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Since its beginning in 1934, IAAO has shaped the field of mass appraisal by developing standards, publishing textbooks, and creating courses. Most recently, IAAO published *Fundamentals of Mass Appraisal* (Gloude-mans and Almy 2011), a textbook that provides a basic understanding and overview of the many factors that form mass appraisal theory and practice.

For those involved with property tax administration, the concept of mass appraisal has permeated valuation systems throughout the United States and Canada. This is especially true when large numbers of properties are appraised or reappraised frequently and results must reflect an approximation of market value. Mass appraisal techniques are also more prevalent when results need to meet objective quality thresholds and level and uniformity criteria. Although most of IAAO's expertise comes from its strong membership base in the United States and Canada, there has been significant interest and involvement from other nations, especially those that rely on ad valorem property tax systems. These nations may admire and sometimes aspire to the precepts in IAAO standards, but they have tended to rely more on *International Valuation Standards*, Guidance Note 13, *Mass Appraisal for Property Taxation*, which was published by the International Valuation Stan-

dards Council (IVSC) from January 1, 2005 until July 19, 2011. The IVSC discontinued its mass appraisal standard in 2011, stating that it was "not being carried forward as it contains no valuation procedures that differ from the General Standards" (IVSC 2010).

### **Effect of Discontinuing Mass Appraisal Guidance**

To better understand how the absence of an applicable mass appraisal standard affects countries that are considering using mass appraisal techniques, consider the following example. The Idaho State Tax Commission (my agency) is statutorily instructed to "...increase or decrease the total value of any category of property in any county ... when, in the opinion of the commission, the value ... is not just and equal ... because of its being greater than or less than market value" (Idaho Code §63-205 and §63-109). The law is then silent on how this determination is to be made. With authority to develop rules to provide guidelines for implementing this provision, we adopted elements of the IAAO *Standard on Ratio Studies* (2010), notably Part 2, section 11.1, which prescribes a nationally recognized standard for making such a determination. Thus, we employed a recognized authority, and compliance determination became both transparent and supportable.

Without the guidance and support of the IVSC mass appraisal guidance note, nations that are still in the early stages of understanding, developing, or implementing mass appraisal systems often find themselves without authoritative support. Admittedly, they can still point to statistical tests that describe the likelihood that their mass appraisal models are accurately providing results that are more economical and uniform than those that could be obtained by single-property appraisal methods. However, these indicators may not suffice without an authoritative guide that supports and validates the results. Hence, nations with newly developing mass appraisal systems and even countries with mature mass appraisal systems have found themselves in a quandary. They know the methods work well, but they can't easily cite a written source that reflects the perspective of the larger world community outside of North America.

## The Role of IAAO

One year ago, the IAAO Technical Standards Committee was assigned the task of developing an international version of its *Standard on Mass Appraisal of Real Property* (IAAO 2012) that would be applicable outside the United States and Canada. This proj-

ect has been difficult, given the past focus on and orientation toward the United States and Canada, where systems may differ from state to state and province to province, but there is general agreement that IAAO standards are a consensus of best practices. The broader international community did not participate in the development of these standards, so clear applicability is not apparent. Nevertheless, this limitation is a concern to the Technical Standards Committee in considering how to satisfy future international needs. The committee thought the best way to overcome this limitation was to learn more about international needs and concerns and to increase international involvement and feedback.

The IAAO International Committee and IAAO leadership organized a meeting at the IAAO annual conference in Kansas City to gather input from international attendees regarding the draft working document on mass appraisal. IAAO organized and held an International Focus Group meeting to hear from representatives from IPTI (the International Property Tax Institute), China, Iceland, Lithuania, the Netherlands, the United Kingdom, South Africa, Thailand, Mexico, the Bahamas, and the Lincoln Institute of Land Policy. The meeting was very productive and provided insights

into a broader world view of property tax assessment.

Common themes from that meeting included the following:

- More information is needed about data collection in general and about property characteristics that need to be identified and captured, or at least considered.
- The concerns of developing nations as well as those of more mature markets and cadasters should be addressed.
- Situations such as lack of sale data and uneven availability of data should be taken into consideration.
- Standards should be applicable for instances in which national legislation determines the valuation process and when administration may be either national or local.
- Transparency and uniformity in terms of justification for mass appraisal should be supported.
- Effective communication and public relations need to be promoted.

