

Comparing and contrasting property tax oversight systems – Idaho and The Netherlands

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1. Introduction

Property tax system administration may occur at national, sub-national, or local levels and includes identification and valuation of taxable property, establishing tax rates, and billing and collection of taxes. Regardless of the initial assignment of responsibilities for these functions, both internal and external oversight are crucial to:

- Providing accountability;
- Maintaining public trust;
- Ensuring compliance with laws;
- Producing a transparent property tax system.

Although much of this can be accomplished by internal quality control mechanisms, the existence of an oversight body operating independently from the valuation agency or those responsible for the tax components enables such independent corroboration of adherence to laws and good principles and practices. This type of multi-layered system exists in many places and this paper presents two such models – one in the State of Idaho in the United States and the other in The Netherlands - including the evolution of each system and how each system relates to guidance provided by the International Association of Assessing Officers (IAAO).

2. IAAO perspective – Oversight Agencies

Property tax systems can be organized in a centralized or decentralized manner. In some cases, a distinction is made between the organization responsible for property valuation and the organization responsible for taxation. In both Idaho and the Netherlands, most property valuation and taxation are handled by local governments—municipalities in the Netherlands and counties in Idaho. Both centralized and decentralized systems have advantages and disadvantages, but it is notable that decentralized systems often include some form of oversight or an oversight agency to ensure proper functioning. Table 1 (Almy, Richard, Etal, 2008)¹ below describes the advantages and disadvantages of centralized and decentralized systems.

Table 1: Arguments for Centralized and Decentralized Assessment Administration

For More Centralized Assessment	For Highly Decentralized Responsibility for Assessment
1. Larger districts are more economical; they enjoy economies of scale.	1. Local governments have a greater stake in property taxes than states and hence are more likely to attend properly to assessment administration.
2. Larger districts have a greater ability to command the necessary resources, especially appraisal expertise.	2. Local officials have more intimate knowledge of local conditions and resident taxpayers.
3. Larger districts increase the uniformity of assessment within a class through the consistent application of standards and practices over a broad area.	3. Smaller districts are more responsive to the needs of taxpayers, enhancing accountability, especially when the assessor (or board of assessors) is elected.
4. The larger the district, the more likely it would encompass a real estate submarket and the greater the pool of data needed to estimate values.	4. Taxpayers find decentralized administration more convenient.
5. The larger the assessment district, the fewer the occasions in which a single property would lie in more than one district (the greater the opportunity to assess each property as a unit).	5. Smaller districts avoid the concentration of political power that could accrue to the head of a large assessment agency.
6. The fewer the districts, the easier supervision and equalization would become.	6. The status quo is fine.

The need for oversight when assessment administration is decentralized has long been recognized and is reflected in advice and discussions in various IAAO references:

“Without supervision, some agencies or units of government may fail to carry out their responsibilities properly. When local governments have responsibility for assessment...safeguards are needed to prevent a few local governments from under-assessing...in the hope of receiving a larger equalization grant from a higher tier of government.

These procedures are known generally as assessment equalization....” (Almy, Richard. Etal. 2008)²

Beyond equalization, the IAAO Assessment Administration textbook notes that supervision (ie: oversight): “...*deters destructively competitive underassessment [and] ...tends to encourage competence in local assessment offices.:*.. (IAAO. 2003)³

Given this understanding, laws defining the structure of a system for ad valorem assessment usually assign responsibilities for monitoring the statutory compliance and performance of agencies conducting the primary assessment function (primary assessor) to another agency (oversight agency). Actual oversight responsibilities vary widely but generally fall in the following interrelated areas (IAAO, 2020)⁴:

- Setting standards and providing specifications;
- Assisting and counseling primary assessors and other property tax officials;
- Monitoring performance and conducting other analyses;
- Enforcing laws and regulations, including equalization.

While acknowledging the importance of all of these oversight activities, “...*monitoring and analysis may be seen as intrusive [or] ...confrontational, with the supervisory agency often in a resented position of power. The challenge a supervisory agency faces is achieving the balance of activities that results in the highest level of assessment performance with the least amount of stress.*” (IAAO, 2003)⁵

In this context, encouraging good performance and providing adequate support may be as important as enforcement and the best oversight may be the least direct.

