



President's Message - July 2013

We have just completed a very busy, but very enjoyable and productive, period of conferences, workshops, symposia, meetings and projects which I want to share with you before I look forward to what we have coming up in July and beyond.

However, just before I tell you about what has been going on in June, let me remind you about our annual conference in Scotland which is taking place on 4th and 5th September. We have a great line up of speakers from around the world along with a wide range of topics which, together with the networking opportunities, will make this a really worthwhile event; I do hope that as many of you as possible will be able to join us.

Back to June and our first "formal" event was the Ontario Property Tax Summit (OPTS) which was held in Toronto on 4th June. We held the first OPTS in 2012 and the meeting last month was an opportunity for IPTI to bring key stakeholders together to review progress over the last 12 months and discuss what more needs to be done to continue the momentum for change in the Province. As we found last year, all those who attended the event either as speakers or delegates contributed to proceedings in a professional manner and we were able to have a realistic conversation about what more needs to be done to achieve the desired improvements in the property tax system. As before, IPTI's role was to facilitate the discussion and we will be issuing a report summarising the key issues and agreed actions.

We then moved on to New York where, on 6th June, we held a joint meeting with the European American Chamber of Commerce during which we were looking at the key issues concerning the USA property tax system, primarily from the perspective of large corporate entities. It was interesting to note that the key issues affecting large companies in the USA in terms of property tax are very similar to those affecting companies in the UK and Europe which we discussed at a meeting in London on 16th May. Clearly the level of property tax is a major concern to global corporations, particularly at a time of economic difficulty, but other issues concern the fairness and transparency of property tax systems, the balance between residential and non-residential tax burdens, the operation of appeal systems, and the communication - or lack of it - between taxpayers and government. Following the meeting in London, IPTI has written to the UK Government to draw attention to the concerns raised by property taxpayers and we are working with the Council on State Taxation (COST) to ensure that key messages are passed on to those responsible for property tax in the USA.



Following the meeting in New York, we held a meeting of IPTI's Corporate Advisory Committee (CAC) at which we reviewed recent activities and planned future events in both North America and Europe. We are very keen to ensure that IPTI properly represents the views of our corporate members who are key stakeholders in property tax systems around the world, but to enable us to do so effectively, we need active participation from companies across all sectors of the economy - retail, commercial, industrial, storage, utilities, etc. If anyone from the corporate sector reading this newsletter would like to get more involved with the CAC, or its European Chapter the ECAC, please do not hesitate to get in touch with us.

After a flying visit to the UK, the IPTI "road-show" moved on to South Africa where we held our annual mass appraisal valuation symposium in Durban on 13th and 14th June. Over 200 delegates came to the event and it was great to see the level of interest and enthusiasm they had in the subject. Property tax is very topical in South Africa and we had very good local support. We are also very grateful to the companies and organisations which sponsored the event. We were fortunate to have the Member of the Executive Council responsible for property tax in KwaZulu-Natal formally open the symposium and give a talk about the importance of property tax locally. As usual, we had a number of local and international speakers covering a wide range of topics and we had some very positive feedback from those who attended.

In addition to the main symposium, we also ran two "specialist" workshops on the last afternoon of the event. One looked at the latest developments in spatio-temporal methods for mass appraisal; the other was concerned with property tax in China. We had a significant delegation from China at the workshop and they said they found it very helpful. As many will be aware, property tax is a hot topic in China at the present time and, through the workshop, I hope that IPTI was able to help clarify some of the issues to assist policy-makers in China.

Following the two workshops, we held a meeting of our Board of Advisors who reviewed the symposium and looked forward to our future events. The Board also considered a policy paper on IPTI memberships which recommends broadening the existing categories of membership to include Fellows and Students, and recommends the introduction of designatory letters for IPTI members. I will provide more information about these changes in due course.

Rob Turner, the President of the International Association of Assessing Officers (IAAO) was with us in Durban and we took the opportunity of discussing our plans for IPTI and IAAO to work together on a number of events and projects, one of which is a joint conference we will be running in November in Florida. I will be attending the IAAO's annual conference in Grand Rapids in August and Rob will also be joining us for IPTI's annual conference in Scotland in September.



We returned to our various locations and continued work on an important project we are undertaking for the Canadian federal government on the issue of Payments in Lieu of Taxes (PILT). This is a particularly interesting project and draws on our knowledge of property tax systems around the world. This is where the real strength of IPTI is demonstrated as we have been able to obtain accurate, up to date information about PILT or equivalent systems in other countries from both our own database (IPTpedia) and with the help of expert advice from our members in the countries we were asked to include in the project. We are currently putting the finishing touches to two reports on different aspects of PILT for the federal government.

