

Three Residential Models

- Additive (linear)
- Multiplicative (log-linear)
- Hybrid (nonlinear)



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Strong IAAO Representation in Amsterdam

Alan Dornfest, AAS, Doug Warr, AAS, and William (Pete) Rodda, CAE, RES

The 10th Mass Appraisal Valuation Symposium, “Modernizing Property Tax Systems,” sponsored by the International Property Tax Institute (IPTI) was held June 16–17, 2015 in Amsterdam, Netherlands. IAAO President-Elect William (Pete) Rodda, CAE, RES, attended as the official representative of IAAO. A substantial number of IAAO members actively participated in symposium presentations.

Bob Gloudemans of Almy, Gloudemans, Jacobs, and Denne, Phoenix, Arizona, presented a breakout session, “Evaluation of the Three Residential Modeling Techniques.” Paul Bidanset, City of Norfolk, Virginia, also presented a breakout session, “Response Surface Analysis: A Revisitation.” Ingi Finnsson, Registers Iceland, presented a breakout session, “Iceland’s Mass Appraisals: Lessons Learned.” Netherlands IAAO members who presented were Ruud Kathmann, the Dutch Council of Real Estate Investment, and Arri Hartog, Municipal Taxes and Basic Information Drechtsteden.

IAAO Associate Member Michael Lomax, ESRI Canada, presented a plenary session, and Associate Members Rich-

ard Borst, Sr., and Joseph Wehrli, Tyler Technologies, Inc., United States, presented breakout sessions.

In addition, Ruel Williamson, IPTI Chief Operating officer, and Paul Sanderson, IPTI President, both IAAO members, were presenters.



Paul Bidanset, City of Norfolk, Virginia, prepares to present modeling concepts to an international audience.

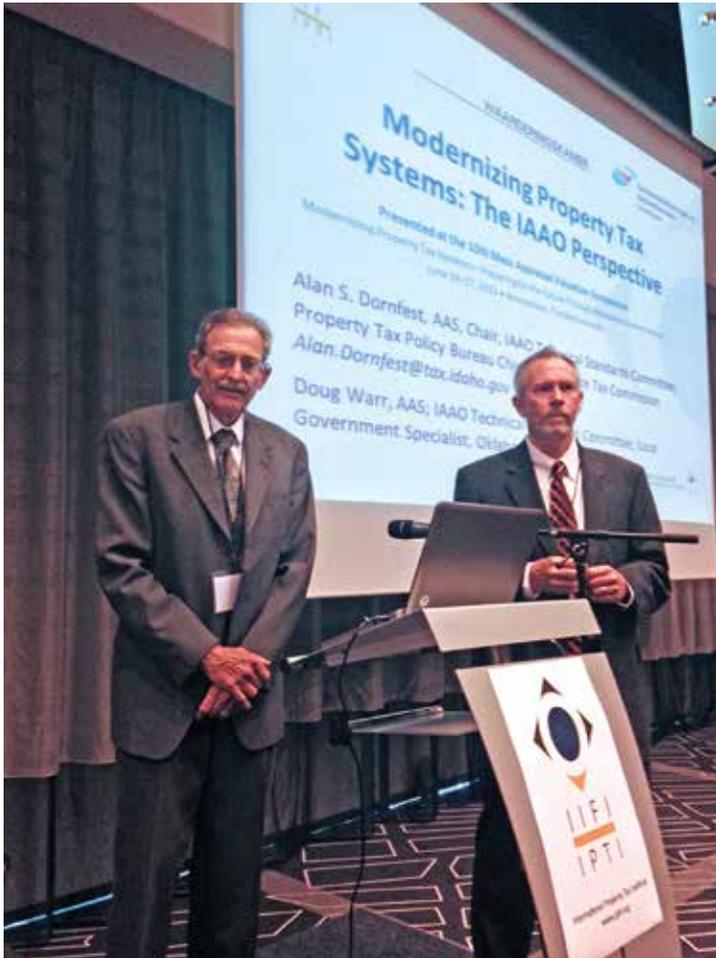
Although some presenters' primary affiliations were with other organizations, they share a common bond through membership in IAAO. This connection allows IAAO to be a catalyst for change, progressive thinking, and integration into the international community.