Although many oversight functions relate to valuation, IAAO standards cover a broader array of oversight activities including:

- Approving taxing district levies;
- Reappraisal frequency (or quantity) monitoring;
- Approving tax relief.

Pertinent IAAO standards include the:

- Standard on Ratio Studies;
- Standard on Property Tax Policy;
- Standard on Oversight Agency Responsibilities.

3. Common Oversight Activities Using Ratio Studies

Many oversight agencies have similar functions, although specific practices and laws establishing authorities may differ widely. Many of these functions relate to determining the underlying quality of locally established valuations. Often, this quality is tested using ratio studies. Table 2 shows the number of state, provincial, or national jurisdictions reporting use of ratio studies for common specified purposes related to testing the quality of valuations established by local assessors.

Table 2: Oversight agency uses of ratio studies – 2022¹

	United States	Canada	International
Advise	35	7	1
Assist Mass Appraisal	19	4	2
Equalize funding	24	1	0
Order reappraisal	24	1	1
Adjust local values	24	1	2
Equalize Centrally Assessed Properties	18	7	0
Approve tax roll	14	4	3

For comparison purposes, there were 51 U.S. states (including the District of Columbia), 8 Canadian provinces, and 4 International (non-North America) responses to the survey.

The most common ratio study related oversight role is simply to advise primary (local) assessors of the results of the ratio study and what they mean about the underlying quality of the assessments. Some jurisdictions go further and use the studies to support some form of revaluation directive or equalization. Note that in Table 2, “equalize funding” is equivalent to indirect equalization as that term is used in this paper, while “adjust local values” is equivalent to direct equalization. An important difference between these two processes is that indirect equalization provides for uniform distribution of property wealth-based intergovernmental aid, common for school districts in the U.S., but does not alter assessed values for all property tax purposes. Direct equalization changes the values against which all property tax levies are applied and so is more comprehensive and visible. In addition to equalization, many U.S. oversight agencies report the ability to order local assessors to reappraise and a subset use (or also use) results to approve the tax roll. Such approval may be required before tax bills can be issued. Tax roll approval may be related to various factors which may not involve equalization. For example, some U.S. states indicate authority to approve tax rolls using ratio study information but do not otherwise use ratio studies in equalization. (Baer, etal. 2022)⁶

In the hierarchy of methods that produce the most equitable valuations, there is often tension between time, resources, and political will. Reappraisal may be the “gold” standard, involving

¹ Authors slide from presentation at IAAO annual conference in Salt Lake City. 2023. Based on survey results, published as Baer, Melissa, Marco Kuijper, and Alan Dornfest, representing the IAAO Research and Standards Committee. Ratio Study Practices in the United States, Canada, and the World: Results of the 2022 Survey. Journal of Property Tax Assessment and Administration. Volume 20, Issue 1. 2023, pp. 63-154.

physical inspection to ensure proper capture of value related property characteristics. Systems in place may lack the time and resources to accomplish this more complete way of addressing inequities and there may not be political will to do so within the assessment jurisdiction. Equalization processes therefore, represent stopgap measures to ensure a degree of equity before tax bills or levy rates are calculated. The IAAO Standard on Ratio Studies notes this conundrum, arguing that: “...reappraisal orders should be considered as the primary tool for uniformity problems, and direct equalization should be considered appropriate only if time or other constraints preclude such an approach.” (IAAO, 2013)⁷

4. The IAAO Standard on Ratio Studies

Beginning with the 1980 edition, IAAO has published a Standard on Ratio Studies, which, while it has provided guidance to those responsible for developing and determining the quality of valuations in a mass appraisal environment, has also been a major source of direction for oversight agencies, which tend to use ratio studies for accomplishing independent evaluation of the quality of the valuations and for one or more of the following purposes:

- a. Direct Equalization – developing and employing factors (multipliers) to move the level of valuation closer to market value or statutory requirements;
- b. Indirect Equalization – developing and applying factors to determine a jurisdiction’s value if all property were valued at market value or statutory requirements;
- c. Revaluation orders – requirements for local jurisdictions to redetermine property values to comply with both level and uniformity standards.

