



President's Message - April 2014

I am pleased to say that the pace of "IPTI life" continues to be rather hectic which, I hope, is a positive! We seem to be busier than ever with events, projects and other activities.

Whilst writing this month's newsletter I am in the middle of finalising a number of reports relating to some very interesting projects that we have been working on over the last few weeks. At the same time, we are in the early or middle stages of other projects and we have a number of other initiatives that are coming to fruition.

Add all that to the conference and workshops we have organised recently, with many more to come in the next few months, and you will see why we are so busy but, as I say, that is a good position for us to be in.

Just looking back over March, we had the final part of our two-module course on writing expert reports for property valuation disputes. This course is run in conjunction with the Osgoode Hall Law School in Toronto and involved a variety of presentations along with some very practical, hands on, work in preparing a draft report. It proved so popular that we will be running another course in August. We also plan to hold another two-module expert witness course later in the year. The two courses - report writing and expert witness - complement each other, but each is self-contained.

Also in March we had an IPTI Panel Session at the World Bank Land and Poverty Conference in Washington. Our panel looked at both policy and practical issues, how property taxes can contribute not only in raising much-needed revenue, particularly in developing countries, but also lead to improvements in land utilisation and management. We also talked about how best to use modern technology to implement efficient and cost-effective property tax systems. There were over a thousand delegates at this four-day event and it covered a wide



range of subjects including such diverse topics as “Initiatives to improve women’s land rights in traditional settings”, “Land tenure in the context of decentralisation”, and “Assessing and anticipating the needs of future urbanisation”.

I was interested to see the views of the Senior Vice President and Chief Economist at the World Bank who said in his introduction: “Information is a public good and the benefits from better land governance come from linking domains (e.g. land tenure, land use, and taxation) that had earlier been isolated from one another. This entails transcending traditional boundaries and also being attentive to global standards for information sharing as well as regulatory regimes that govern access to and use of such information.”

Looking ahead to April, we have a “sell out” for an event we are holding in London in partnership with Landmark Chambers, one of the UK’s leading chambers of barristers dealing with property. I am really looking forward to this event as it will be the first time, so far as I am aware, that the “glitterati” of the UK legal profession will be on the platform to share their views on current legislation, case law and other property tax issues.

Also in April we are holding three more of the workshops we run in partnership with the Institute of Municipal Assessors (IMA) in Canada. These will include workshops on cost and depreciation, property tax policy and mass appraisal. We are very pleased to be working closely with the IMA in connection with these workshops which are always well received by delegates.

At the end of April we are holding a two-day course on “Introduction to Regression and Spatial Analysis used in Mass Appraisal”. This course is being held in Florida so if any of you would like some sunshine, that is the place to be! Please see our website for further details.



Staying with the world of mass appraisal, another exciting IPTI initiative I can share with you is that we are due to publish a book soon. This book, which deals with geostatistics, has been written by Rich Borst who is a well-known leading international expert in this relatively specialised area. To quote Rich, "The reader will be "put into the picture" of geostatistics and how this field is relevant to the issue of mass appraisal of real estate." I am sure this book will prove to be very popular with those working in this field and I will let you know when it is available.

We have now firmed up arrangements for the next meeting to be organised by the European Corporate Advisory Committee which is due to take place in Amsterdam on 13 May. One of the highlights of this meeting will be a presentation by the OECD on how they see property taxes across Europe and what future activities they may be involved in concerning property tax policy. Looking ahead, it is likely that IPTI will form a closer working relationship with the OECD as there are mutual benefits to be obtained.

On the subject of IPTI's Corporate Advisory Committee (CAC), I am pleased to report that Tom Platz, the Director of Property Tax at RD Management, LLC, based in New York, has joined the CAC. Tom has attended many of our events and is looking forward to getting more involved with IPTI.

Looking slightly further ahead, I would like to remind you about IPTI's Annual Mass Appraisal Valuation Symposium which is being held in Calgary, Alberta, on 18-19 June. 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. In the UK, where I am based, we have had severe flooding during the early part of 2014 which resulted in property tax assessments (both council tax and non-domestic rating) being affected, so it will be interesting to share similar experiences from around the world.



