



## President's Message - September 2013

I am writing this month's message from New York where I have stopped on my way from the IAAO Annual Conference in Grand Rapids, Michigan (USA) to IPTI's Annual Conference in Crieff, Scotland (UK). Back to back conferences make for a hectic but exciting time!

For those who may be unfamiliar with the IAAO Annual Conferences, they are large-scale events with around 1,000 delegates. As usual, this year's event was a combination of interesting and informative education sessions along with a very enjoyable social programme. During the conference I attended a meeting for international guests at which we discussed the latest edition of a paper being written by the IAAO which is intended to be a guidance note on mass appraisal aimed at an international audience.

IPTI members may be interested to know that the IAAO have asked if they can use selected articles from IPTI Xtracts in their new e-newsletter which we have agreed they can do. The IAAO and IPTI are organising a joint 2-day valuation workshop in Florida later this year; for more information about the workshop, please visit our website.

Staying with events in August, IPTI held an interesting meeting with senior officials from the UK's Treasury in London. This was a follow up to the IPTI European Corporate Advisory Committee (ECAC) meeting held in London earlier this year. Following that meeting, we were invited by Treasury Ministers to send them details of the concerns expressed by representatives of large corporate property taxpayers at the meeting. I duly sent them a letter with an outline of the concerns about the UK property tax system and the meeting with senior policy advisers was an opportunity for IPTI to provide more detail about the issues and advice on how they might be addressed. As always, it remains to be seen what comes out of the meeting, but it seemed to go very well and I will be disappointed if it does not lead to further interactions between IPTI and the UK Government. I was joined at the meeting by Philip Glenwright, Chairman of IPTI's ECAC, and Andrew Hetheron, President of the UK Rating Surveyors' Association (RSA); both Philip and Andrew will be speaking at our Annual Conference in Scotland and will no doubt refer to aspects of our meeting at the Treasury.



One of the main priorities for IPTI in August was work on a number of projects we are undertaking. We recently completed work on the PILT (Payment in Lieu of Taxes) system in Canada which required data on other similar systems from around the world and advice from IPTI on how some of the present issues might be addressed.

We have also been working on the valuation of international airports which, again, required guidance on how such properties are treated for property tax purposes in various selected countries.

Another project we have been researching and preparing reports on relates to the valuation of large industrial properties for property tax. As with airports, these are the types of property for which there is very limited reliable evidence of market value, so the valuation approach has to be tailored to reflect this fact.

It has been particularly interesting to ascertain the different ways in which valuation and/or taxing bodies around the world deal with these challenges. It is also worth emphasising that it is the strength of the IPTI global network that enables us to provide reliable data and professional guidance which, we hope, will prove to be of real value to those who have requested our advice.

Another good example of the IPTI international network proving its worth is the COST-IPTI Survey & Scorecard project which we have spent some time on recently. This involves obtaining up to date information about property tax systems operating in all the States in the USA along with selected countries around the world. The intention is to both inform and seek improvements where necessary. We had a recent meeting with colleagues from COST (the Council on State Taxation in the USA) to discuss the work that remains to be done on the joint report and the timetable for its release. This promises to be an important report and I will provide more details about it in due course.

We are continuing work on another large project which involves projections of property tax revenues over a period of 20 years in a location which is rapidly developing and we are just starting work on another IPTI project which will involve both policy advice and training. I will provide more information about these projects in due course.



We are also doing some work for Thomson Reuters, who have kindly sponsored a number of IPTI events, in connection with data relating to property tax systems in selected countries.

These projects are very interesting and good examples of the importance of IPTI demonstrating not the knowledge and experience of its members, but also the impartial, objective approach we take to the provision of policy advice. I think each of these projects enhances our reputation for the quality and independence of our work and it seems that that the demand for our services is increasing.

As I mentioned earlier, we are now in the final stages of preparing for our Annual Conference in Scotland which is being held on 4-5 September. We have a great line-up of speakers and delegates from around the world, so I am sure it will be a successful event. I should add that holding it in conjunction with the IRRV's Scottish Conference means that we will have a large number of people in attendance - jointly, around 300 in total - which should ensure a very "lively" event. I will provide information about how it went in my next monthly newsletter.

I should like to express my thanks to the sponsors of our Annual Conference in Scotland - Thomson Reuters, GL Hearn and ESRI Canada; their sponsorship is greatly appreciated and we look forward to meeting their representatives at the event.

Looking a bit further ahead, I should add that we have a number of events coming up in the UK in which IPTI will be involved where we are working with other organisations including the RICS, IRRV, Rating Diploma Holders Section, and Landmark Chambers.