Originally, the Standard was more generic and did not prescribe different guidelines or differentiate between these outcomes. But, even this early version included guidance about the level of assessment. Initially, level of assessment is measured by calculating a statistical measure of central tendency such as mean or median. Because such statistics are based on samples, while results must be applied to populations, this and later versions of the Standard recommend that sampling error and significance be taken into account before drawing broadly applicable conclusions.

While clearly requiring the rigor of tests of statistical significance, the language in the 1980 version of the Standard led to debates about whether the intent was to consider cases with confidence intervals overlapping a $\pm 10\%$ range around the statutory requirement (ie: market value or 100%) as being in compliance or to only do so if the intervals also overlapped the statutory requirement (ie: 100%). Further, there was little guidance as to the appropriate statistical measure, although the Standard did note that assessors “...*have implicitly recognized the appropriateness of nonparametric statistics by preferring the median assessment ratio as the measure of central tendency and by using the coefficient of dispersion as the measure of variability.*” (IAAO, 1980)⁸

These issues were expanded upon in the 1990 version of the Standard, which provided an example, based on a sample median and a 95% confidence interval that overlapped the $\pm 10\%$ range, but did not also overlap 100%. While technically correct in terms of the interpretation of sample statistics and confidence intervals, the language in the Standard was confusing and provided oversight agencies with limited guidance with respect to the issue of compliance testing.

By the 1999 version of the Standard, there was further differentiation into a $\pm 10\%$ range for direct equalization (value adjustment order from an oversight agency) but a $\pm 5\%$ range for indirect equalization (intergovernmental funding adjustment order from an oversight agency), which tends to be less visible and affect only a portion of tax levies (usually schools in the U.S.) (IAAO, 1999).⁹ Perhaps more importantly, for example, if there were a ratio study with a median level of assessment of 82% but an upper confidence interval limit of 94.70%, the Standard admonishes that “...*direct equalization should not be imposed.*”¹⁰

Although nominally requiring a higher degree of statistical certainty to draw valid conclusions, this version of the Standard included a caveat to the effect that confidence intervals based on

degrees of confidence as low as 70% could be used to judge compliance provided that the sample median remained low for several years. This assumed that the inability to take remedial action was based on ongoing small sample sizes with commensurately wide confidence intervals and that, after repeated low sample medians, “...*despite the 95 percent confidence interval results, direct equalization should be viewed as an appropriate option....*” (IAAO, 2013)¹¹. This strengthened the position that for an action such as direct equalization to be imposed, results needed to be statistically provably outside the tolerance range ($\pm 10\%$ for direct equalization), not just provably falling short of a market value (100%) goal. At the same time, the additional language cautioned the oversight agency against basing inaction “blindly” on requiring extremely high degrees of confidence.

These principles were further clarified with Table 3 that was included in the 2007 and later versions of the Standard (IAAO, 2007)¹²:

Table 3: Decision making based on ratio study level standards

Using Median 90% - 110% Standard					
Example demonstrating application of standard at a 95% degree of confidence					
Case	Point Estimate	Confidence Interval (CI) Width (95%)	CI Overlaps Performance Standard Range	Point Estimate in Performance Standard Range	Equalization Action or Reappraisal Order
1	92%	86% - 101%	Yes	Yes	No
2	88%	81% - 95%	Yes	No	No
3	84%	79% - 88%	No	No	Yes

The current 2013 version of the Standard retains the caveat about use of lower degrees of confidence given repeated point estimate (ie: sample median) failures. However, the overarching principle of statistical “certainty” before taking oversight action with respect to level of assessment appears in an even stronger manner with the recommendation that decisions, such as equalization or reappraisal orders, should: “...*not be made without a high degree of certainty that the action is warranted.*”¹³ (IAAO, 2013) To get around this apparent contradiction and to avoid the prospect of oversight blindness to all but the confidence intervals, all versions of the Standard beginning in 2007 note very low probabilities of compliance when a jurisdiction “...*fails to meet a particular point standard for 5 consecutive years...even if the confidence interval overlaps the compliance threshold every year.*”¹⁴(IAAO, 2007)

The general thinking about the importance of statistical significance was also extended to horizontal equity standards beginning with the 2007 Standard, which held that failure to meet uniformity (horizontal equity) standards based on the COD should be determined based on tests of the statistical significance, not just the point estimate value, of the COD¹⁵ (IAAO, 2007). This advice has been retained in later versions of the Standard.