Most of all, nations need to be able to look to "...authoritative outside resources to provide guidance on the



*Workshop attendees from nine countries served as both presenters and participants in interactive sessions.*

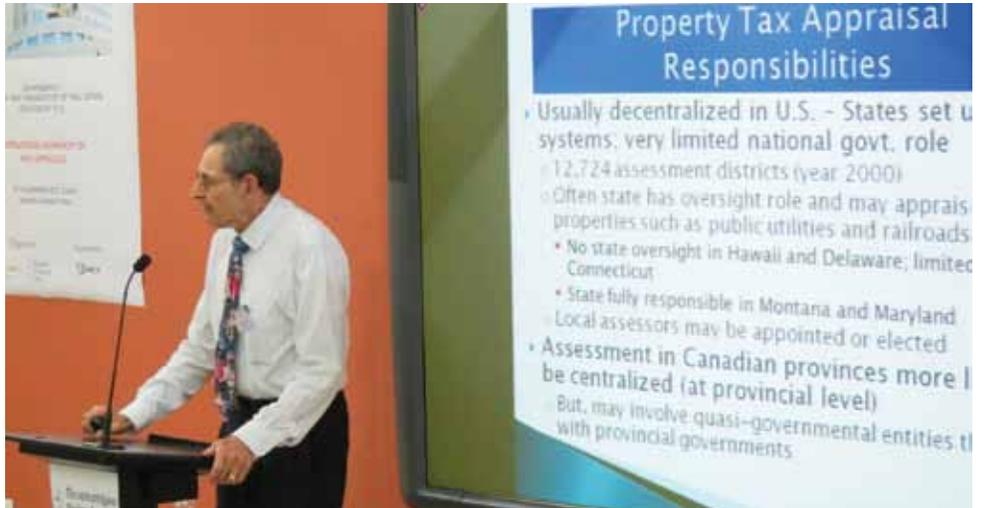
technical side” (comments of Albina Aleksiene, representing Lithuania, IAAO Conference, Sept. 17, 2012). Albina also noted that, with respect to nations without mature property markets or a history of application of valuation techniques, there is a “... need to be able to point to accepted standards and best practices promulgated by outside organizations before they are accepted for common use within a developing system.”

### Onward to Cyprus

After the International Focus Group meeting in Kansas City, I attended an international workshop in Cyprus on mass appraisal, sponsored by a mass appraisal study group affiliated with a commission of the International Federation of Surveyors (FIG).

The mission of the Federation is far broader than mass appraisal—it includes commissions for standards, education, spatial information management, hydrography, positioning and measurement, engineering surveys, cadastre and land management, spatial planning and development, and construction economics and management. Commission 9 is dedicated to valuation and management of real estate. Further, Study Group 9.1.2 is charged with “...investigating the development of mass appraisal techniques to support property tax assessments...” (FIG 2012).

The FIG Commission 9 group includes 88 nations, many of which actively utilize property tax systems, and several are considering implementing mass appraisal systems. Commission 9, which has under its umbrella property valuation, property tax, real estate investment, and real estate and asset management topics, is chaired by Dr. Frances Plimmer from the United Kingdom. The chair of the study group dealing specifically with mass appraisal of property is Varnavas Pashoulis, from the Republic of Cyprus.



Alan, explaining the complexities of United States and Canadian property tax assessment systems.

When Varnavas was in the United States this past summer, he visited IAAO headquarters in Kansas City and spent time reviewing mass appraisal concepts with property tax researchers Richard Almy and Bob Gloudemans in Chicago. He also visited several county assessor offices in Kansas, Missouri, North Carolina, and Virginia, as well as the North Carolina Association of County Commissioners and the North Carolina Department of Revenue. In addition, he visited ad valorem valuation consultants Garth and Russ Thimgan in Colorado.

As a result of Varnavas’s visit, IAAO became aware of an opportunity to gain more perspective about the needs of the international community. The FIG Commission 9 study group was planning a mass appraisal workshop in the Republic of Cyprus immediately following the IAAO annual conference. This workshop appeared to provide a useful forum for explaining IAAO products, such as the *Standard on Mass Appraisal of Real Property* (IAAO 2010) and the new textbook, and for offering insights on mass appraisal-related issues in the recent PTAPP and Ratio Study surveys (Dornfest et al. 2010; Technical Standards Committee 2012).

