



# Property Tax Administration

**NCSL Task Force on State and Local Taxation**

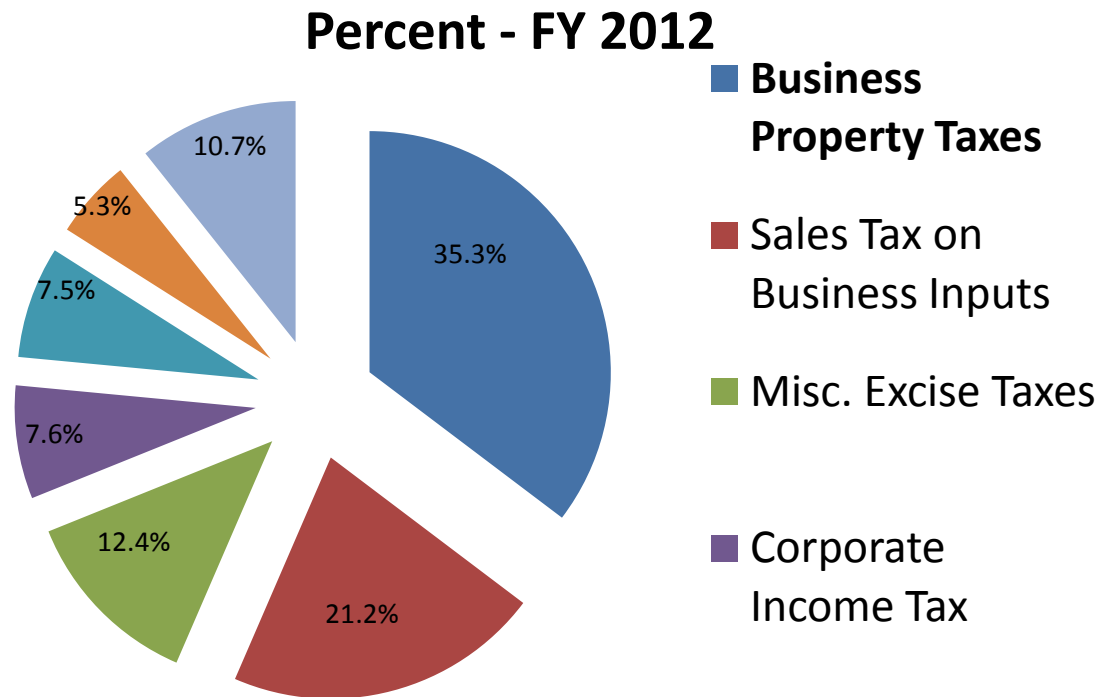
May 30, 2014

Anchorage, Alaska

**Fred Nicely, COST, Washington, DC**



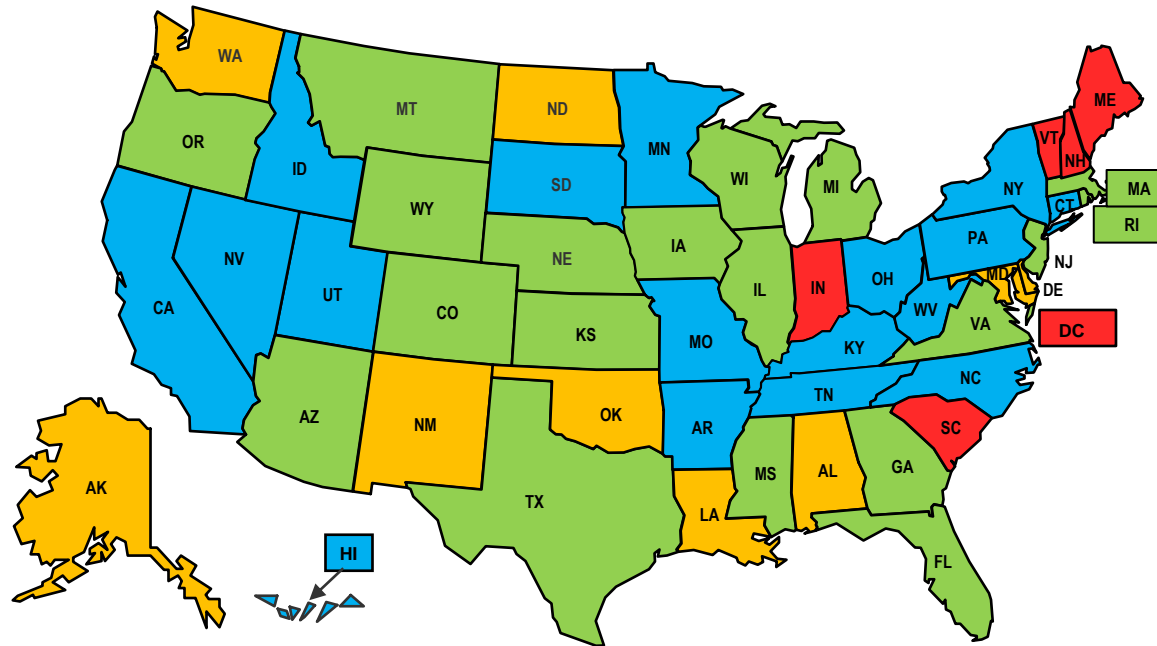
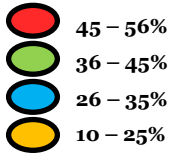
# Composition of State & Local Business Taxes – \$648.8 Billion



