President's Message - April 2013

I hope everyone had an enjoyable break over the Easter weekend with family and friends.

Although 2013 has been busy for IPTI so far, I think we are moving into a particularly hectic period with events coming thick and fast. A quick look at our calendar will tell you that we have major conferences coming up in the Caribbean, in South Africa and in the United Kingdom with lots of other meetings, seminars and workshops in between.

We also have a number of projects in place - with more to come - which are keeping us busy. However, I am very pleased that IPTI is in demand in this way as that demonstrates the increasingly importance of property tax and our role in providing advice and training in this specialist field.

I hope you like the new website and are finding it easier to navigate and locate what you are looking for. The website has a key role to play in our communication "toolkit" so it is important that it meets your needs. Please do not hesitate to let us know if there are any further improvements you would like to see in connection with the website.

Just looking back briefly at March, in addition to a number of interesting meetings with stakeholders and others in Toronto and Vancouver, we ran a breakfast meeting in Los Angeles in conjunction with RICS Americas on 12 March. Gerry Divaris represented IPTI at this event which was titled the "Current State of Property Taxation in California" and it was very well received by those attending.

For the benefit of those who were not able to join us in Los Angeles, the subject matter covered included:

- The "Current State of Assessment and Taxation in California" - the speaker was Peter Kotschedoff, President of Versatax Consulting and a Board member of the California Alliance Tax Payer Advocates. Peter referred to proposed legislation pending before the State Legislature which may include the registration of tax agents; the elimination of contingency fees; and the prohibition of campaign contributions by tax agents to any County candidates running for office.

- The "Taxation of Embedded Software" - the speakers were Peter Smith and Jason Chau both from Ernst & Young LLP. They covered the latest case law concerning the assessment and taxation of software. The evolution of equipment procurement has created problems for the assessment of such intangibles. Discussion also focussed on the applicability of the appraisal procedures, i.e. asset identification and the applicability of the appraisal methods, utilising one or more of the traditional appraisal methods. This issue affects a wide range of industries including telecommunications, technology, healthcare and pharmaceuticals, transportation and automotive, energy and utilities, manufacturing, aerospace, consumer products, media and entertainment.

- The "Aftermath of the LA County Meltdown" - the speaker was Richard Ayoob who looked at the position following the recent allegations made against the LA County Assessor which resulted in him being held in custody prior to his forthcoming trial. Other issues included reductions in value, changes in ownership, and recent cases on the income approach and, in particular, how to deal with intangibles.

- Gerry Divaris rounded off the presentations with the topics of the "Latest Developments in International Property Tax" and "Global Property Tax Practices" which then led into a lively Q&A session.

My thanks to Ernst & Young who kindly hosted the event and to all the speakers for making it both informative and interesting.

I should add that, following the conference, Gerry Divaris was interviewed by Ms Romana King, a journalist who covers taxes for Money Sense, a Canadian business magazine. The interview was "triggered" by the Los Angeles conference and she wanted to know all about IPTI. She was also interested in the Canadian property tax regime and Gerry explained various aspects of the system. It will be interesting to see what she includes in the article in due course.

We also held a Corporate Advisory Committee (CAC) teleconference in March which was primarily to respond to CAC members based in North America who had requested an update on what was happening in the UK. Philip Glenwright (Chair of the CAC's European Chapter) and I provided the latest information on business rates in the UK and dealt with questions from CAC members.

Another interesting piece of work we undertook in March was the preparation of a paper in response to an invitation from a Committee of Inquiry set up by the Parliament of New South Wales in Australia. The Committee's terms of reference are "To investigate the extent to which the current land valuation system delivers transparent, efficient, equitable and consistent outcomes for stakeholders" and they requested IPTI's input to assist their inquiry. We look forward to seeing the outcome of the Committee's work in due course.

On 15 March I represented IPTI at a very enjoyable event held at Gordon Ramsay's restaurant at Claridges in London. This annual event is the IRRV Presidents' Lunch where the current IRRV President, Dave Chapman, invites the Presidents of the many other professional organisations with which the IRRV interacts to join him for lunch. Staying with the subject of work-related social events, on 27 March I was invited to the Rating Surveyors' Association (RSA) Dinner which was a black tie event held at the Army & Navy Club in London. The event marks the transition from the past RSA President - Robert Seares - to the new RSA President - Andrew Hetherton - and was another enjoyable occasion. I am pleased to say that Andrew Hetherton will be speaking at our International Conference in Scotland in September.

Looking ahead to April, I have been invited to speak at a 2-day workshop in India on the subject of"Land value uplift and property rights as the basis for land resource management". Being held in New Delhi, the workshop will be examining a number of issues relating to the provision and management of urban infrastructure. This is a follow up to the meeting held with the Indian Minister for Urban Infrastructure in London just before Christmas.