I have also been invited to Chair the RSA's "Rating Question Time" which is a very popular annual event held in London at which we will have a panel of senior people from all stakeholders in the UK commercial property tax system (business rates) who try to answer questions from a very informed audience. Chairing the event can be quite a "challenge" as feelings sometimes run high about present concerns. However, the professional "neutrality" of the IPTI Chair should help to keep discussion on track!



We are also delivering more workshops and training courses in Canada over the forthcoming months in conjunction with the Institute of Municipal Assessors (IMA). These joint IMA-IPTI events are proving to be very popular and cover a wide range of subjects. For more information about them, please visit our website.

We will also be running a number of information sessions with RICS Americas in various North American locations including Chicago, Toronto, New York, Vancouver and Los Angeles. For more details about the dates of these events, please visit the website.

I am pleased to add that IPTI has been invited by the China Appraisal Society (CAS) to attend their 20th anniversary conference which is being held in Beijing in the middle of October. Jerry Grad will be representing IPTI at this event and he will be hosted by the CAS.

Jerry and I are also planning our contribution to the annual conference of the Valuers-General which is being held in Melbourne, Australia to which we have been invited. At that event, among other things, we will be talking about the outcome of many of the IPTI projects where our V-G colleagues have been very helpful in providing information about the treatment of special properties in Australia and New Zealand.

As usual, a quick look around the property tax world produces some interesting items to share. For example, Monmouth County in New Jersey (USA) is due to introduce a pilot program designed to drastically revamp the way municipalities evaluate property for tax purposes. The pilot program is aimed at producing more accurate property assessments at significantly less expense to taxpayers, while shielding local budgets from sometimes large shortfalls caused by property tax appeals. In October, the county will become the first in New Jersey to implement the Real Property Assessment Demonstration Program, in which local tax assessors each year will adjust property assessments to bring them in line with market values. Under the existing system, properties undergo a re-evaluation about every 10 years which means many assessments are adjusted significantly creating complaints and other problems. Interestingly, the new system is intended to reduce the cost of the assessment process by shifting most of the



work from outside contractors to the local tax assessors. It is said that this change is anticipated to reduce the cost of the inspection process from \$70 per property to \$20 per property.

Staying in the USA, there was an interesting recent decision of the Supreme Court in California concerning the value of an electric power plant for purposes of property taxation. The Court held that the California State Board of Equalization had improperly valued emission reduction credits (ERCs) under the replacement cost method, but it did not improperly value the ERCs when utilizing the income method of unit valuation. It was noted that assessors may not include the value of intangible assets and rights in the value of taxable property, and it was agreed that ERCs constituted intangible rights for property taxation purposes. The ERCs had to be purchased by the utility to obtain authorization to construct the plant and to operate it at certain air-pollutant emission levels. The Court held that there was no conflict between two subsections of a statutory section regarding intangibles, one of which prevented the value of intangible assets from enhancing or being reflected in the valuation of taxable property, and the other of which allowed assessors to enhance the valuation of taxable property, not by including the value of intangible assets in the valuation, but simply by assuming the presence of intangible assets when valuing the taxable property put to beneficial or productive use.

In Greece it is understood that a special property tax levy that doubled the amount due, and which was put into electricity bills in 2011 - for what was supposed to be a one-year only payment - will be rolled into a single package with the primary bill and continued. When the levy was put into property tax bills it came with a condition that it must be paid or homeowners would have their power turned off. It seems that this sanction was quite effective, but an improved system of property tax is to be introduced with a new unified tax meaning that homeowners in areas with official valuations of more than 2,000 euros (\$2,600) per square meter will pay higher taxes in 2014, but those in less expensive areas will have their tax reduced. The total to be paid by property owners in 2014 has been set at 4.15 billion euros, some \$5.5 billion.



Green issues are influencing property taxes in Petaling Jaya, a city in Malaysia. Apparently, the council has started to give a portion of its revenue back to taxpayers in the form of assessment rate rebates (up to 100%) to encourage residents to embark on green initiatives at home. The scheme encourages residents to do their part for the environment by fulfilling eco-friendly measures on electricity, water, bio-diversity, transportation, waste as well as other green initiatives in their homes. It is interesting to consider whether property taxes should be used in this way; the arguments seem to be fairly evenly balanced, but the debate continues.

As always, more details on these and other items of interest from around the world are contained in IPTI Xtracts on our website which I hope you find helpful and informative.

And finally, to end on a lighter note, there is normally at least one story each month that finds its way to me which I think is sufficiently unusual that I need to share it with you. It seems that the Head of the Revenue Commissioners in Ireland has complained in the press that her organisation is being portrayed as worse than "Vlad the Impaler" over the collection of the new property tax. IPTI is always keen to hear about new methods of property tax collection enforcement, so it will be interesting to see if the threat of "impalement" is effective!

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