The plenary session, "Modernizing Property Tax Systems: The IAAO Perspective," was presented by IAAO Technical Standards Committee Chair Alan Dornfest, AAS, and committee member Doug Warr, AAS. The session, which attracted a large audience, focused on the basic policy requirements and fundamental infrastructure needed to implement an effective mass appraisal system.

In this article, we (Dornfest, Warr, and Rodda) describe our individual experiences at and perspectives of the symposium.

Alan Dornfest

It is hard to convey the real excitement of participating as a presenter and a representative of IAAO at a worldwide forum with more than 100 delegates representing 23 countries. So I'm going to reflect on how IAAO arrived at this juncture.



Alan Dornfest, AAS, and Doug Warr, AAS, preparing to present "Modernizing Property Tax Systems: The IAAO Perspective."

IAAO has long had an international presence. Its standards are well respected and widely used around the world in nations that have property tax and that use mass appraisal techniques to administer the valuation functions related to that tax. However, the association's international involvement ramped up considerably in 2011, when the International Valuation Standards Council (IVSC) discontinued its mass appraisal standard. Following that, assessment representatives from the Netherlands approached the IAAO Executive Board and the Technical Standards Committee to request that IAAO fill this gap by modifying its mass appraisal standard to make it more broadly applicable.

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Subsequently, with considerable international involvement, IAAO did that, including a great deal of material on tax policy, as well as on mass appraisal. On both a domestic and international scale, to promote the equity conferred by frequent reappraisal using mass appraisal methods, it's crucial first to have an effective underlying legal framework and a tax system based on sound precepts including, where necessary, targeted tax relief provisions. Hence, tax policy and mass appraisal were combined into one document, which it is hoped is broad enough to be useful in nations with emerging markets and property tax systems as well as in those with mature systems. The final document, "Guidance on International Mass Appraisal and Related Tax Policy," was approved by the IAAO Board in January 2014 and was the focal point for the presentation in Amsterdam. Along with Mary Reavey, then a member of the Technical Standards Committee, I presented the document and described its development at last year's IPTI symposium in Calgary, Alberta, Canada.

The theme of this year's IPTI symposium was "Modernizing Property Tax Systems." In many ways, this is entirely what IAAO standards and guidance are all about. IAAO believes strongly that the adoption of major features of its standards produces a more manageable, equitable, and acceptable property tax system. That's the major message we tried to convey in Amsterdam. It dovetails well with the messages heard consistently throughout the IPTI symposium, with speaker after speaker talking about equity and transparency throughout tax systems.

There was also much background discussion about the amount of tax or the burden of the property tax in each country. One reason this topic comes up is that, as noted in the guidance document, it is difficult to gain political support

for accurate, efficient mass appraisal systems if the amount of property tax being raised is trivial. Property taxes in the Netherlands, for example, reportedly are about \$1,350 per property, an amount that is significant, compares well with many U.S. jurisdictions (the comparable figure in my home state of Idaho would be about \$2,000), and justifies being concerned about valuation accuracy.

Another theme was the importance of what would be deemed a *budget-based* versus a *rate-based* property tax system. A budget-based system avoids or minimizes large tax increases due to reappraisal and thereby increases political support for the greater equity achieved through frequent reassessment.

Reflecting on the many assessment and property tax systems in the United States, we were able to emphasize the fact that, over many years, states have moved closer to key aspects of IAAO standards. This is true, for example, with respect to the adoption of uniformity standards based on the coefficient of dispersion (COD) and the price-related differential (PRD) and the increasing use of level standards that suggest no more than 10 percent variance from statutorily required valuation levels. Since states can act mostly independently with respect to property tax systems, as can nations on a worldwide scale, the importance of and respect for IAAO standards are confirmed by the widespread adoption of these and other key features.