From Total State and Local Business Taxes : State-by-State Estimates for FY12, Ernst & Young LLP and COST, July 2013.



# Property Tax as a Percentage of Total Business Taxes



From Total State and Local Business Taxes : State-by-State Estimates for FY12, Ernst & Young LLP and COST, July 2013.



# Good Administration

Good property tax administration requires the following components:

- Transparency
- Simplicity & Consistency
- Fairness



# Transparency

- Laws & regulations on website
  - Example: New York - [www.tax.ny.gov/bus/property](http://www.tax.ny.gov/bus/property)
- Forms on centralized website (not locality by locality)
- Explanation of tax on website
- Actual notice of valuation and appeal rights
  - Sometimes Louisiana provides notice after the tie for appeals has expired (Big problem!)
- Access to general valuation information, excluding confidential information



# Simplicity & Consistency

- Central agency has controls/oversight of Local assessors
- Central agency mandates use of standardized forms (not locality by locality)
- Consistent filing, payment and appeal dates
- Exclusion for *de minimis* values/bills
  - Few states provide a statutory exclusion
- Equal assessment ratio and/or caps on all property
  - 4 States have a commercial ETR 3.5 times higher than the residential ETR: CO, HI, MA, and SC)
- Real property valuation cycle every 2/3 years
- Intangible property equally included or excluded



# Fairness

- Equal interest rate on tax due and refunds
  - Only 15 states meet this requirement
- Minimum 60-day appeal period from notice of valuation change
- Equal or preponderance of evidence burden of proof (not clear and convincing)
  - Additional burden on taxpayer AR, HI, WA, and PR
- *De novo* appeal to independent tribunal to introduce new evidence (*e.g.*, appraisal)
- Not pay or escrow tax on disputed valuation



# Biggest Property Tax Concerns/Issues

Some of the biggest property tax issues that businesses are concerned about:

1. Intangibles
2. Real v. Personal Property Tax Classifications
3. Economic Obsolescence
4. Lack of Comparable Sales
5. Managing Appeals
6. Dealing with Assessors and Contingent Fee Auditing (cherry picking)





# COST-IPTI Int'l Scorecard

- **International Scorecard**
  - General Information (Addendum)
  - Graded Information
    - Transparency
    - Simplicity and Consistency
    - Fairness
- **Countries Evaluated:** U.S. states, Australia (states), Canada (provinces), Hong Kong, Ireland, New Zealand, South Africa, and United Kingdom (countries)



# United States

- **Northeastern States – Part 1**

## Draft Score – Not Final

Connecticut	(T) C, (S) D, (F) C; <b>D</b>
Delaware	(T) D, (S) D, (F) C; <b>D+</b>
District of Columbia	(T) B, (S) C, (F) D; <b>C</b>
Maine	(T) B, (S) B, (F) C; <b>B-</b>
Maryland	(T) C, (S) B, (F) B; <b>B-</b>
Massachusetts	(T) C, (S) C, (F) D; <b>C</b>



# United States

- **Northeastern States – Part 2**

Draft Score – Not Final

New Hampshire	(T) C,	(S) C,	(F) C;	<b>C</b>
New Jersey	(T) B,	(S) C,	(F) C;	<b>C+</b>
New York	(T) B,	(S) C,	(F) D;	<b>C</b>
Pennsylvania	(T) D,	(S) D,	(F) C;	<b>D</b>
Rhode Island	(T) D,	(S) C,	(F) C;	<b>D</b>
Vermont	(T) C,	(S) C,	(F) C;	<b>C</b>



# United States

- **Southeastern States – Part 1**

## Draft Score – Not Final

Alabama	(T) C, (S) D, (F) C; <b>C-</b>
Arkansas	(T) C, (S) C, (F) C; <b>C</b>
Florida	(T) B, (S) B, (F) C; <b>B-</b>
Georgia	(T) B, (S) B, (F) C; <b>B-</b>
Louisiana	(T) B, (S) C, (F) C; <b>C</b>
Mississippi	(T) B, (S) C, (F) C; <b>C+</b>