Table 4 summarizes oversight related features and changes incorporated into different editions of the IAAO Standard on Ratio Studies.

Table 4: Summary of Evolution of Oversight Provisions in IAAO Standard on Ratio Studies

Edition of Standard	Major Provisions	Changes / Commentary
1980	Statutorily required level $\pm 10\%$; fail if 95% confidence interval outside this range; Median preferred, but weighted mean noted for equalization. No more than 5% between strata and overall jurisdiction; CODs based on median between 10% and 20% depending on category	<i>Judgment is always required...in using findings</i> ¹⁶ (IAAO, 1980)
1990	Addressed vertical equity standards, adding PRD standard of .98 – 1.03.	First appearance of vertical equity standards (PRD).
1999	Defined and differentiated standards for direct and indirect equalization ($\pm 10\%$ or $\pm 5\%$ respectively); Demonstrated different degrees of confidence, recommending degrees of confidence as low as 70% in some cases; added detail about COD standards for different property types;	First distinction between types of equalization.
2007	Included table recommending use of median for direct equalization and weighted mean for indirect equalization. Added that point estimates could be used after several years of such measures being out of the appropriate range. Clarified that failure to meet COD standards should be determined using confidence intervals, not just the COD point estimate. Added 5% as lowest COD. Added decision making examples to clarify compliance determinations using confidence intervals around level measures.	oversight portion of standard presented in separate Part 2.

2013	PRB added in the Standard as a test of vertical equity.	
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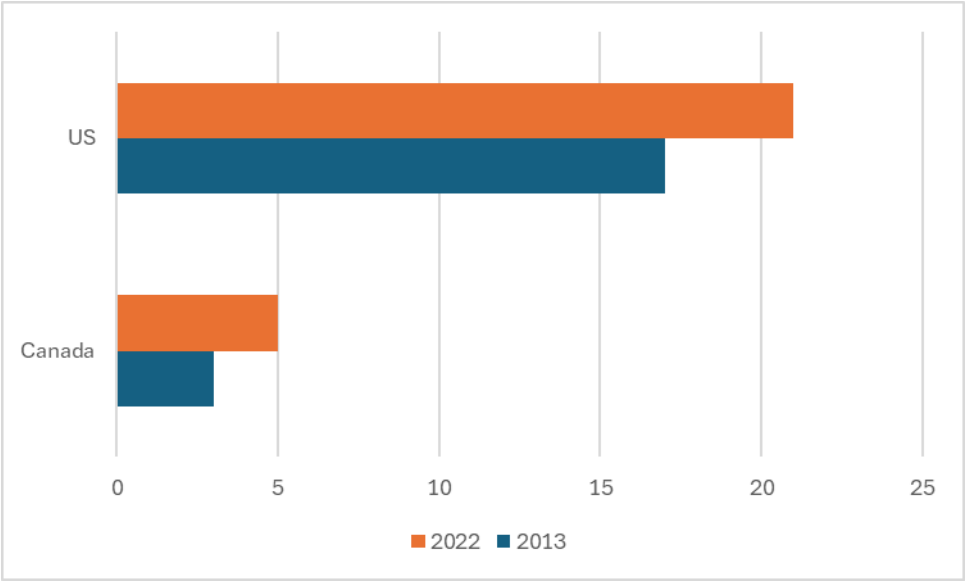
5. Practice – Level and Uniformity Standards in use

Based on the 2022 Ratio Study Survey, the number of states, provinces, and nations incorporating various level and uniformity ranges could be delineated. For example, the following Table 5 shows the use of different allowable degrees of variation from statutorily required assessment level². Figure 1 shows the number of U.S. states and Canadian provinces using confidence intervals (as recommended in the Standard on Ratio Studies) to determine the success or failure of assessment jurisdictions to meet assessment level standards. This number and the use of the recommendations in the Standard have clearly been increasing between 2013 and 2022.