I attended a meeting of the RICS Rating Diploma Holders Section (RDHS) in Londonderry, Northern Ireland on 21st June. This involved a tour of the city walls followed by a meeting to discuss some of the interesting professional issues concerning the valuation of temporary structures for property tax purposes. Londonderry is a UK "city of culture" for 2013 and, among other things, has erected a large structure called "The Venue" in which to hold various events. The issue is how such a large, expensive, but temporary structure should be treated for property tax purposes, bearing in mind that the basis of valuation in Northern Ireland is annual rental value. The same issues were recently considered in connection with the Olympic Games in London last year which involved the construction of major facilities that were only going to be used for a few weeks. We also discussed progress with the revaluation of non-residential properties in Northern Ireland which is due to come into effect in April 2015. I should add that I will be speaking at the RDHS annual conference in September.

Whilst in Ireland I also had a meeting in Dublin with colleagues from the Irish Valuation Office including the relatively new Commissioner, John O'Sullivan who, along with his Head of Valuation Services, Declan LaVelle, will be joining us in Scotland for our annual conference. Property tax is very topical in the Republic of Ireland at present as they have recently re-introduced a property tax for residential properties - which is based on a self-assessed banded capital value - and the Irish VO are also carrying out a rolling revaluation programme for non-residential properties.

We then moved on to the annual conference of the Institute of Municipal Assessors (IMA) which was held on 23rd to 25th June in Kingston, Ontario. At this event, Colleen Vercooteren handed over the Presidency of the IMA to Larry Hummel who, as many of you will be aware, is a member of IPTI's Board of Advisors. We are grateful to Colleen for her support over the last 12 months and wish Larry well for his time as President of the IMA. I would also like to thank Mario Vittiglio, the Executive Director of the IMA, for his help and support in the various projects that IPTI has been working on with the IMA.



We ran a workshop in conjunction with the IMA conference on 25th and 26th June on the subject of the cost approach which included consideration of issues in the valuation of industrial and single purpose properties and depreciation analysis. This workshop was very well received by delegates and we are planning to run further similar workshops in conjunction with the IMA in future.

Looking ahead, we have a significant number of events planned for the remainder of this year, some of which I have already mentioned. Please visit our website to get the latest information about what we are doing and where we will be travelling.

Now a quick look at some of the property tax issues in different parts of the world. Starting with the UK, a consultation paper has recently been issued by the government on the issue of granting some further relief from “empty property rates” which is a subject that is of great concern to many property taxpayers in the UK. Scotland has also recently agreed to introduce a new property tax from 2015 to replace the existing stamp duty which applies in other parts of the UK.

The new tax will be introduced via the Land and Building Transactions Tax (Scotland) Bill approved by the Scottish Parliament.

In Canada, a recent report by the Canadian Federation of Independent Business refers to the issue of the property tax ratio between residential and non-residential properties in British Columbia. The report states that, in 2012, small business owners paid an average of 2.7 times more in property taxes than did homeowners on property of equal value. It also stated that the City of Vancouver is the number six highest in the Province at just over 4.3 times the rate between residential and business property taxes. The question of how the property tax burden should be split between residential and non-residential properties is an issue that concerns most property tax systems around the world.

Property owners in Cyprus are now reported to be facing higher property taxes as part of the “bailout terms” agreed with the European Union and the International Monetary Fund. The national Land Registry must also catch up with the backlog of title deeds that has built up over recent years. They are also having to re-evaluate properties so that a new Immovable Property Tax can be properly applied. The annual property tax will continue to be based on the value of a property on 1st of January 1980 but, apparently, many owners never paid the tax as their property was not registered and that is now having to be rectified.

In Australia there are plans for a new property tax called a “bedroom tax” to be introduced in New South Wales. The plan is that tenants occupying public sector housing with “spare” bedrooms will be charged a weekly tax as the NSW government commits to moving people into smaller accommodation to make way for those with larger families.



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This is proving controversial as is a similar scheme in the UK where benefit payments are being cut to those occupying public sector housing with more bedrooms than they are thought to need. It will be interesting to see if these schemes are successful in achieving their stated objectives.

And finally, I have come across an essay on "Fiscal Zoning" which, for those who may not be familiar with the concept, is the practice of using local land-use regulation to preserve and possibly enhance the local property tax base. According to the report writer, "economists agree that if localities can conduct "perfect zoning," which effectively makes all real estate development decisions subject to a review that balances its benefits and costs to the community, then the local property tax can be converted into a benefit tax and lacks the deadweight loss of taxation. This essay argues that American zoning is closer to this ideal than many other economists think. The practice is often difficult to detect because zoning serves several objectives besides fiscal prudence."
If only life was more simple!

Paul Sanderson
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