IIFI IPTI
International Property Tax Institute

PRESIDENT'S MESSAGE

June 2019

I am pleased to report that the COST-IPTI Scorecard is now finalised and will shortly be published on our website. It is titled "The Best (and Worst) of International Property Tax Administration" and contains the outcome of research carried out by the Council on State Taxation (COST) into the 50 US States - along with Washington DC and Puerto Rico - and IPTI's research into a total of 27 jurisdictions from around the world including Australia, Canada, Hong Kong, Ireland, New Zealand, Singapore, South Africa, Spain, the Netherlands and the United Kingdom.

We are very grateful to all who kindly contributed the factual information and opinions that enabled us to put this report together. Wherever possible, we sought the views of property taxpayers, practitioners, assessors and municipalities in order that we could obtain a variety of perspectives about the particular property tax system we were studying. COST and IPTI carried out careful analysis of the information provided along with further independent research to check the factual position; we then graded the results in accordance with our findings. We also carried out a series of moderation meetings between the two organisations to ensure we were carrying out the final scoring on a consistent basis.

For those who may not be aware of the previous international scorecard we published in 2014, that is also still available on our website. The temptation may be to compare the results of the previous scorecard with the latest one to see what changes there may have been. However, although some of the questions we asked this time were the same or similar to the previous exercise, many have changed so it is not possible to compare like with like.

It is also important to emphasise that the scorecard looks primarily at objective, factual information to avoid subjective judgements about, for example, the quality of property tax valuations. The information we have graded falls into three main categories, each having three sections as indicated below:

(a) Transparency - centralized information; valuation notices; valuation practice.

(b) Consistency - central agency oversight; equal assessment practices; assessor/appraiser training and outreach.

(c) Procedural Fairness - adequate appeal period and initial hearing; fair independent tribunal review; other procedural fairness issues.

Within each section there are three sub-sections meaning that there is a total of 27 questions covering the various aspects of the property tax system we were studying. There are too many questions to include them all in this newsletter but, to give a flavour of the type of questions we asked, here are a few examples: is there a centralised website; how often are properties revalued; are there standardised forms; is there a single tax rate for all properties; how long do taxpayers have to appeal valuations; is there an independent tribunal for appeals; is there a fee required to make an appeal.

The intention of preparing and publishing the scorecard is to draw the attention of policy-makers to areas for improvement in the administration of their property tax system. Perhaps, inevitably, the focus is likely to be on the actual scores, but the comments and background information contained in the report are also important. Every jurisdiction wants to be favourably regarded and not find itself at the lower end of the scale, but this is not an exercise in "winners and losers"; it is primarily about the search for best practice and experience-sharing.

As already indicated, it is important to read the entire report to obtain the full picture, but here is a brief indication of the top (A) and bottom (F) of the overall scores for the jurisdictions concerned.

Top U.S. Ranked Jurisdictions	
Georgia	B+
Kansas	B+
Florida	B
Texas	B
Bottom U.S. Ranked Jurisdictions	
Hawaii	D-
Massachusetts	D-
New York	D-
Puerto Rico	D-
West Virginia	D-
Mississippi	F
Pennsylvania	F
Top Non-U.S. Ranked Jurisdictions	
British Columbia	B+
Hong Kong	B+
New South Wales	B+
New Brunswick	B
Ontario	B
Queensland	B
Singapore	B
Bottom Non-U.S. Ranked Jurisdictions	
Quebec	C-
New Zealand	C-
South Africa	C-

I hope people will take the time to read the full report as it contains lots of useful information in both the main scorecard and the separate "addendum". Whilst we are aware that some may disagree with the scores allocated, I hope readers will accept that they reflect an impartial, independent analysis.

Looking back over the last month, we have been involved in lots of interesting activities. Work continues on a number of IPTI projects and we participated in various events, including another in our series of webinars presented in partnership with the Institute of Municipal Assessors (IMA). This webinar was on the topic of "Determination of Equitable Assessments - Value and Equity Considerations" and was well received by those participating. We have another IMA-IPTI webinar next month on the topic of the "Importance of Function and Utility in the Application of the Cost Approach".

Another important event we held in May was the first CBI-IPTI business rates conference which was held in London. The CBI is the Confederation of British Industry and is a large and powerful organisation representing businesses in the UK. This high-level conference was held at a time when the business rates system (the annual property tax paid by occupiers of non-residential properties in the UK) is both topical and controversial. We had a senior minister from the UK Treasury speaking at the event along with a member of the Parliamentary Treasury Committee which is currently reviewing the impact of business rates on businesses. The CBI provided input from businesses and IPTI provided input from international property tax experts. It was a very successful event which attracted lots of media publicity.

Also in May, we cooperated with Rethink Solutions in relation to a conference they held in Florida, USA on the subject of "Property Tax Transformation: Unifying Process and Technology". Last year, IPTI provided an independent report for Rethink Solutions on the way in which large corporations manage their property tax liabilities and the conference gave us an opportunity to discuss the key issues with representatives of a number of US-based corporations. All agreed that the efficient management of property tax liabilities, particularly across many different jurisdictions, is a major challenge for large corporations, and there can be expensive penalties incurred if this task is not carried out effectively.

