



President's Message - October 2013

I am pleased to report that IPTI's Annual International Conference, which was held in Scotland in conjunction with the IRRV's Annual Scottish Conference on 4-5 September, attracted delegates from all over the world and was well received.

I am particularly pleased to report that we had a "plethora" of Presidents to open the event and welcome our delegates. We had David Chapman, President of the IRRV; Andrew Hetheron, President of the Rating Surveyors' Association; Joan Hewton, President of the Scottish Assessors' Association; Larry Hummel, President of the Institute of Municipal Assessors; and Rob Turner, President of the International Association of Assessing Officers. We also had Mark Higgin, Chairman of the RICS Rating & Local Taxation Panel as part of the welcoming panel, along with me as President of IPTI.

Derek MacKay, Member of the Scottish Parliament and Minister for Local Government and Planning, also welcomed our overseas visitors to Scotland. His visit to our conference was very topical as, the day before, he announced that a wide-ranging review of the valuation appeal system would take place over the next year, with a new appeals system finalised before the next revaluation takes place in 2017.

We had a very impressive line up of speakers with the keynote address being given by Professor Roy Kelly from Duke University in the USA who spoke about globalisation and localisation and the role of property tax alongside user charges.

We covered a number of topical issues including the need to modernise property taxes, their role in financing local government, the use of green taxes and credits, and a consideration of alternative revenue sources for local government.

We also had a number of speakers from around the globe giving us the latest position on issues in their countries and the extent to which sharing experience and best practice internationally through this kind of conference can help to improve existing property tax systems. I am sure that delegates were able to take away some really good ideas which will help to enhance the operation of property tax systems in many countries.



Dealing with particular valuation issues, we had David Chitlik from Marriott Hotels who spoke about the problems of identifying and quantifying business enterprise value. This is an increasingly important issue in property tax systems which, traditionally, require business enterprise value to be excluded from the market value of land and buildings which forms the basis of assessment for most systems.

We agreed with the IRRV that we would run a session on the afternoon of day one which catered primarily for UK valuers and we had a large number of both IPTI and IRRV delegates in the room to hear from global corporate ratepayers, including Bruce Wilson from Tesco and Philip Glenwright from Shell about their concerns.

We also had public sector valuers from the Valuation Office Agency, the Scottish Assessors Association, the Land and Property Services (in Northern Ireland) and the Irish Valuation Office talking about their issues, challenges and opportunities along with private sector rating practitioners setting out their perspectives on the UK and Irish rating systems.

Delegates with a particular interest in the UK system were informed that IPTI had recently been in contact with senior policy officials at HM Treasury in the UK to discuss these issues and it was hoped that something positive would come out of those discussions.

We had some very interesting and informative sessions at the conference on the need for responsive and efficient appeal systems and the importance of developing standards for professionals involved in property tax, whether working in the public or private sectors.

In addition to policy and practice relating to property tax systems, we also had some interesting presentations on the use of modern technology and the extent to which GIS, aerial photography and other developments can help to drive quality improvements in property tax systems.

We are very grateful to our sponsors - Thomson Reuters, Esri Canada and GL Hearn - for supporting and attending the event.



Immediately following the close of the conference IPTI held a meeting of its Board of Advisors at the hotel who all agreed that it had been a very successful and worthwhile event.

In fact September was a very busy month for IPTI with not only our annual conference but also a number of other important events and meetings.

We ran another two of our joint IPTI-IMA workshops in Canada; one was on the valuation of multi-residential property and the other was on the issue of highest and best use which is an important issue for property tax valuations based on market value.

I presented a paper at the annual conference of the RICS Rating Diploma Holders Section at which I spoke about a number of issues concerning property tax systems around the world which are also being experienced in the UK.