Table 5: Permitted variations from statutorily required level of assessment (2022)

	United States	Canada	International
+ / - 10%	25	4	1
+ / - 5%	6	4	1
Other	17	0	1

Figure 1: Developments in the use of confidence intervals between 2013 and 2022



In addition to level, as shown in Table 6, the IAAO Standard provides different acceptability ranges for uniformity (horizontal equity) based on the COD and depending on the type of property and the size of the jurisdiction.¹⁷ (IAAO, 2013)

² Abstracted from 2022 survey results presented by authors (and others) at IAAO annual conference in Salt Lake City, 2023.

Table 6: Horizontal equity standards

General Property Class	Jurisdiction Size/Profile/Market Activity	COD Range
Residential improved (single family dwellings, condominiums, manuf. housing, 2-4 family units)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 10.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 to 15.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 to 20.0
Income-producing properties (commercial, industrial, apartments)	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 15.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 to 20.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 to 25.0
Residential vacant land	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 15.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 to 20.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 to 25.0
Other (non-agricultural) vacant land	Very large jurisdictions/densely populated/newer properties/active markets	5.0 to 20.0
	Large to mid-sized jurisdictions/older & newer properties/less active markets	5.0 to 25.0
	Rural or small jurisdictions/older properties/depressed market areas	5.0 to 30.0

As shown in Table 7, many oversight agencies now indicate using confidence intervals around CODs to test compliance³.

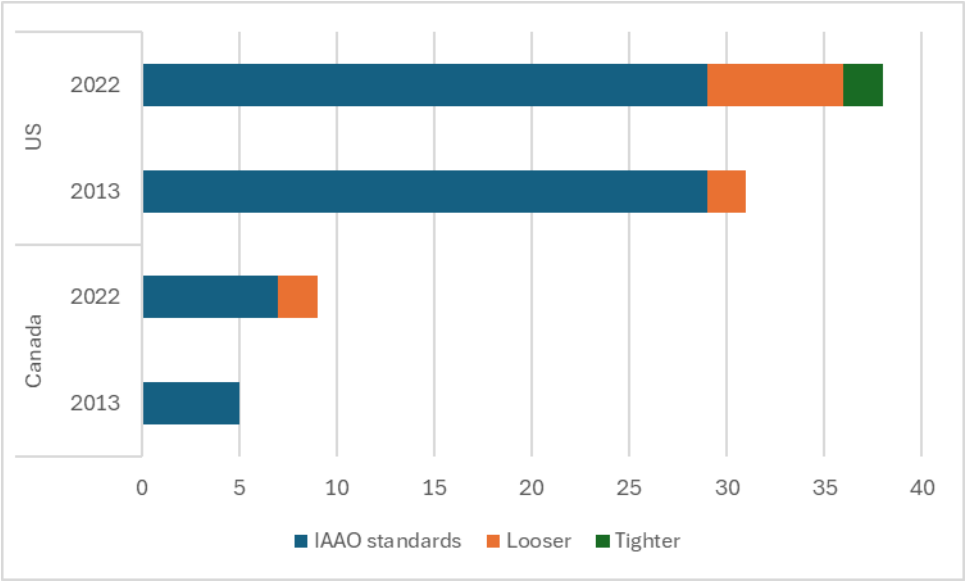
³ Abstracted from 2022 survey results presented by authors (and others) at IAAO annual conference in Salt Lake City, 2023.

Table 7: Statistical measures used to test horizontal equity

	United States	Canada	International
	2022	2022	2022
Calculate			
- COD	46	7	4
- COD confidence intervals	24	3	2
Test compliance			
- COD	24	3	3

In practice, as is evident in Figure 2, most places use uniformity standards similar to – but perhaps less detailed than – IAAO standards⁴.

Figure 2: Number of jurisdictions using IAAO horizontal equity standards



Regarding vertical equity, as shown in Figures 3 and 4, the PRD is both the most widely used measure and increasingly used by oversight agencies for compliance testing⁵. For example, in 2022, 29 U.S. states (57% of the responding group) reported using IAAO standards regarding the PRD.

