



President's Message - July 2014

I am writing this month's newsletter from the IPTI office in Toronto having just returned from Niagara Falls where we were running two workshops with the Institute of Municipal Assessors (IMA) in conjunction with their annual conference. One of the IMA-IPTI Workshops dealt with "Assessment Appeals Preparation" and the other dealt with "Property Taxation in Ontario".

The IMA invited me to bring greetings from IPTI as part of their conference opening ceremony which attracted over 350 delegates. I was also invited to make a presentation on "The Valuation of Historic Properties" which involved a walking tour of Niagara-on-the-Lake which is a very picturesque location.

The new IMA "Code of Ethics and Professional Standards" were approved by IMA members at the conference which was particularly pleasing for IPTI as we had provided a considerable amount of input to support the development of this document.

Prior to the trip to Niagara Falls, I had been in Calgary, Alberta, where IPTI held its annual Mass Appraisal Valuation Symposium (MAVS). The MAVS, which was titled "Ensuring Valuation Consistency in Turbulent Times", was very successful with speakers from around the world talking about their experience of how property tax systems coped with either economic fluctuations and/or major disasters including earthquakes (New Zealand), bushfires (Australia) and flooding (Canada).

On the subject of flooding, we had a very moving keynote speech from the Mayor of Calgary who spoke about the serious impact of the floods that they had experienced exactly one year before and the community spirit that characterized the response of people in the city to the disaster. There was also some concern locally that, as the Mayor was speaking at the opening of our MAVS, heavy rain was falling; however, as far as I am aware, there was no flooding on this occasion.

We also had presentations at the MAVS updating delegates with developments in the use of information technology, quality assurance, valuation standards, training and education, the role of the expert witness in assessment appeals, the valuation of specialized properties along with reports from as far afield as Russia, South Africa and Hong Kong. Everyone who attended reported that it was a very informative and enjoyable event.

One of the many interesting presentations we had was by a speaker who described the work of those in the property tax profession as "noble" and "important"; he also emphasized we were doing work "that really matters" which was reassuring!



We also launched several initiatives at the MAVS. First, we made available the new book we have published called "Improving Mass Appraisal Valuation Models Using Spatio-Temporal Methods". The author of the book, Richard Borst Ph.D, was at the MAVS and kindly signed the book for those who bought copies. We also published information about our new e-Learning platform; more about that in due course. We also presented the results of our COST-IPTI Scorecard which looks at how property tax systems in various countries, states and provinces "score" in terms of transparency, simplicity, consistency and fairness. Needless to say, the scorecard attracted a great deal of attention from those at the MAVS working in the jurisdictions concerned. The scorecard will be published very shortly.

Although it is still at a very early stage in our planning for next year, it looks as if we will be holding our 2015 MAVS in Amsterdam, Holland. I will provide more details about that in due course.

Prior to the MAVS, I had meetings in Vancouver and Victoria with colleagues from BC Assessment and the government of British Columbia, following which my wife and I had a very enjoyable drive over the Canadian Rockies to Calgary.

So June was a very busy month both with events and with IPTI projects which reached the preparation of final report stage. I am pleased to say that we have been asked to deal with a number of new projects which look as though they will us busy for much of the rest of this year.

Looking ahead, we will be spending much of July progressing either existing or new projects and preparing for events we will be holding in August, including another Osgoode Hall-IPTI training course on report writing and a professional meeting we are holding in conjunction with the Commonwealth Heads of Valuation Agencies (CHOVA) conference which is being held in Toronto. CHOVA will bring together leaders of assessing agencies from around the world and we are pleased to be participating in this event. I will also be making various presentations at the IAAO annual conference in Sacramento, California in August.

Looking a little further ahead, we are putting the finishing touches to our events in Barbados in October and Australia in November. I will provide further information about these events in due course.