Upon arriving in Cypress, I found an appreciative and interested audience

representing nine countries, eight European and one African (Tanzania). The representative from Lithuania, Albina Aleksiene, had also participated in the IAAO international focus group in Kansas City. The workshop was held at Neopolis University in Paphos, Cyprus. This university specializes in real estate and related subjects, so it was an appropriate venue for the meeting. Papers presented at the workshop ranged from the conceptual, describing underlying valuation and property taxation systems, to the technical, demonstrating regression techniques designed to reduce estimation error. Some of the themes and issues were as follows:

- A search for increased networking between nations
- Discussion of multiple uses of valuations (e.g., in Slovenia, valuations may be used to determine amounts of assistance or subsidy needed in an area, may support inheritance tax, may enable calculation of profits due to change of land use, and may, next year, support property tax)
- Land versus building allocation versus total property valuation
- The need for standards as a point of reference for many aspects of



Illustration of the multi-jurisdictional United States property tax system.

mass appraisal, including time adjustments

- The need to obtain usable data by verifying reported sale prices given some propensity for under-reporting due to high percentage-based transfer and capital gains taxes
- The need for standards that are as inclusive as possible, incorporating quality measures applicable to results (i.e., ratio studies) as well as models specific to individual circumstances
- The need for standards on data elements that need to be captured and what measurements need to be taken (e.g., porches and additions)
- Minimum requirements for mass appraisal in terms of data availability, applicability to commercial and industrial property, and so on.

In addition to attending presentations and participating in the ensuing discussions, I presented information on three IAAO products: the *Standard on Mass Appraisal of Real Property* (IAAO 2010), the PTAPP survey

(Dornfest et al. 2012), and the Ratio Study Survey (Technical Standards Committee 2011).

The most perplexing concept I had to explain was that there is not *one* U.S. property tax or mass appraisal system, but a multitude of systems organized by state, county, or local jurisdiction—a difficult enough concept in North America, but one quite beyond the experience and structure of many other countries. That is, even though there is a *federal* structure of government in the United States and Canada, there are powers not reserved by the *federal* government that are relegated to the states. In some states, such as Hawaii and Delaware, this has devolved even further with virtually no state authority or role regarding property tax administration. Conversely, in Europe, with the exception of Germany, nations are *unitary*; that is, even if there are local or municipal assessors, the authority and, ultimately, the decisions and support for programs such as mass appraisal for property tax purposes can come only from the national government or national ministry in which power has been vested.

I explained the mission and role of IAAO is to provide challenging but attainable standards that reflect a consensus based on the expertise of its members—standards that promote best practices for mass appraisal, ratio studies, property tax policy, and other related topics. Regarding mass appraisal, I emphasized the accuracy, uniformity, equity, reliability, low per-parcel costs, and testable (through ratio studies) outcomes that result from its use. I also discussed cyclical reappraisals (a concept that has presented challenges for some nations and states), as well as concepts such as sample representativeness, calibration, specification of variables needed, and stratification.

Using IAAO survey results, I presented information on valuation authority (state versus local), state assistance services, reappraisal cycles, inspection practices, enforcement, and ratio study uses and standards. There was excellent discussion about the many similarities between systems. There was a great deal of concern over inspection practices, which seemed in many cases to include a perception of the need for interior inspection. This same debate has been going on in the United States, even though most U.S. jurisdictions do not frequently perform interior inspections in today's mass appraisal systems.

## Conclusions

Certainly there are structural differences between nations. Mass appraisal systems in the United States and Canada, because they have been in place for longer than in many other nations, are more fully accepted as producing values that can be used as underpinning for property tax systems. Frequent reappraisal, while not universal in the United States and Canada, is a more commonly accepted practice and is the clear IAAO standard. Transfer taxes in the United States are low and probably not significant distortive factors with

respect to reported sale prices. Mass appraisal-produced valuations are commonly used as the basis for property tax in the United States and Canada, a goal that is aspired to but currently not fully realized in many other nations. Despite these differences, I was impressed with the technical expertise and commitment to high-quality mass appraisal systems that do support property tax, produce values that are supportable, and meet criteria for uniformity, transparency, and acceptability.

The next few months will be an important period for IAAO as the Technical Standards Committee grapples with these issues and attempts to provide mass appraisal guidance that can be useful and applicable to the broader world. It's quite an undertaking. Stay tuned, however, as I am confident that, with IAAO's experts and the communication with the new network of international experts and practitioners that has been established as a result of the focus group session in Kansas City and the meeting with representatives of the FIG Commission 9 in Cyprus, IAAO will be able to produce standards that can support both nascent and long-standing mass appraisal systems with ties to property taxation.

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