I also had the pleasure of chairing the annual "Rating Question Time" held in London which involves a panel of experts drawn from all parties associated with the UK property tax system answering questions from the audience. This is usually a "lively" event at which people are able to raise any current issue and seek an explanation from one or more members of the panel. The meeting covered a wide range of issues and was regarded by participants as a very useful opportunity to get answers to some key questions.

We held a teleconference with members of our Corporate Advisory Committee during which we discussed a number current issues along with plans for future events.

During September we finalised a number of reports relating to various projects IPTI has been undertaking over the last few months and these will be the subject of discussions with stakeholders over the coming weeks.

Looking ahead to October, IPTI has been invited to participate in an event in China to mark the 20th anniversary of the China Appraisal Society. Jerry Grad, our CEO, will be attending the event which will be held in Beijing on 14-16 October.



Jerry and I then meet up in Australia where we will be attending the Australasian Valuers-General Conference to be held in Melbourne on 23-25 October. IPTI has received a great deal of help from the Valuers-General in connection with the provision of information relating to various projects we have undertaken and the V-G conference will give us an opportunity to thank the V-Gs in person and talk to them about the outcome of these projects.

We are also holding another two IPTI-IMA workshops in October; both will be held in Canada with one looking at the valuation of shopping centres and the other considering property tax policy issues. It is encouraging to note that Larry Hummel, the President of the Institute of Municipal Assessors (IMA), referred to the success of these workshops in his latest President's Report.

Just taking a quick look at what is happening in various parts of the world, the property tax system in the UK continues to attract a great deal of media attention, particularly as it has been the subject of discussion at the recent conferences of the main political parties. It has been described as "broken" and "not fit for purpose" by some commentators and there are many calls for a major review of the current system.

Property companies in particular are backing calls for a review of the rates system in Britain where, they say, businesses pay more than anywhere else in Europe. The British Property Federation (BPF) said Britain's income from business rates amounted to nearly €35bn (£30bn) in 2010, the most recent period for which EU data is available, compared with €15bn in France and €12.5bn in Germany. The figures show that rates represented 1.6% of the UK economy compared with 0.3% for equivalent taxes in Germany and 0.5% in France.

The BPF called for a "root and branch" review of the rates system and industry bodies including the British Retail Consortium and the British Independent Retailers Association have said they want to see the rates system completely revamped. They want the Treasury to adapt the property-led rates system to reflect a changing retail environment in which retailers are less reliant on physical outlets because of a rise in online sales. At the same time, small businesses on high streets are said to be suffering as business rates rise every year in line with inflation.



The long-running arguments over the property tax system in Italy appear to have been resolved, at least for the time being, with the cancellation of the tax recently re-introduced in respect of primary residences. This decision has attracted criticism from a number of sources including the IMF which has called for a review of cadastral values in Italy which are used as an assessment basis for all types of property.

Moving on to the USA, the Cook County Treasurer recently announced that the unpaid taxes on more than 15,000 properties were sold at the Annual Tax Sale, recovering over \$60 million in previously uncollected revenue. The Annual Tax Sale is an auction of unpaid taxes that the Treasurer's Office is required to conduct by state law. A total of 51,560 Property Index Numbers (PINs) were available for auction, 16,711 of which were purchased by tax buyers. Homeowners whose delinquent taxes are sold have up to two years to redeem, i.e. pay their bill with interest, fees and penalties. Owners of commercial and industrial properties may have less than two years to redeem. Once the redemption period expires, the buyer can begin legal action in court to obtain the title to the property.

And finally, an interesting enforcement idea from India which has featured previously in IPTI Xtracts. In Pune, the civic property tax department's initiative to play music outside defaulters' properties has yielded very positive results with many of the defaulters coming forward to pay the dues. Six music band groups are working in different wards in the city as part of the drive. "Looking at the good response it has generated, we have decided to continue the drive throughout the year," a spokesman for the Pune Municipal Corporation said.

There are lots more interesting articles concerning property tax systems around the world in IPTI Xtracts; please visit our website to find out more.

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