Another matter which I am pleased to be able to report is that my IPTI colleague, Gerry Divaris, one of our Directors based in Canada, has recently received a Federal appointment from the Governor General to be a Member of the Payments in Lieu of Taxes (PILT) Dispute Advisory Panel (DAP). PILT is a significant issue in connection with the



property tax system in Canada and the DAP plays an important role in resolving any disputes between the parties over its administration. Gerry therefore has an important role and I wish him all the very best in his new position. We are hoping that Gerry will be able to continue to participate in IPTI events and other activities, so long as they are not incompatible with his role with the DAP.

Time now for a quick look around the world at some of the things that are happening in various countries in connection with property taxes.

In Canada, the government in British Columbia has taken a decision that medical marijuana - as well as any other federally regulated narcotic - will not be eligible for farm classification for property taxes. Many local governments have been concerned about the possibility that new medical marijuana "grow-ops" could claim farm status to qualify for lower property taxes.

Moving on to the USA, lawmakers in New York City plan to extend the existing tax break for solar panels, originally introduced in 2008, until 2017. The bill is also meant to offset the higher cost of installing solar capacity in the city due to stringent regulations and the complexity of building sites. Sponsors say eligible properties include most residential homes, co-ops and condos, rental buildings and commercial and industrial properties. The tax break is the lesser of 5 percent of the cost of the solar panel installation, property taxes in the year panels are installed, or \$62,500.

Staying in the USA, many areas of Nebraska have experienced damage or destruction of property due to floods or tornadoes that occurred after the January 1, 2014 assessment date. Whilst there is said to be sympathy on the part of officials for those affected by these extreme weather conditions and natural disasters, there is no provision in Nebraska law that allows anything other than the assessed value, as determined by the county assessor on January 1, to be the basis for taxation in the current year. As was discussed at our recent MAVS, other jurisdictions in the USA have changed their legislation to allow this type of damage to be taken into account, so it will be interesting to see if pressure is applied to make similar changes to the law in Nebraska.

As reported at many IPTI events, the United Kingdom has the highest level of tax on immovable property as a share of country GDP in the European Union. This has been confirmed in the latest figures available. According to Eurostat's annual analysis of the Union's taxation trends, property tax in the UK amounted to 4.1 per cent of GDP in 2012, the most recent year the data is available, against an average of 2.3 per cent across the bloc. The majority of property tax is in the form of recurrent taxes, which are typically paid annually and linked to some measure of the value of the property. In the UK, 3.4 per cent of the total 4.1 per cent for 2012 is in the form of recurrent taxation. The



remaining 0.7 per cent is classified as 'other property taxes' which include property transfers and transactions. The UK has the highest reliance on immovable property taxes from the OECD-10, with the United States and Canada following. It also outranks all other countries in terms of the total percentage of property tax as a share of total taxation, despite a decrease since 2008. Property taxes in total made up 11.7 per cent of total tax in the UK, with the government raising almost £64 billion from these taxes.

In Ireland, the European Commission (EC) has suggested that property tax should be extended to cover more assets such as farmland, development land, and derelict sites. Property tax was introduced as a separate payment by households under the agreement accompanying EU loans to the country, based on the capital value of the property. However, the commission's report notes that "the base remains relatively narrow, as it excludes non-residential property such as farmland, development land, and derelict sites". It also notes that commercial buildings have been, and continue to be, subject to property tax.

The EC also recommended that council tax in the UK be amended to raise property taxes on higher value properties. In a review of UK economic policies, it said council tax bands should be revalued and action taken to address rapid house price rises in London. It said it was suggesting how the UK could raise new revenue "in a fair and efficient way, which does not hamper competitiveness or increase poverty". The commission added, "We are suggesting adjustments that would make the council tax system fairer for homeowners and more efficient in terms of government revenues." It went on to say, "At the moment, increasing property values are not translated into higher property taxes as the property value roll has not been updated since 1991," and it added, "Taxes on higher value property are lower than on lower value property in relative terms due to the regressivity of the current rates and bands within the council tax system."

