



## President's Message - May 2014

I hope that all of you who had a break over the Easter holiday enjoyed the time with friends and family. I have been spending quite a bit of time in Canada recently and am writing this month's message from our headquarters in Toronto. It looks as though I will be spending quite a bit more time here over the rest of this year as we have a large number of events taking place in various parts of Canada over the coming months and we are currently working on several projects for organizations based in Canada.

I am very pleased to announce that we have appointed another IPTI Director. Cynthia Williamson has joined us as our Director of Training & Education and will focus on further developing the courses, workshops, seminars and other educational activities we offer, including e-Learning. Cynthia has an extensive background in software development, particularly for mass appraisal, and will use her knowledge and experience to enhance our educational programs. I am sure many of you will already know Cynthia and many more will be meeting her over the coming months.

I am sorry to say that, for a number of reasons, we will not now be going ahead with our annual conference planned for Mexico City in September this year. However, we will be holding our next annual conference in Brazil in March 2015 and we will provide more details about that event in due course.

Taking a quick look back at what we did in April, we started the month with a joint IMA-IPTI workshop on "Cost and Depreciation Analysis" held in London, Ontario. As usual, this workshop was well attended and covered key aspects of using the cost method of valuation for property tax with a focus on the challenging area of adjusting the valuation to reflect depreciation including physical deterioration, functional and economic (external) obsolescence as appropriate.

I am pleased to say that early April also marked a "first" for IPTI in holding a conference in London (UK this time, not Ontario!) in partnership with Landmark Chambers, one of the leading groups of barristers in the UK dealing with property. The conference was held at the Royal College of Surgeons which is a wonderful old building located at Lincoln's Inn Fields in London. We had leading names from the world of property tax (business rates) barristers speaking at the event which



attracted a large audience of practitioners keen to hear what these legal experts had to say about current case law and other topical issues. It was regarded as so successful by both speakers and delegates that we will be holding another similar event next year.

Later in April we ran another IMA-IPTI workshop in Toronto, this time on the subject of "Property Tax Policy". This workshop looked at some of the key aspects of property tax systems issues including the tax base, tax rate, tax relief policy considerations, along with the legislative framework for property tax.

We ran yet another IMA-IPTI workshop in mid-April, this time on the subject of "Mass Appraisal – Theory and Practice". The workshop was held in Toronto and focused on basic theory, statistical measures, advancements in technology, valuation model building and testing, quality control, and correlation of values. The presenters worked through the model building process using practical examples and the event was well received by delegates.

Towards the end of April we ran a two-day seminar in Fort Lauderdale, Florida on the subject of "Introduction to Regression and Spatial Analysis used in Mass Appraisal". This seminar looked at the basics of market analysis, a review of linear and multiplicative regression, location value response surfaces, and working with market models using non-linear regression and spatial analysis.

Finally in April we ran two one-day workshops in conjunction with the Alberta Assessors' Association who were holding their 54th Annual Conference in Red Deer, Alberta. One of our workshops looked at "Sales Comparison and the Analysis of Sales Data" and the other was concerned with the "Valuation of Land" and covered the valuation of commercial, industrial and high-density residential land.

We have continued work on the COST-IPTI Scorecard which we are on track to publish next month. The Scorecard - which provides a review of the administrative aspects of property tax systems in various jurisdictions - covers all the States in the USA and Australia, all the Provinces in Canada, all the countries in the UK, and Hong Kong, South Africa and New Zealand. It will be officially "launched" at the IPTI MAVS being held in Calgary, Alberta in June. I hope the Scorecard will prove to be of interest to everyone interested in the effective administration of property tax systems in those jurisdictions.



We will be holding two more IMA-IPTI workshops in Canada during May. One will be looking at "Assessment Appeal Preparation" and the other is focused on the "Valuation of Residential Land". More detail is contained on our website:

[www.ipti.org](http://www.ipti.org)

Some of you will be familiar with IPTI Xtracts which is a series of articles about property tax issues from around the world; these are shown on our website and I know that many of you find these interesting and a useful way of keeping in touch with what is going on globally. I am pleased to say that, since we started Xtracts two years ago, we have now got around 3,000 articles in our records of which nearly 2,000 have been put on our website. The ones we don't publish are those that are either too political, sensitive or controversial for an impartial organisation such as IPTI to publish, but they all add to our knowledge of what is going on in various countries.

We are also continually updating IPTIpedia, our database of factual information relating to property tax systems in selected countries. The combination of data from IPTIpedia and articles from IPTI Xtracts provides a useful knowledge base for anyone interested in property tax systems in various countries.

I will now move on to take a quick look around the property tax world to see what is happening of interest in various places.

