



President's Message - February 2014

I am writing this month's newsletter from Nova Scotia where IPTI is working on a project with the assessing agency, Property Valuation Services Corporation (PVSC). PVSC provide annual reassessments of the 600,000 properties in Nova Scotia for the 54 municipalities in the Province. PVSC have recently completed the 2014 reassessment which involves a valuation of all properties in Nova Scotia using a "base date" of 1 January 2012 and a "state date" of 1 December 2013. The base date is the date at which values are assessed and the state date is the date taken for the physical condition of the property.

Looking back, we started 2014 with a very interesting two-day Property Tax Workshop in New Orleans during the second week in January. Organised by the Council on State Taxation (COST) in conjunction with IPTI, the event included some very informative sessions on a wide variety of topics. The issue of excluding "intangibles" from property tax valuations is a perennial topic at this and other similar workshops, but it continues to create issues. Another topic which continues to get a great deal of attention is property tax incentives; taxpayers inevitably want whatever abatements or reductions are available, but questions arise over the effectiveness of such schemes and who, in reality, pays for them.

My main contributions to the workshop included an update on property tax issues around the world and consideration of the advantages of including an independent audit as part of the process of reassessment/revaluation. I think there is much to commend the incorporation of an audit, particularly for jurisdictions which may have limited experience in valuing particular types of high-value, specialised non-residential properties. However, there are also advantages in having an independent audit of residential reassessments, particularly in terms of reassuring stakeholders about the methodology used and outcome of the process, in order to assure an equitable distribution of property taxation

The workshop provided us with an opportunity to provide some early indications of the outcome of our scorecard exercise. COST have prepared a scorecard for each of the 50 States in the USA and IPTI has prepared a scorecard for jurisdictions in a number of selected countries including Canada, Australia, New Zealand, South Africa, Hong Kong and the United Kingdom. We are currently working to refine the scores we have obtained and plan to publish the results of



the combined scorecards soon, probably in April. I will let you have more information about this as due course.

Also in January IPTI hosted a meeting of key stakeholders to consider issues flowing from the recent report concerning the recommendations of the Special Purpose Business Property Assessment Review which was sent to the Minister of Finance in Ontario. Held in Toronto, this meeting included brief presentations from key players on the main recommendations contained in the report along with an opportunity for the audience to ask questions and discuss the main issues. There will be a great deal of follow up work being undertaken in connection with this report over the coming months and IPTI will continue to assist those involved with implementing the recommended improvements.

In January we conducted another in the series of workshops we hold in partnership with the Institute of Municipal Assessors (IMA). This workshop was concerned with the valuation of leisure properties. We will be holding another IMA-IPTI workshop in February; this one will be looking at assessment appeal preparations. We have a number of other IMA-IPTI workshops planned for 2014; please visit our website for details of these events.

I am pleased to confirm that IPTI has been invited to run a panel on property tax at the forthcoming World Bank Land and Poverty Conference which will be held in Washington on 24-27 March. We will be talking about how property taxes can not only raise much-needed revenue in developing countries, but also contribute to improvements in land utilisation and management.

We have also recently been invited to make presentations at two other forthcoming events; in particular, to contribute to the property tax segment of the RICS Americas Summit Meeting that is due to take place in Toronto, Canada, on 4-6 May and to speak about the importance of property taxes at the Professional Forum to be held by the Industrial Asset Management Council (IAMC) in Québec City, Canada, on 13-17 September. The IAMC event follows shortly after IPTI's Annual International Conference which is taking place in Mexico City on 9-10 September.

We recently held discussions with the organisers of this year's Commonwealth Heads of Valuation Agencies (CHOVA) Conference which is being held in Toronto, Canada, on 29-31 August. IPTI will be holding a pre-CHOVA event at which,



among other issues, we will be considering current challenges facing property tax systems around the world and how modern technology can assist in dealing with them effectively.

We are also putting the final touches to the agenda for our annual Mass Appraisal Valuation Symposium which is being held in Calgary, Alberta, on 18-19 June. We had a good response to our call for papers and we have speakers from a variety of countries coming to share their experiences of how property tax systems have responded to both economic turbulence and natural disasters including earthquakes, hurricanes, widespread flooding and major fires. Other topics will also be covered making this a very interesting symposium which I hope as many of you as possible will be able to attend.

Coming a bit closer in terms of time, I am looking forward to a new training course that IPTI will be running in early February in conjunction with the renowned Osgoode Hall Law School. This is a quite intensive, very practical, course in writing expert reports for property tax valuation disputes. We have a very impressive line up of eminent speakers who will take delegates through the process of writing clear, concise and persuasive expert reports. This course complements the previous courses we have run in partnership with Osgoode Hall on giving expert evidence in property tax valuation litigation.

Later in February we have a valuation session in Grand Cayman on the theory and practice of the income approach and sales analysis. This is a joint session we have organised with RICS Americas and is concerned with valuations of real property for any purpose rather than just for property tax purposes. Another event we are running with RICS Americas next month is a breakfast meeting in Chicago on 11 February. This will be an information session to bring practitioners up to date with what is going on in connection with property tax issues. It will be followed by a meeting of IPTI's Corporate Advisory Committee (CAC).