The Australian Bureau of Statistics has released data which revealed that 46.4% of state and local government taxation revenue over the 2012-13 financial year came from property related taxes. The data showed that, over the year, state and local governments collected a record \$35.931 billion in taxes from property related sources. Of the \$35.931 billion in property related tax revenue collected in 2012-13, 40% came from municipal rates and 36% came from stamp duties on conveyances. Land tax was the only other sizeable contributor to property related tax accounting for 17% of revenue. Over the year the most significant increase in property related taxes came from stamp duty, up by 16.9%. The amount of tax revenue collected from municipal rates increased by 6.8%, and land taxes increased by 1.5%.



Staying in Australia, the number of Queensland landholders lodging objections to their land valuations has fallen to the lowest on record. It is reported that less than one-fifth of one per cent of landholders had lodged objections to statutory land valuation notices issued on 12 March 2014. "A total of 1,663 objections were received during the objection period which closed on 12 May 2014, representing just 0.17 per cent of the 1,001,339 notices issued to landowners in 41 of Queensland's 62 rateable local government areas," a spokesman said. He continued, "In a first for Queensland, landowners have been able to see data including the spatial representation of the valuation, valuation dates, have the ability to search by property identification number and a real property description, and all on a satellite imagery background that allows users to zoom in right down to property level."

Moving on to Africa, it is reported that the government in Nigeria has prepared new legislation making property tax compulsory for property owners in the Federal Capital Territory (FCT), with the exemption of property owned by churches and mosques. The law provides for the establishment of the FCT Internal Revenue Service and makes provision for assessment, levying and collection of tax on real property within the FCT. In Section 24, the board is empowered to "cause all taxable, real property in the FCT to be appraised at least once in every five years..." and "all taxable property must be appraised at its market value as of January 1 in the year of appraisal." The rate of assessment indicates that taxable real property in the FCT would attract the following rates: (a) Residential-0.1 per cent; (b) Commercial-0.2 per cent; (c) Recreational-0.1 per cent; (d) Government and governmental agencies-0.1 per cent and (e) Others-0.3 per cent. A government spokesman said, "Although oil is good, we believe that if we have additional funds coming from some other sources, it will help us in great measure in meeting up with the expectations of the people. So, this bill is a step in the right direction by the FCT, which we recommend to every other level of government."

Staying in Africa, in Ghana the government has announced that property rates will be reviewed to reflect their current economic value. Property taxation has long been seen as an area largely neglected by the country's tax authorities. Last year, in a bid to tackle one of the key impediments to efficient property tax collection, the President directed the Ministry of Local Government and Rural Development to make certain that all streets in the country are named, and houses also numbered, within 18 months. A spokesman said that the aim is not to introduce new property taxes, but to review and enforce existing ones, as well as expand the base. The rates range from 0.05 to 1 percent and depend on the classification of the area where the property is located. There is, however, said to be weak enforcement of the taxes - property owners either do not pay at all or can defer payment for years - and a general perception that properties are grossly undervalued by the assemblies, which lack personnel with the skills and logistics to undertake fair valuation of properties in their jurisdictions.



And finally, I see there are reports that property taxes are continuing to be paid in respect of properties that are underwater in Glynn County, Georgia in the USA. It seems that there are about 45 lots on the beach on the south end of St. Simons Island that county appraisers say are worth only \$200 each. That comes to \$2 a year in property taxes. People in modest houses in the middle of the island pay more than 500 times that amount. But looking at the local property maps, the position becomes clear. These lots don't overlook the ocean, they "underlook" the ocean according to one local with a sense of humour. Thanks to Hurricane Dora 50 years ago, the houses, lawns and driveways were washed away and the properties are underwater. Yet the taxes are dutifully paid on most of them; to quote one taxpayer, "It's been in the family for years. I've been paying \$2 a year, and it ain't killing me," he said.

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