



IAAO

INTERNATIONAL ASSOCIATION
of **ASSESSING OFFICERS**

Valuing the World

Course 402 - Tax Policy



Course Description

Course 402 offers student's strategies for assisting in the effective formulation and implementation of tax policies and presents background enabling students to understand the context under which property tax policy is established. Students will be given analytical tools with which they can explain the effects of proposed property tax changes. They will be provided with a sound theoretical basis to guide decision-making and to assist in creating workable solutions for their jurisdictions. The course is designed for assessment administrators and students of taxation, as well as professional policy advisors who guide and make decision in the area of tax policy on a regular basis.



Objectives

Upon completion of Chapter 1, you will be able to:

- A basic understanding of what a market-based economy is and the benefits that it can produce for society.
- A realization that the benefits of a market-based economy arise only under restrictive conditions. When these conditions are not met, there may be a role for government intervention. This provides a theoretical justification for government and the need for publicly raised dollars—including property taxation—to support it.
- A comprehension of how state and local governments in the United States raise own-source revenue and how this revenue reliance changed for local governments in the past forty years.
- A working knowledge of current academic thinking on policy debates surrounding the taxation of property; specifically, who ultimately pays property taxes, economic distortions generated by property taxation, and the administration of property taxes.
- An appreciation for the various roles that property tax assessors can play in the making of property tax policy (providers and interpreters of property tax data, and acting as advocates on property tax-related policies).
- Knowledge regarding the difference between property tax policy advocacy that involves value judgments and ones that do not.

Upon completion of Section 2, the student should be able to:

- Explain federalism and distinguish between a federal and a unitary system of government.
- Briefly describe the alternative models of federalism.
- Discuss some ways that federal-state relations are similar to state-local relations and some ways that federal-state relations differ from state-local relations.
- Describe the main legal and fiscal relations and restrictions between the federal government and state-local governments and state governments and local governments.
- Discuss how the importance of the property tax and other revenue sources differs for state governments, local governments in general, and four types of local governments (school districts, counties, municipalities, and special districts).

Upon completion of Section 3, you will be able to:

- There are multiple functions of taxes: that is, taxes do more than just raise revenue.
- There are multiple criteria of a good tax system, and it is difficult to put together a system that meets all of them.
- Taxes do not exist in a political vacuum; tax and expenditure limits and the definitions of the tax bases are examples of political intervention that affect taxes and tax systems.
- Tax expenditures are subsidies to particular groups of taxpayers and often depend upon how the tax base is calculated.
- There is a difference between legal (statutory) incidence and economic incidence. Economic incidence is what is important for tax policy analysis.
- Taxes can affect more than the initial taxpayer.
- Regressive, proportional, and progressive tax systems are defined by tax rates, not the absolute amount of revenue collected.



- Tax elasticity is an important concept and, once calculated, can be used to approximate the degree of progressivity in the system as well as to forecast tax revenues.
- Taxes can affect consumer behavior and thus have efficiency effects on society.
- Efficiency is only one criterion for evaluating tax systems; equity is another important criterion.
- Equity is a slippery concept and can be defined in different ways.

Upon completion of Section 4, the student should be able to:

- Analyze time-series revenue data taking into account:
 - a. Price inflation
 - b. Population growth
 - c. Economic growth
- Analyze cross-state revenue data to taking into account:
 - a. Population differences
 - b. Income differences
- Understand the revenue classifications used by the U.S. Census Bureau.
- Explain the concepts of fiscal capacity, fiscal need, and fiscal effort. Explain how the “representative tax and expenditure system” is used to construct these measures.
- Understand the basic elements of revenue estimation for state and local governments.

Upon completion of Section 5, the student should be able to:

- Distinguish between general sales taxes and selective sales (excise) taxes.
- Briefly describe the base of American general sales taxes. What are the most common exemptions from the sales tax base? How are services treated?
- Explain why the sales tax is considered to be regressive. What are the different strategies for reducing regressivity?
- Explain why the sales tax is more acceptable to many voters than income tax or property tax.
- Explain what is meant by a “progressive” tax. Explain how a “zero tax bracket” or exempt amount of income can make personal income tax progressive. Explain how a graduated rate structure can make personal income tax progressive.
- Indicate the major benefits to tax administrators of state conformity with federal income tax law. Indicate the major costs of state conformity with federal income tax law.
- Explain why state corporate income taxes are unpopular with economists but popular with the public.
- Explain the difference between a benefit-based tax and a sumptuary tax.

Upon completion of Section 6, the student will:

- Know that there are several types of property-related taxes.
- Appreciate that a “property tax system” is multifaceted and that property tax and other systems are mutually dependent.
- Appreciate that contemporary property tax systems reflect the evolution of society, governments, economies, and technology.



- Be able to identify the main elements of a property tax system.
- Appreciate that receiving revenue from a property tax is not always the same thing as having the power to tax property.
- Know the two main approaches to setting tax rates, and understand their strengths and weaknesses.
- Be able to list the main administrative aspects of property tax administration, and be able to cite why they are necessary.
- Know why owners sometimes are made responsible for paying property taxes and why occupants sometimes are.
- Understand the difference between in personam and in rem liability for taxation.
- Be able to define the basic types of property (real vs. personal).
- Know why a non-value base for property taxes sometimes makes sense.
- Be able to state the benefits of frequent reassessments.
- Be able to list several approaches to providing property tax relief.
- Know the main aspects of the collection function.
- Know why the property tax remains controversial.

Upon completion of section 7, the student should have an understanding of the various issues that confront those who establish and administer property tax policy. In addition, this section provides a contextual framework for evaluating property tax systems, from both an assessment/appraisal perspective and from a tax structure prospective. Material presented will cover the following issues:

- Desirable features of a model assessment system.
- Desirable features of a model property tax system.
- The difference between budget and rate driven tax systems.
- How assessing officers and legislators can interact to improve property tax and assessment systems.
- Typical differences between state and local administrative roles.
- The difference between direct and indirect equalization.
- Advantages and disadvantages of current market value as a basis for property tax.
- Advantages and disadvantages of various alternate value bases.
- Legal issues that affect property tax assessment and tax policy decisions.
- Common types of exemptions and issues that relate to justifiability of exemptions.
- Common controls on property taxes, other than exemptions.
- The difference between controls on overall and individual property taxes.



Topic	Time Table	Day Covered
Module 1		
Introduction to Property Tax Policy	390 Minutes	Monday
Module 2		
Property Tax as Part of Intergovernmental Finance	165 Minutes	Monday
Module 3		
Principles of Taxation	285 Minutes	Tuesday
Module 4		
Analyzing State and Local Tax Systems	150 Minutes	Tuesday
Module 5		
The Role and Attributes of Various State and Local Taxes	270 Minutes	Tuesday/Wednesday
Module 6		
The Property Tax	240 Minutes	Wednesday
Module 7		
Components of a Model Property Assessment and Property Tax Systems	240 Minutes	Thursday
Review	60 Minutes	Thursday