Starting with Finland, it is reported that the Ministry of Finance has set out plans to overhaul the Finnish real estate tax scheme in an attempt to adjust the assessed valuation of properties to take into account their location. It is understood that, at present, the value of a property is determined separately for the building and land and revised annually on the basis of the increase recorded in construction costs. However, in recent years, the valuations of land have only been revised on the basis of inflation rates. A survey carried out recently by the Ministry of Finance indicates that the current real estate tax scheme fails to distribute tax liabilities evenly between property owners. According to the ministry, the valuations used as the basis of tax decisions do not reflect the market-determined prices of properties. A more equitable tax scheme, the ministry concludes, would be one that takes into consideration the market-determined prices. "In principle, the tax would then take into account the tax-paying ability of the owner," the ministry explains.



The Slovenian government plans to raise value added tax (VAT) from May 1 to increase state revenues after the country's top court ruled out a new real estate tax. VAT is expected to be raised to 24 from 22 percent. Slovenia had hoped to raise an estimated 126 million euros (\$173 million) per year - equivalent to about 1.5 percent of state income - via the real estate tax. But the Constitutional Court rejected the tax saying the proposal was unconstitutional because it did not determine the value of real estate clearly enough.

Moving on to the USA, attorneys acting for a group of poor Alabama schoolchildren and their parents have filed a petition with the U.S. Supreme Court asking it to consider scraping Alabama's property tax system. They argue that Alabama's property tax system, which collects the lowest taxes in the country per capita, was set up to ensure wealthy landowners would be able to pay low rates and effectively ensure limited funding for public schools attended by minority children in Alabama. The state has argued the property tax is not discriminatory, voters have the ability to raise rates and state data shows no deficiency in funding for school systems with large minority student populations. A U.S. District Court in Huntsville and the Court of Appeals have both found for the State of Alabama, but the plaintiffs argue the case is important enough for the Supreme Court to take it up.

Local Government New Zealand launched a recent review of the way councils raise money. It is concerned that councils rely too heavily on property rates and that demographic changes will make it increasingly difficult for councils to build and run the infrastructure their communities need over the next 50 years. Councils are worried that as populations age and shift, ratepayers won't be able to, or want to, pay enough to cover the cost of roads, footpaths, water pipes, sewers, storm water drains, libraries, street lights, sports fields, etc., that cities and towns depend on. Local Government New Zealand has suggested a range of new ways to raise money, including payroll taxes, sales taxes, petrol taxes, congestion charges and visitor charges. It also suggested that councils should use debt more often to pay for infrastructure that has a long life span. These ideas are proving somewhat controversial and have provoked quite a backlash of opposition from those who see themselves as being adversely affected by the suggested change.

Housing taxes in Taiwan could be subject to new rates by May 2015 if legislation seeking to deal with high housing prices is passed. The Bill will raise the tax rate for non-owner-occupied homes to between 1.5% and 3.6%, though the rate for



owner-occupied homes will be left intact at 1.2%. It will also allow local governments to set the differential rates for non-owner-occupied property at their own discretion based on each homeowner's property holdings. Rates for non-residential properties such as private hospitals and law offices will be also raised, from the current 1.5%-2.5% rate to the higher rate of 3%-5% under the proposal.

Property owners in British Columbia, Canada, are said to be satisfied with their assessments as evidenced by BC Assessment's recent release of the 2014 Assessment Roll appeal rates. For 2014, a total of 17,874 property assessments were appealed which equates to about 0.91 percent of the approximately 1.95 million total properties on the 2014 Assessment Roll. This low rate of appeals is consistent with past years and marks a notable overall reduction since 2010.

Two interesting recent reports have been released dealing with the impact of wind farms on residential property values. In the UK, wind farms could be decreasing nearby property prices by as much as 12% according to research unveiled by the London School of Economics (LSE). The LSE's study found that properties within a 2km radius of a wind farm have been typically been sold for 12% lower than their actual valuation, though houses as far away as 14km are estimated to have been adversely affected in recent times. The study's findings contain a contrary conclusion to the one derived by the UK Centre for Economics and Business Research released last month, which stated that no household's property value had been affected by wind turbines within a 5km radius. Interestingly, a similar conclusion was reached by the Municipal Property Assessment Corporation (MPAC) in Ontario, Canada. MPAC's study concluded that there is no statistically significant impact on sale prices of residential properties resulting from proximity to an industrial wind farm. MPAC's study was specifically related to their latest revaluation of properties for property tax purposes which considered market values (current value assessments) in 2012.

And finally, regular readers of my monthly message may be aware that I have mentioned more than once the practice adopted in parts of India of employing bands to play loud music outside the properties of property tax defaulters to "encourage" them to pay their taxes. I read a recent report which says that, in Pakistan, the Rawalpindi Cantonment Board has decided to hire the services of eunuchs on the pattern of Karachi to ensure recovery of property tax. Initially 50 eunuchs will be recruited who will assist the tax officers and staff in conducting a



tax survey. The eunuchs will accompany the tax survey teams in all areas and sectors and request the tax defaulters to clear their outstanding dues. If payment is not made, the eunuchs will start beating drums outside the doors of homes of the property tax defaulters. I will be interested to see how effective this system of enforcement proves to be!

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