It was personally gratifying to learn the acceptance and use of IAAO standards is widespread and expanding internationally.

Throughout the symposium, presenters from many nations reported widespread reference to and use of IAAO standards. The presenter from Australia, for example, reported using the IAAO *Standard on Valuation of Properties Affected by Environmental Contamination* (2001) as her country grapples with these issues.

Doug Warr

Traveling to Amsterdam is like going back in time to an old world culture but one blended with a modern city that is very green-minded and environmentally conscious. This city, which was the richest city in the world in the seventeenth century, not only still holds that old world charm with its many canals, historic buildings, and museums but also has the modern conveniences of the twenty-first century. The most common cars in Amsterdam are BMWs and Mercedes Benz's—not a single Chevy or Ford to be found—and most people use environmentally friendly trains, trams, or bicycles

for transportation. The symposium theme of modernization and the location in Amsterdam this year was a perfect fit of the old with the new in an ever-changing and modernizing world.

Starting with the welcome and opening remarks, I quickly learned that each of the 23 countries attending the symposium has some variation of mass appraisal and tax policies. I don't think that is shocking or amazing, because in the United States there are 50 states and 50 different ways of doing things. So "Modernizing Property Tax Systems" had a different meaning for everyone.

Nevertheless, some common core issues, both positive and negative, that most countries face surfaced in the various presentations. The term *reform* was used often, usually associated with changes in law or policy. The changes sometimes helped improve tax policies and procedures, but other times, as one speaker stated, "they bungled it." Policy makers are using IAAO standards as guidelines to create progressive tax policies and equitable tax bases among similar types of property.

Another core issue was developing practical budgets and improving efficiency. Numerous presentations addressed how to reduce costs, increase the overall accuracy of assessments, and enhance data quality by improving the education of valuers and using GIS and CAMA technologies. Data collection methods discussed ranged from traditional methods



Doug Warr, AAS, presents a vision for the future of modern property tax systems



Doug Warr, AAS, (left) and Alan Dornfest, AAS, presenting a plenary session at the Mass Appraisal Symposium.

to alternative methods, such as enhanced three-dimensional imagery and change detection software.

Another heavily discussed subject was the appeal process and the costs associated with hearings. Several presenters stated that improved transparency with taxpayers reduces the number of appeals and associated costs. Several countries reported an increased frequency of reappraisals either meeting or exceeding the IAAO standard of every 4–6 years, a trend that corresponds with the findings of the 2009 PTAPP study in the United States and Canada (Dornfest et al. 2010).

The following are a few details I collected from presentations at the symposium including some examples of modernization. World War II affected many countries around the world; for example, Japan's tax system was overhauled after the war by the Allies led by a group of American economists. In 2011, Japan used GIS technology for damage assessments from a tsunami and for reassessment of land after the disaster. Singapore recently combined the valuation notice and annual tax bill into one notification and reduced costs and appeals to 0.06 percent. In 1981 a CAMA system was introduced in Denmark; it was the first in Europe. Today Denmark has one of the most accurate valuation systems in Europe. Slovenia in 2014 was set to introduce a CAMA system to increase property tax revenue considerably, but the system was rejected by the constitutional court. The Netherlands has a tax on dogs and a tourist tax. Iceland once went 23 years without reap-

praisals and then took six years to finish them. The country now has a GIS department, conducts regression modeling, and is a leader in transparency with appeals at only 4 percent.

Pete Rodda

It was personally gratifying to learn the acceptance and use of IAAO standards is widespread and expanding internationally. Among the organizations that have a role in the property tax worldwide, IAAO is in the best position to promulgate mass appraisal standards. IAAO recognizes the responsibility and importance of this position, accepts the challenge of constantly maintaining and improving its standards, and invites comments and suggestions from all users for improvement.

