the authors of the 73 page report an injustice when I say that, despite their extensive and careful research, they do not appear to have come up with any solution that would make the tax less hated! In fairness to them, I don’t think that was the object of their research, but it leaves open the issue of how property tax can be made more popular. That may be the subject for a future IPTI event!

Anyway, talking of unpopularity, personal property taxes in the USA tend to fall into that category. There has been an interesting report recently released by the Idaho State Tax Commission in respect of business personal property covering the 964 taxing districts in the State that levied these taxes in 2012; these included cities, counties, and everything from library districts to cemetery districts. The report shows each district’s total amount of property tax and the amount of personal property tax attributed to locally assessed property and operating property. Total personal property tax for Idaho amounts to $140.9 million for 2012. There has been much talk in various States about exempting personal property so it will be interesting to see what happens in Idaho now this information has been published.

On the same subject, Michigan has just passed legislation to repeal the state’s personal property tax. The legislation provides that:

- Beginning January 2014, all new business personal property valued at $40,000 or less will be exempt from the tax.
- Beginning January 2016, all new business personal property, as well as all personal property purchased between 2013 and 2015, will be exempt from the tax.
- Beginning January 2016, all business personal property at least 10 years old will be exempt from the tax. This will continually roll old personal property off the tax rolls until all business property is exempt in 2024.

Another interesting development is taking place in India where the Punjab government has decided to set up over 270 touch screen kiosks and to deploy especially-trained individuals at designated civic bodies' locations across the state to help citizens 'correctly' assess and pay their property tax.

The government will also instruct the civic bodies to upload a property tax calculator feature in their official websites, so that users can assess the amount payable on this count from home as well. A spokesman said "There is apprehension amongst the stakeholders that property tax is being levied at will, which is a misplaced notion. By putting the calculating formula in the public domain, we are being fully transparent. The move also eliminates corruption, as official discretion will not work. Awakened stakeholders will not pay any bribes".

If you want to find out what is happening elsewhere in the property tax world, please check IPTI Xtracts on our website. Talking of the website, we are shortly going to upgrade ours so that it more user-friendly. I hope that we will be able to launch the modernised website later this month.

Once again, my very best wishes to you all for an interesting and enjoyable 2013.

Paul Sanderson
President
International Property Tax Institute