Having mentioned “the world”, let me share with you a few items of news from a selection of countries.

It is reported that property tax revenues for US states and local governments reached a record high in the final quarter of 2013. According to the Census, total property tax revenues in the fourth quarter were \$182.76 billion, the highest quarterly amount on records going back to 1992. That was also about 3 per cent more than the \$177.7 billion in the fourth quarter of 2012. For the year, i.e. 2013, property taxes totalled \$488.34 billion, 3 per cent more than the \$473.71 billion in 2012 and nearly 5 per cent more than the \$466.98 billion in 2011.

It is reported that China has no plans to expand its present property tax pilots to further cities, but is drafting a new property tax law. China is currently testing the use of a pilot property tax in Shanghai and Chongqing and the existing trials in these two cities will continue. A property tax for high-end residential homes was launched in the two cities on a trial basis over three years ago. The program hasn't been extended to further cities despite repeated calls by a number of experts for a nationwide expansion of the reform. The Chinese Premier said in his report to parliament recently that the government wants to accelerate the introduction of a property tax law, but no timetable for the proposal was set out.

In British Columbia, Canada, there is criticism of the strategy of several cities to steer new medical marijuana growers to industrial areas. The Agricultural Land Commission has deemed medical marijuana to be an agricultural crop and there are indications that a marijuana grower located in an industrial area may be able to persuade the assessment authority to apply the farm tax rate, rather than the much higher industrial tax rate to the property. Cities have been passing bylaws to control where and how new medical marijuana producers will be allowed to set up. While some cities have sought to ban commercial marijuana growing entirely, several others are limiting it to industrial land only so the facilities aren't built on productive farmland.



Egypt has amended its property tax law and committees will be established in every governorate to determine property tax values by surveying and evaluating the rental value of properties according to their condition, geographical location and associated facilities. An appeals committee will review taxpayer submitted appeals according to the new law. The ministry reported that residential properties with annual rental values less than EGP 24,000 will be exempted from paying taxes, along with commercial units with annual rental values less than EGP 1,200.

A new property tax payment incentive scheme has been introduced in part of the UK. Residential property taxpayers across London are being offered the chance to win a prize of £25,000 by opting to pay their council tax bill on a direct monthly basis. The not-for-profit organisation behind direct debit is offering the prize to taxpayers across 16 London boroughs.

Staying with council tax in the UK, one local authority which has reduced council tax bills by 2% for 2014/15 is offering its residents the option of "donating back" their savings for further investment in community services and saying how they would like their donation to be spent.

In Australia, the ACT's tax chief has taken the unusual step of publicly identifying properties across Canberra that have fallen into tax arrears, and warns he will repossess the sites if the debts are not cleared. The commissioner said he had exhausted his other debt-recovery options before naming the investors' sites. He hoped the decision would help the ACT recover almost \$1 million in unpaid revenue.

In New Zealand, Christchurch City Council's first post-earthquake property revaluation indicates the city's total Rating Value has risen from \$75 billion to \$84 billion. The revaluation shows residential properties have risen 16.2 per cent, compared with an approximate nine per cent rise for commercial and rural properties. It was reported that, based on the recent revaluation, the average house in Christchurch has a Rating Value of \$455,000. With a 6.5% rates rise, this



property will pay \$2076 in rates. The Government approved a special methodology for the revaluation that excludes earthquake damage; however, although the new valuations do not take into account any physical earthquake damage, they do reflect the market reaction to the earthquakes.

In Ahmedabad, India, the municipality has undertaken one of the biggest drives against property tax defaulters. The tax team sealed 627 shops for non-payment of property tax in one week alone. Since early February, the AMC team has sealed over 700 shops and complexes in different zones of the city. The municipality considers this to be a very effective way of forcing defaulters to pay.

And finally, although I have mentioned it previously, I am interested to see that in Pune, India, the municipal corporation has decided to again employ brass bands to assist enforcement of property tax by playing outside the properties of defaulters until they pay up. The assistant commissioner and chief of property tax department said, "The department will continue the drive till March 31. Owners should either clear the entire dues or clear the arrears partially and commit to pay in instalments." The civic body has hired 10 brass band teams and the municipal limits have been divided into 15 divisions for recovery action using the bands.

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