Another event in which I represented IPTI during May was a study day in London organised by the Rating Diploma Holders Section of the RICS. The final module of this specialist diploma requires an understanding of international property taxes and I presented two sessions on this topic, including one on our international scorecard which was of great interest to those participating in the event.

Looking ahead, we are getting close to our annual Mass Appraisal Valuation Symposium (MAVS) which is going to be held in a hotel overlooking Lake Bled in Slovenia on 11-12 June. We have a great line-up of topics and speakers for the MAVS and it has attracted a great deal of interest from both Europe and around the globe. We are pleased to acknowledge that the MAVS is being sponsored by both the IMA and PVSC (the Property Valuation Services Corporation, Nova Scotia). At present, we have people attending from 30 different countries, so this promises to be a great experience for all concerned.

Beyond that, we are running a property tax training course in Sao Paulo, Brazil during August; we are participating in the annual Property Tax Workshop run by COST in Las Vegas during September; we have our annual RICS-IPTI Caribbean conference in the Bahamas during October; and we are running a Local Government Conference in Melbourne, Australia in November.

As usual, more information about all IPTI's forthcoming events, along with registration and other details, can be found on our website: www.ipti.org

I am pleased to announce that we have now published the latest edition of the "Journal of Property Tax Assessment & Administration" (Volume 16, Number 1, 2019) which can be found on our website.

Now, it's time for a quick look at what is making headlines concerning property taxes in selected countries around the world.

It is reported that the U.S. Commerce Department in Washington is set to rule in June whether property taxes charged by New Brunswick (Canada) on privately owned forests in the province amount to a subsidy. New Brunswick has assessed private timberland at a rate of $100 per hectare since 1994. A spokesman for New Brunswick said, "Our government is confident that our property tax policies do not constitute a countervailable subsidy." In a hearing in Washington, lawyers for a collection of U.S. lumber companies argued New Brunswick's practice of assessing and taxing forest properties as though they are worth $100 per hectare is artificially low and a clear government benefit to private owners of timberland. Forest properties on the open market in New Brunswick generally sell for prices much higher than that. "The New Brunswick Assessment Act states that all real property shall be assessed at its real and true value, but freehold timberland shall be assessed at 100 Canadian dollars per hectare," said one of the lawyers representing the U.S. lumber companies at the hearing. "This shows special treatment of timberland properties, as opposed to other types of properties, which are assessed based on its real and true value." The $100 valuation was set in 1994 and has been left frozen in legislation by a succession of New Brunswick governments for the last 26 years. It applies to an estimated 2.8 million hectares of privately-owned forest in the province and represents more than 70 per cent of all private property in the province. Lawyers for New Brunswick acknowledge the assessment of forest properties bears little resemblance to what the properties actually sell for, but they state that the $100 per hectare valuation is reasonable because it applies only to the forest floor, not to the trees themselves.

In Canada, the city council in Vancouver voted to shift two per cent of property taxes from businesses to residences over the next three years with the aim of providing some relief for the city's small businesses. In May, one per cent was shifted to homeowners, followed by half a per cent transfer of the tax for the next two years. Interestingly, staff working for the council issued a report which recommended not to make such a change. Their report said, "A blanket two per cent tax shift does not effectively target the [approximately] twenty-one per cent of commercial properties impacted by assessment volatility arising from development potential. Instead, it reduces property tax for all commercial properties without considering whether or not they need any tax relief," said the report. However, the Downtown Business Improvement Association says Vancouver's small business community has been struggling under high property taxes for a long time. They said that the tax shift is a welcome step in the right direction considering businesses are responsible for forty-five per cent of Vancouver's property tax bill yet make up only seven per cent of all properties. "There's an unfairness here and inequity that's been going on for decades in this city," said their spokesman. He added that, on a $1 million property, the tax increase is expected to cost the homeowner an extra $24 for the first year. One councillor said the city should use its tools in a focused way to benefit small businesses, like implementing a split assessment. At present, businesses are taxed based on the property's market value, which means the 3,000 commercial properties deemed "under-developed" in Vancouver pay taxes assessed from the overall development potential. City staff are expected to report on the effectiveness of split assessments in time for the 2020 tax year.

In New South Wales, Australia, a Sydney council wants to increase property rates by almost 50 per cent for apartment owners as councils across Sydney seek to narrow the gap in average rates paid for apartments compared with houses. Sutherland Shire Council has asked the Independent Pricing and Regulatory Tribunal (IPART) to approve an increase in minimum rates from $602.30 to $900 - a huge rise compared to the maximum increase of 2.7 per cent permitted by the pricing regulator. A council spokeswoman said most apartment owners in the Sutherland Shire paid minimum rates, which are less than half the $1,482 levied on other residential properties, yet all residents are provided equal access to council services. “An increase in the minimum rate will see the gap between average rates paid for apartments compared to houses reduce,” she said. “However, because traditional housing will generally have higher land values per individual ratepayer, these types of residential properties will still pay a higher amount of rates.” Other councils such as North Sydney and Randwick also argue the rates paid by apartment owners are too low because of the way council rates are calculated. Rates in NSW are calculated according to a property’s land value rather than market value. For apartments, the land value of a site is divided among all the ratepayers in the block, so they end up with a lower comparative land value than homeowners. IPART will decide this month whether to approve applications from 13 councils to increase rates beyond the rate peg based on criteria such as financial need and the community’s capacity and willingness to pay. The Strata Community Association (NSW) said, “We strongly disagree with unit owners being burdened with more costs for no further benefit.” They said that the cumulative rates of a large apartment complex often outstripped the rates paid for a single dwelling on the same land, yet the street frontages and infrastructure were comparable.