Despite differences in how the property tax is administered throughout the world, it is remarkable to learn how prevalent shared problems and challenges are in different parts of the world. I was involved in several discussions about differences in tax policy, exemptions, data integrity, sales qualification, funding, public acceptance, and more. There is much to be shared and learned from each other.

Several attendees asked whether IAAO could offer courses, workshops, and educational events in places other than North America to reach a wider international audience. It seems reasonable to consider offering workshops that support the use of IAAO mass appraisal and sales ratio standards. This is of value to the membership in that the broad use of a consistent set of standards leads to more consistent results in the mass appraisal process.

Summary

By participating in this year's IPTI symposium, IAAO gained heightened recognition and was afforded an opportunity to showcase its standards and international guidance document as products with global value. If IAAO is to fulfill its vision of being the preeminent property tax policy, mass appraisal, and assessment administration organization in the world, it must participate in similar events in the future and find other means of continuing to showcase and emphasize its body of knowledge. IAAO also needs to be willing to learn from its worldwide partners, share ideas, and, to the extent possible, accept and incorporate different perspectives to make its standards more usable everywhere.

Aside from participating in and having IAAO standards noted in this international forum, Amsterdam itself was a welcoming and warm place to visit. The widespread and friendly use of English smoothed everything from conference logistics, to restaurants, to use of an extremely efficient public transit system, with a major rail subway and tram hub within two blocks of the conference hotel.

In addition, conference organizers set up a post-conference opportunity for a tour of the historic (circa 1700s) windmills, used for pumping water and thereby creating more usable land, and the nearby port of Rotterdam, currently the fifth-largest port in the world. Alan and his family went on this tour, which not only showed these impressive sites of the countryside but also provided yet another opportunity for networking with conference attendees, this time in an informal setting.

All in all, both the conference itself and the post-conference tour were well-organized events that enhanced our understanding of the international assessment community and, we hope, its appreciation of the IAAO perspective.

References

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The 350-year-old Royal Palace in Dam Square began as the City Hall of Amsterdam. King Louis Napoleon Bonaparte transformed it into a Palace in 1808. The structure is generally open to the public.

Alan Dornfest, AAS, is an internationally recognized expert in property tax policy. He has been supervisor of property tax policy for the Idaho State Tax Commission since 1993 and worked there since 1977. His responsibilities involve extensive research into the effects of property tax policy decisions, as well as practical experience in implementing policy and assisting assessing officers through development of administrative rules and training materials. He is the author and coauthor of numerous journal articles and coauthor of the IAAO textbook *Fundamentals of Tax Policy*. He is a frequent presenter at the IAAO Annual Conference and elsewhere.



Douglas Warr, AAS, is a Local Government Specialist and instructor in the Assessor Training Accreditation Program at The Center for Local Government Technology, Oklahoma State University, which provides statutorily required training for county assessors in Oklahoma. He has been an active IAAO member for more than 25 years and is an IAAO Specialty Instructor. Warr currently serves on the IAAO Technical Standards Committee. He has earned the Certificate of Advanced Accreditation from the Oklahoma Tax Commission and has served as an IAAO State Representative and Oklahoma IAAO Chapter President, and currently is on the Chapter Executive Board. He is also a proud Charter member of the Oklahoma Chapter of IAAO.



William A. "Pete" Rodda, CAE, RES, is the former Forsyth County (North Carolina) Tax Assessor/Collector. He is the IAAO President-Elect and will succeed to the position of President in January 2016. Rodda has been in the assessment profession and an IAAO member for more than 30 years. He has been a member of numerous IAAO committees and is a Past President of the North Carolina Association of Assessing Officers and the North Carolina Tax Collectors Association. He most recently served as the Property Tax Manager of the North Carolina Tag and Tax Together project, a \$20 million initiative to bring local property taxes levied on motor vehicles and state vehicle registration fees together into a combined notice and payment system. He currently serves as a member of the North Carolina Government Commission.