⁴ Abstracted from 2022 survey results presented by authors (and others) at IAAO annual conference in Salt Lake City, 2023.

⁵ Ibid.

Figure 3: PRD in use (figure shows all respondents)

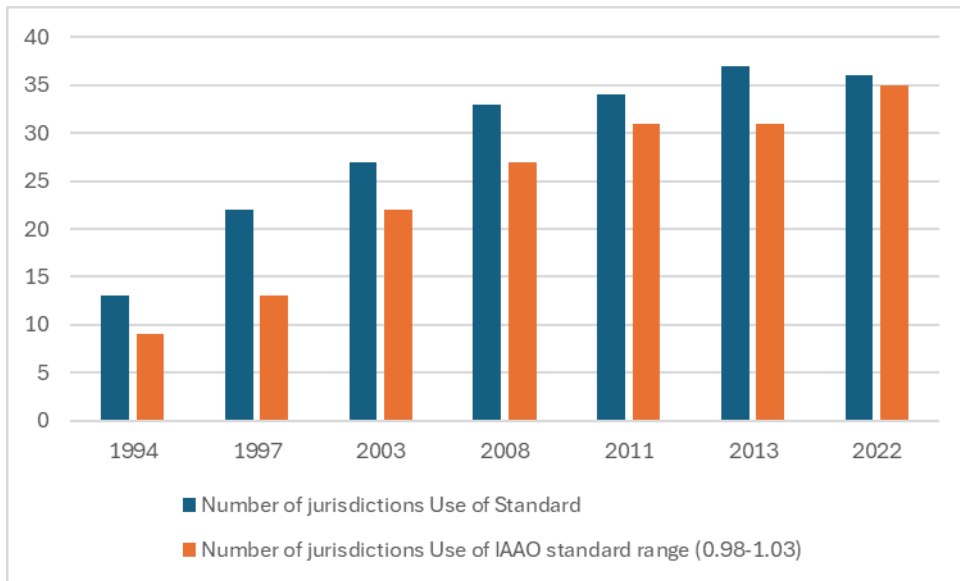
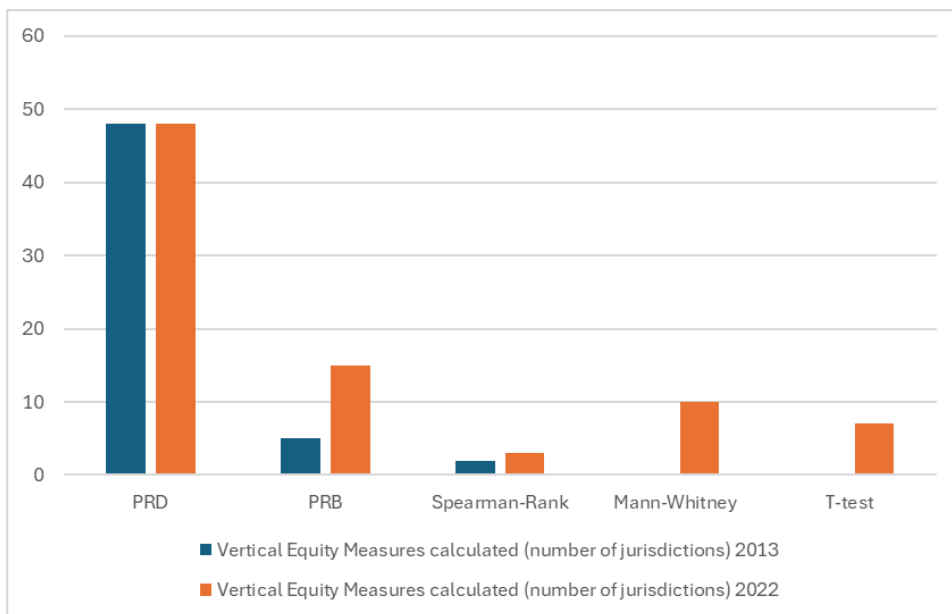