Also in April we are offering a unique and exciting series of seminars in Fairfax, Virginia to be presented by Rich Borst. Rich, a regular speaker at many IPTI events, has put together a comprehensive and leading edge series on the subjects of modelling for time and location in assessment models. There are 3 one day seminars: 1) An Introduction to Geostatistics and Spatial Valuation Models; 2) Geographically Weighted Regression/Market Segmentation; and 3) Advanced Topics in Temporal and Spatio-Temporal Models: Using Geostatistics to Optimize Data Collection Strategies. Each day will progress from a morning lecture to running live "generic" or off the shelf programs to demonstrate lecture concepts and reinforce the material. The seminars are design to offer great "take home value" of practical and useful concepts that can be incorporated into a jurisdiction by using readily available software. Jerry German will be moderating these sessions for IPTI and assisting Rich Borst.

This is a series of seminars that pulls together many of the concepts and presentations given over the past few years at the GIS/CAMA Technologies Conferences and IPTI's Spatial Modelling Symposium of a couple of years ago. This type of technologically advanced seminar series has not been offered very often. It is a rare and unique opportunity to be educated by one of the best, most experienced members of our industry and I would recommend it for anyone working in this area.

Looking a little further ahead to our Mass Appraisal Valuation Symposium in Durban, South Africa, I would like to thank the three sponsors that we have to date for this event. The sponsors concerned are: Thomson Reuters; Tyler Technologies; and CoGTA which stands for Co-operative Governance & Traditional Affairs of KwaZulu Natal (CoGTA). IPTI is pleased to offer sponsorship opportunities for many of our events, so please feel free to invite appropriate organisations to participate in this way.

April marks a considerable change in the arrangements for local property taxation in the UK with the introduction of new schemes for both council tax (payable in respect of residential properties) and business rates (payable in respect of non-domestic properties). Among the many changes impacting on council tax is that central government will no longer administer "council tax benefit" which has been used to support lower-income taxpayers. In its place, each local authority now has to decide what funding it will provide for what is known as "council tax support" and who should qualify for it. Central government has provided 10% less funding to local government to pay for the new scheme so many local authorities will be increasing the amount of council tax demanded from taxpayers and sending bills to some people who have previously not paid any council tax due to their low-income. Many local authorities are also withdrawing the current second homes discount and increasing the tax payable in respect of empty houses. These changes are taking place alongside other "welfare reforms" which are creating concern among those likely to be affected by them.

Many UK ratepayers, especially small businesses, were hoping that the Chancellor would have "frozen" the annual increase in business rates in his recent budget. However, he did not do so and this, combined with the postponement of the next revaluation of business properties originally due in 2015, has left many ratepayers concerned about the amount of property tax they are having to pay in the current economic climate. IPTI is holding a European Corporate Advisory Committee breakfast meeting in London in May specifically to consider the extent to which the UK government listens to ratepayers; it promises to be a very topical event! There are also other changes to the business rate system coming into effect in April which many ratepayers are concerned about as they are worried that it may lead to local authorities being less generous in granting exemptions and reliefs.

The 2015 revaluation of business rates in Wales is to be postponed until 2017, Business Minister Edwina Hart has announced. This follows the announcement by Government of its proposed postponement of the 2015 revaluation in England until 2017. The Scottish Government has already announced that it is postponing its 2015 rates revaluation until 2017. The Northern Ireland Assembly, which cancelled its 2010 revaluation, has announced that it expects to go ahead with a revaluation in 2015.

Looking briefly at other countries, the Tax Foundation in the USA published some interesting statistics recently in its annual "Facts and Figures" report. The report compares every state's individual and corporate income taxes, general sales taxes, excise taxes, property taxes, estate and inheritance taxes, lottery and state debt.

The report advocates simplicity and transparency in tax law, neutrality and broad bases and low rates with few deductions, credits or exclusions. Among the many interesting details it provides, the report states that, on average, in 2010, 34.8% of a state and local tax revenue was derived from property taxes, 22.4% from general sales taxes, 20.5% from individual income taxes, 3.4% from corporate income taxes and 18.9% from other taxes.

Among many measures now being taken in the USA to increase revenues, it is reported that policy-makers are reviewing the 100 year old rule that allows homeowners to offset local property taxes against their federal income tax. Lawmakers pushing for a comprehensive overhaul of the tax code say they will take a close look at deductions related to state and local governments, including local property taxes and the tax benefits associated with municipal bonds. The property tax deduction in particular is likely to spark debate, say tax professionals and financial industry representatives, because of the possible threat on the slowly recovering real estate market.

In China property tax continues to attract headlines with a senior government official reportedly saying "What needs to be considered most is a property tax on existing homes". This was reported as being said by Hu Cunzhi, vice minister of land and resources, said at the China Development Forum held in Beijing recently. China has already launched property tax pilot schemes in Chongqing and Shanghai in January 2011. However, the policy affected a relatively small group of people and the low tax rate is reported to have had little effect on the local market.

Let me end on a musical note. I have heard of yet another imaginative scheme from India to “encourage” payment of property tax. Apparently the Pune Municipal Corporation have decided to hire a brass band that will accompany staff to the defaulter’s location and the band will play music in front of the property for not paying tax on time. An official said "The brass band initiative will go on for a month so as to recover as much of pending dues as possible".

So, as always, there is lots happening and I hope you will keep an eye on the website, and IPTI Xtracts in particular, to keep up to date.

Paul Sanderson
President
International Property Tax Institute