



President's Message - May 2013

Although IPTI may be well known for the conferences, seminars and workshops we organise throughout the year in various countries, we also undertake an increasing number of important projects.

For example, we have recently been involved in a project for the Province of Alberta concerning benchmarking of assessments and burden of tax relating to industrial plants in Canada and the USA. It is anticipated that this study will be completed shortly.

We are currently working on a project for the Federal Government of Canada concerning the payment in lieu of property taxes (PILT) in respect of government-owned properties. We are using our IPTI network around the world to see how other countries deal with the taxation of Federal Government-owned properties and will be preparing a report with our findings and recommendations.

We are also working on a project for Thomson Reuters which involves the provision of reports in respect of various countries where we hold data which is not easily accessible from other sources. I am pleased to say that Thomson Reuters are also sponsoring a number of our forthcoming events.

Another important project we recently undertook concerned valuation standards for property tax work. This work was commissioned by the Institute of Municipal Assessors (IMA) and involved a review of existing valuation standards from around the world and consideration of how they may be adapted, or additions made, to deal with the specialised area of property tax valuations. We have provided the IMA with a preliminary report and are in discussion with them about how this project may be taken forward.

We have also undertaken a number of other projects for clients in both the public and private sector who want to access the property tax data and network that IPTI has to offer. It is the power of our data and the strength of our network which enables us to carry out these projects to a high standard.

Just looking back briefly at our recent events, one of the more specialised courses we ran in April concerned spatio-temporal methods for mass appraisal. Run as three separate –



but related - days in Fairfax, Virginia, this proved to be a very successful event run by Rich Borst with Jerry German's assistance. The course attracted delegates from across Canada and the USA who were very pleased with the quality of the event.

In April I was invited to speak at a conference in India entitled "Land Economics - Issues and Challenges". The conference had been organised by the Ministry of Urban Development, Government of India, and the UK India Business Council, UK Trade & Investment and the RICS. The conference, held at the Taj Palace Hotel located in the diplomatic enclave within New Delhi, was opened by the Minister, Shri Kamal Nath who lit a lamp as part of the opening ceremony.

The Minister set out the nature of the problems resulting from the rapid growth in population, particularly in the larger cities in India, and sought assistance from experts who could assist the country in finding effective solutions to the urban infrastructure problems that exist. I thought it was a very interesting and informative conference and I hope it marks the beginning of a long-term relationship for IPTI with officials and agencies in India designed to address the urban infrastructure problems.

My contribution was a presentation on the subject of "Land Value Uplift and Property Rights as the Basis for Land Resource Management" during which I outlined various schemes from around the world where contributions to the cost of providing and/or maintaining urban infrastructure are based upon increases in property values. These take the form of charges, levies or taxes and I referred to several examples of successful schemes, including Crossrail in London and the business rate supplement which is helping to fund the project. I was concerned to emphasise the practical issues that policy-makers in India would need to consider before adopting any scheme, and made it clear that there is no "one size fits all" solution.

Gerry Divaris represented IPTI at a World Bank Conference on Poverty and Land held in Washington in early April. The conference was attended by some 800 delegates from around the world and was centred around the issues of poverty and land tenure. A wide range of speakers covered a variety of political and economic theories. There were many governments, non-profit organisations and academics present and we feel that this is an area where IPTI can make a positive contribution. For example, there was an entire session devoted to property taxation and how it is present or absent from certain countries and the difficulties many countries have in the implementation of a property tax



system. I hope that we will be involved in some follow up activities relating to this conference.

In April we also ran a very successful two-day training event in conjunction with the Institute of Municipal Assessors (IMA) on the valuation of office buildings and shopping centres. This attracted a record attendance of delegates who provided some very positive feedback about the event. The course was designed to be interactive with participants taking the opportunity for some spirited debate about the issues and dealing with real examples of valuation problems and attempts to address these problems. Gerry Divaris was IPTI's tutor on the course and he was joined by Terry Tomkins who recently retired from the Municipal Property Assessment Corporation (MPAC) in Ontario.

Having mentioned MPAC, I should add that another project we recently carried out for them involving the preparation of "storyboards" to explain how various types of property are valued for annual property tax purposes has now come to fruition with the publication of some of those storyboards on MPAC's website. I hope that these storyboards help to communicate useful explanatory material to property taxpayers concerning the revaluation that MPAC has recently completed in Ontario.