# United States

- **Southeastern States – Part 2**

## Draft Score – Not Final

North Carolina	(T) C, (S) B, (F) C; <b>C+</b>
South Carolina	(T) C, (S) C, (F) B; <b>C+</b>
Tennessee	(T) C, (S) C, (F) B; <b>C+</b>
Virginia	(T) D, (S) C, (F) C; <b>C-</b>
West Virginia	(T) C, (S) C, (F) D; <b>C</b>



# United States

- **Midwestern States – Part 1**

Draft Score – Not Final

Illinois	(T) C,	(S) C,	(F) D;	<b>C-</b>
Indiana	(T) A,	(S) B,	(F) B;	<b>B+</b>
Iowa	(T) C,	(S) C,	(F) D;	<b>C+</b>
Kansas	(T) C,	(S) C,	(F) B;	<b>B-</b>
Kentucky	(T) C,	(S) B,	(F) C;	<b>C+</b>
Michigan	(T) B,	(S) B,	(F) B;	<b>B-</b>
Minnesota	(T) C,	(S) C,	(F) B;	<b>C+</b>



# United States

- **Midwestern States – Part 2**

## Draft Score – Not Final

Missouri	(T) C,	(S) C,	(F) B;	<b>C+</b>
Nebraska	(T) B,	(S) B,	(F) D;	<b>C+</b>
North Dakota	(T) C,	(S) B,	(F) D;	<b>C</b>
Ohio	(T) C,	(S) B,	(F) B;	<b>B-</b>
Oklahoma	(T) B,	(S) B,	(F) B;	<b>B</b>
South Dakota	(T) B,	(S) B,	(F) D;	<b>C+</b>
Wisconsin	(T) C,	(S) B,	(F) D;	<b>C</b>



# United States

- **Southwestern States**

## Draft Score – Not Final

Arizona	(T) B,	(S) C,	(F) C;	<b>C</b>
California	(T) B,	(S) B,	(F) D;	<b>C+</b>
Colorado	(T) B,	(S) B,	(F) C;	<b>B-</b>
Hawaii	(T) D,	(S) D,	(F) C;	<b>D</b>
Nevada	(T) D,	(S) C,	(F) D;	<b>D</b>
New Mexico	(T) B,	(S) C,	(F) C;	<b>C</b>
Texas	(T) B,	(S) B,	(F) B;	<b>B</b>
Utah	(T) C,	(S) B,	(F) C;	<b>C+</b>





# United States

- **Northwestern States**

## Draft Score – Not Final

Alaska	(T) C,	(S) C,	(F) C;	<b>C</b>
Idaho	(T) B,	(S) B,	(F) C;	<b>B-</b>
Montana	(T) B,	(S) B,	(F) B;	<b>B</b>
Oregon	(T) B,	(S) B,	(F) A;	<b>B+</b>
Washington	(T) B,	(S) B,	(F) D;	<b>C+</b>
Wyoming	(T) B,	(S) C,	(F) C;	<b>C+</b>
• Puerto Rico	(T) D,	(S) C,	(F) D;	<b>D</b>



# Canada

## Draft Score – Not Final

Alberta	(T) B,	(S) C,	(F) C;	<b>C+</b>
British Columbia	(T) A,	(S) A,	(F) C;	<b>B+</b>
New Brunswick	(T) B,	(S) B,	(F) C;	<b>B-</b>
N.L.	(T) C,	(S) B,	(F) C;	<b>C+</b>
Nova Scotia	(T) A,	(S) B,	(F) D;	<b>B-</b>
Ontario	(T) B,	(S) B,	(F) B;	<b>B</b>
Quebec	(T) B,	(S) B,	(F) C;	<b>B-</b>
Saskatchewan	(T) A,	(S) C,	(F) D;	<b>C+</b>



# Sampling of Other Jurisdictions

	<u>Draft Score – Not Final</u>			
England	(T) B,	(S) B,	(F) B;	<b>B</b>
Hong Kong*	(T) A,	(S) A,	(F) B;	<b>A-</b>
Ireland	(T) A,	(S) B,	(F) D;	<b>B-</b>
New South Wales	(T) B,	(S) C,	(F) B;	<b>B</b>
New Zealand	(T) B,	(S) B,	(F) C;	<b>B-</b>
Scotland	(T) B,	(S) D,	(F) B;	<b>C+</b>
South Africa	(T) B,	(S) C,	(F) B;	<b>B-</b>
Victoria (Australia)	(T) B,	(S) C,	(F) B;	<b>B-</b>

\*Hong Kong has the highest score on the scorecard.



# QUESTIONS

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