Talking of the CAC, we are planning to hold a meeting of the European Chapter of the CAC - the ECAC - in May. This is likely to be in Amsterdam, but details have not yet been confirmed. I will let you have more information about that event in due course.



You will see from the above that we already have a significant number of events planned for 2014 and more are being added. Please keep up to date with what is on offer by visiting our website for the latest information.

Now, time for a quick look at what is happening in selected countries around the world.

In the UK, the Prime Minister has recently announced that there will be a reform of business rates - the property tax paid in respect of non-residential properties. This announcement followed the release of details relating to a £415m package of business rate cuts including a £1,000 business rates discount for 300,000 small retailers and Enterprise Zone investments. Commentators have said that, once upon a time, the prosperity of a business could be judged by the size and location of its property, but that is no longer true in today's more complex environment. In particular, it is said that, in a world increasingly dominated by what is done online, the revenue from a tax on physical property will eventually begin to decline. It will be interesting to see how this commitment to reform develops.

There are some interesting views emerging from South Australia, where it has been said that a tax on the family home rather than consumers paying stamp duty when buying a house would be a much better system. Currently, the principal residence is exempt from land tax. Phasing out stamp duty and bringing in a broad-based annual land tax "could be done", Under Treasurer Bert Rowse has told a parliamentary committee. The change would have a number of advantages, he said. Stamp duty was a barrier for people to move including those wanting to upscale, move for work or older people who might want to move out of a large house into something smaller. Stamp duty was a distortion and "acts as a disincentive for people to move from house to house", Mr Rowse said. However, he acknowledged a change would provoke public concern. "That is something for the community and politicians to try to reach a conclusion on but, certainly from an efficiency perspective and from a state revenue volatility perspective, it would be a lot better," he said. To avoid the problem of people being hit twice, he suggested a five to 10-year period where stamp duty was phased out and a broad land tax phased in. The ACT in Australia is currently in the process of making that change over five years.

There is an interesting issue from New Zealand where, for the first time in seven years, Christchurch's 165,000 properties are being revalued for rating purposes.



A revaluation was scheduled for 2010 but was put off because of the September 2010 earthquake. The revaluations will be based on recent property sales but will not take into account earthquake damage as they will assume the damage is covered by an insurance claim which will return the property to its pre-quake state. On its website, the Christchurch City Council says that although the new valuations will not take into account earthquake damage, they will reflect market reaction to it. It states "If prices for comparable properties in your area have risen or fallen, your value reflects this. The new valuations simply maintain the existing practice of ignoring earthquake damage. The current year's rates are based on 2007 property valuations which were not adjusted for earthquake damage except where buildings were demolished."

A controversial situation is reported from Israel where, in Tel Aviv, the municipality intends to cancel the exemption from arnona (local property tax) that the Great Synagogue has enjoyed since it was built. The reason for this is said to be that, in order to be exempt, there should be no commercial activity taking place on the premises. The municipality maintains that the property is being used as an events hall for holding weddings, bar mitzvas, etc., which, they say, is of a commercial nature and for financial gain. They also argue that, as the activity that takes place at the premises competes with the activity of other businesses in this area, giving an exemption for the property in question amounts to positive discrimination in comparison with those other businesses. For its part, the Great Synagogue claims that no "events" are held at the synagogue, but only religious ceremonies within the restrictions that the municipality itself specified in order that activities could be held at the synagogue without the issue of an events hall license. I suspect this is an issue, and argument, that could apply to many similar properties around the world so it will be interesting to see the outcome of this dispute.

It is reported that property taxpayers in part of the Philippines are being given an interesting incentive to pay their property taxes early. In addition to getting a discount of 20 percent discount if they pay their RPT in full for the year 2014 before 31 January (and 15 percent discount if they pay in February; 10 percent discount if they pay in March), the city is giving blankets to real property taxpayers for those who pay their taxes in full for the year 2014. And there's more; the city government is also conducting a raffle draw which is open to all property taxpayers. Prizes include a dining room showcase, living room showcase and a bedroom showcase, plus many more consolation prizes. It is said that the



raffle is one of the city's ways of showing its gratitude to taxpayers for fulfilling their obligations.

Moving to India it is reported that the Pune Municipal Corporation's (PMC) decision to use brass bands to recover dues from property tax defaulters is working well. The bands were hired to play loud music in front of such properties, shaming the owners into clearing their dues. Officials from the property tax department accompany the bands to collect the payments. The drive was launched in March 2013 on an experimental basis. After getting a good response, the drive was resumed in September 2013. PMC intend to use this method of enforcement again in 2014.

And finally, property taxes often attract a great deal of criticism, much of it ill-informed, so I was reassured to read a letter in a local USA newspaper from a property taxpayer who said: "Taxes are not a bad word. Our property taxes pay for our important town services and staff. Taxes keep our town strong. Taxes pay for good staff to stay here. The conclusion is that our town is well managed and our very reasonable taxes are the price that we pay to live here. It is a fair price to pay in order to keep our town safe and help it thrive. If you want to start cutting and slashing, it will create a vicious downward cycle. Let's keep our town moving forward not backward. Good services and solid infrastructure in our town will result in higher property values than in other communities who are busy reducing services. Paying property taxes is money well spent."

I entirely agree!

Paul Sanderson
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