The IMA are holding their annual conference in June and, immediately after the event, IPTI will be running a seminar on the use of the cost approach in the valuation of industrial properties and, in particular, utilising depreciation analysis. I should add that the President of the IMA, Colleen Vercouteren, will be one of our speakers at the mass appraisal valuation symposium we are running in Durban, South Africa in June.

Looking ahead to what we are doing in May, we are running a breakfast meeting in London which is aimed at corporate property taxpayers. The next big event we are holding in May is the joint IPTI-RICS conference taking place in Trinidad on 22-23 May. This will be followed by a round table meeting in Toronto on dealing with the adjudication of assessment appeals. This event forms part of the Council of Canadian Administrative Tribunals annual conference and will, I am sure, provoke some lively discussion.

Also in May we will be holding another of the successful four-day, two-module, training courses we run with the Osgoode Hall Law School on the issue of expert witnesses. We are also in discussion with colleagues from Osgoode Hall on running a related course on the subject of report writing. Both these subjects are very important in the world of



property tax and we are hoping to run similar courses in other parts of the world in due course.

So, as always, lots to look forward to and I hope as many IPTI members as possible will be able to get to at least some of these events. Please look at the latest calendar of events on the website for further details.

Moving on to have a quick look at various things that are happening around the property tax world, I noted an interesting recent decision of the courts in Israel which ruled that a municipality cannot charge property tax on an offshore facility. In this case, the city of Hadera sought to charge the Israel Electric Corporation local property tax (arnona) for installations in the sea. The Haifa District Court ruled against the city which had assessed the power company "millions of shekels" for an offshore facility. I am aware of many cases around the world where property tax systems struggle to cope with modern technology such as offshore properties, the use of communication equipment in space, companies that only trade via the Internet, etc.

The Egyptian Ministry of Finance and the Tax Authority have reportedly concluded work on legislation that will introduce a new property tax in July this year. The legislation, the implementation of which has been postponed several times since it was issued in 2008, has been updated and is now said to be fair and equitable to property owners. "The most important provision of the new law and its amendments is that it levies a tax on all types of buildings in all Egyptian provinces, while in the past taxes were levied [on properties] inside cities only," said Shamel al-Muallem, head of a tax appeals committee chamber at the Ministry of Finance.

There is continuing controversy in Ireland about the new property tax system being introduced there this year and there have been demonstrations by those opposed to it. The new tax, known simply as "Local Property Tax" or LPT, relates to residential properties and is to be based on self-assessed bands of capital value using guidance provided by the government. Non-residential properties in Ireland continue to be the subject of a "rolling revaluation" being undertaken by the Irish Valuation Office (IVO). I will be meeting the Commissioner of the IVO and some of his staff in Dublin in June.

Work on a revaluation in Jamaica continues with the exercise expected to be completed in September this year. In April, as part of wider revenue measures, the government



adjusted property tax rates resulting in significant increases designed to yield some J\$3.4 billion in revenue. With the adjustment, it is reported that all properties with an unimproved value of up to J\$100,000 will be charged a flat rate of J\$1,000. Properties with values exceeding J\$100,000 up to J\$1 million will attract an additional 1.5%. Those with values exceeding J\$1 million will attract an additional 2%.

On the subject of revaluations, Philadelphia is continuing work on moving to what is called the Actual Value Initiative (AVI). This is moving assessments from the present system to one based on current market values which could mean significant tax increases for some residents due to the desirability of their neighbourhoods. Critics say this may lead to elderly residents being taxed out of their homes in such areas, but the Mayor has pledged that no one will lose a home because of AVI. The novel way it is being suggested to address this issue is the introduction of a so-called "gentrification tax relief". A 400-plus page briefing book sets out how gentrification relief would work; the gist of it is that anyone who has owned his or her primary residence for more than 10 years and whose home's market value has more than tripled would qualify for a tax break. The cap would last 10 years or until the home is sold. It sounds like an interesting idea.

There is often criticism of property tax, much of it ill-informed, so I was somewhat heartened to read a recent article which said "Property taxes are great. They are a highly stable source of revenue, only modestly regressive and less damaging to the economy than income or sales taxes. Property taxes are efficient for the same reason they are hated: they are extremely difficult to avoid."

I think that is a good, positive note on which to end this newsletter!

Paul Sanderson
President
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