In the Bahamas, the Department of Inland Revenue (DIR) is pressing forward with its Real Property Tax Modernization Project that will update the real property register and eventually upgrade the entire assessment process and the outdated land register. In June, data collectors will start door-to-door visits to create a total inventory of all properties in New Providence. The project will hire up to 40 Bahamians to assist DIR and project consultants over the next 18 months. It will expand across the Family Islands as the next phase. The cost of the project - inclusive of the engagement of Bahamian staff during the 18-month exercise - is $7.2 million. The target is to add an estimated $21 million in RPT revenues annually, with an expected increase in the Real Property tax roll by about 30%. The project is a key component of plans announced by the Ministry of Finance to enhance revenue administration and improve yields from existing taxes. The project also falls in line with the broader push to digitize all government services. “This exercise is long overdue to help address known challenges with the RPT system and general inefficiencies in the Government’s tax administration. It will help to reduce further revenue leakage caused by dated, incomplete and inaccurate data currently stored in the system, and allow for fair and timely assessments, using quantifiable and objective criteria,” the minister said. He went on to say, “The data collection exercise commencing in June is only one part of a larger project, but it will set an important foundation for the entire RPT modernization.” In the future, the Government will provide online access to a public database of property values using data collected for the current data collection exercise. The project will establish a fully integrated and digital process for DIR to keep property values up-to-date, and create an open, transparent and objective basis for tax assessments to be made, queried and challenged. As mentioned earlier, IPTI and the RICS are holding their annual Caribbean conference in the Bahamas later this year, so local property tax issues will be high on the agenda.

In Saudi Arabia, the Ministry of Housing said it would spend $6.6m (SAR25m) to implement infrastructure for a project west of King Khalid International Airport in Riyadh with the cash coming from revenue generated by its Idle Land Tax system. The Idle Land Tax, also known as the white land tax, came into force in 2016. It imposes a levy on undeveloped plots of land in big urban areas such as Riyadh, Jeddah and Makkah. The law says that revenue generated by the white land tax should be invested into Saudi Arabia's construction projects to meet demand in the kingdom for mid-market housing. In a statement on the Ministry of Housing's website, the government said it had a plan to use tax revenue to fund the development of infrastructure projects and public services for a number of schemes nationwide. This will include housing projects, the construction of power stations, setting up utility services such as water and electricity, building water treatment plants, and other municipal services residents may need. The government is currently in Phase 1 of its plan to use tax revenue for housing and infrastructure projects. The programme has been rolled out in Riyadh, Jeddah, Dammam and Makkah.

In British Columbia, Canada, the Ministry of Finance says more than 97 per cent of people in B.C. who received speculation and vacancy tax notices have filed their declaration forms. The ministry says about 1.6 million property owners received the tax declaration forms and it estimates more than 99 per cent of the owners do not have to pay the tax. The ministry says property owners who didn't file the declaration by the March 31 deadline will receive a tax assessment notice by the end of May reminding them to complete the declaration to claim an exemption or determine eligibility for a tax credit. Owners not exempt from the tax must pay their assessed amount by July 2. The ministry says foreign property owners, Canadians living outside of B.C. and satellite families - those who live in B.C. but pay income taxes elsewhere - make up more than 80 per cent of people who will pay the tax. For 2018, the tax rate is 0.5 per cent of the assessed value for all properties subject to the tax and next year it increases to two per cent for foreign owners and satellite families.

In Norway, a new exemption from property tax for production equipment has been introduced. The industry sector is now exempted from property taxation for production equipment at shipyards, fish farms and oil-and-gas landing facilities, among others. Machinery and equipment in commercial property, once classified as "works and installations" in relation to property taxation matters, were formerly included in the premises property tax basis if they were sufficiently integrated in the premises. Such equipment will no longer be included in property tax assessments which, understandably, these industries welcome.

And finally, like most tax collecting bodies around the world, HMRC in the UK is not renowned for having a sense of humour. However, they must have at least a "flicker of fun" hidden deep within the organisation as they have recently published some dubious excuses for not completing tax returns on time. They include: "I'm too short to reach the post box"; "I was just too busy - my first maid left, my second maid stole from me, and my third maid was very slow to learn"; "my boiler had broken down and my fingers were too cold to type"; and - my personal favourite - "my mother-in-law is a witch and put a curse on me". Needless to say, none of these dubious excuses worked!

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