Figure 4: Vertical Measures calculated in 2013 and 2022



6. Background – The Idaho Oversight System

Property Tax in Idaho

To understand the role of oversight in the Idaho property tax system, it is first necessary to understand the way the system as a whole functions. There are two major aspects: assessment (valuation) of property and taxation (levies). Assessment is further divided into areas of responsibility, with county assessors responsible for most (greater than 95% of all property value on average) property valuation (“locally assessed property”) and the state oversight agency – the Idaho State Tax Commission (ISTC) – responsible for the valuation of “operating property” of public utilities and railroads. Property subject to valuation by county assessors must be reappraised (including physical inspection) at least once every five years, but “indexed” or otherwise adjusted so that all taxable property is assessed annually at current (January 1 of each year) market value.⁶ The owners of locally assessed property are notified annually by early June of the assessed value as of January 1 of that year. This value may be appealed (initially) to county boards of equalization that meet in July for that purpose. Once the county board of equalization finalizes values of all locally assessed properties, summaries of value by property category are provided to the State Tax Commission, which reviews these values en masse and the results of previously conducted ratio studies to determine whether the level of assessment of each category is in compliance with market value requirements.

Regarding taxation, there are more than 1,000 independent taxing districts, some of which are located in multiple counties. These districts set budgets, including amounts to be derived from property tax, and submit these budgets to the counties in which they are located. Counties use this information and assessed values in each district to set levy rates in what is mostly a budget based system ($\$ \text{Property Tax Budget} / \text{Assessed Value} = \text{levy rate}$)¹⁸ (IAAO, 2020). The Property Tax Division of the Tax Commission oversees this process, approving property tax budgets and levy rates that do not exceed certain statutory limits.⁷ To facilitate this system, Division staff conduct numerous training events, respond to county and taxing district inquiries about what is allowed, and provide templates for calculating and submitting budget related information.

Additional oversight functions assigned by law to the Idaho State Tax Commission include:

- Reviewing and auditing claims for tax relief under the state’s circuit breaker and property tax deferral laws;
- Investigating taxpayer complaints;
- Providing a program of education and annual appraisal schools;
- Reviewing legal descriptions and mapping taxing district boundaries.

The Idaho State Tax Commission is a large governmental organization consisting of many tax related areas and responsible for the collection, for example, of sales and income taxes – two major state level taxes in Idaho. The Property Tax Division is a small segment of the Commission, responsible for property tax administrative support and oversight. This Division does not collect property taxes, which are billed and collected by counties. Table 8 shows the division of responsibilities within the Property Tax Division.

⁶ Primarily, Idaho Code §63-314. Notably, however, certain property types have statutorily defined valuation methodologies which must be used regardless of whether the result is market value.

⁷ Primarily Idaho Code §63-809. 2024.

Table 8: Idaho State Tax Commission Property Tax Division Organization

Functional Area	Staff Assigned	Breakdown
Overall administration	3	Division Administrator, Administrative Assistant, Education Director
Centrally assessed property appraisal	8	Bureau Chief; Forest Tax Administrator; 5 appraisers; 1 technical assistant
Field consulting appraisers	8	Section manager and 7 other appraisers located around the state
Tax Policy	6	Bureau Chief; Policy Specialist; research analyst; circuit breaker (tax reduction) supervisor and two additional staff
Technical support (software)	18	Bureau chief; Software engineers, database analysts, and GIS manager and analysts

Of these, the Field consulting appraisers put together the ratio studies but also provide technical advice for local assessors. Tax Policy reviews and draws conclusions from ratio studies, initiating compliance findings, oversees budget and levy review, and reviews and approves circuit breaker and tax deferral claims.

Indirect equalization

Indirect equalization in Idaho consisted historically of two components: estimates of total taxable market value in a school district and adjustments of school related levy rates to make the effective tax rates uniform as a percent of market value. Table 9 shows a history of indirect equalization procedures implemented by the State Tax Commission.

Table 9: History of Indirect Equalization in Idaho

Period	Description	Comment
Pre 1980	Ratio study category means used to project full market value by category; summed to equal market value of county	Results translated into changes in certain school related levies ¹⁹ (Dornfest, 1983)
1980 - 1981	Transition – no indirect equalization	A voter approved initiative and subsequent legislation transformed the underlying valuation system – moving it toward market value; most tax levies frozen
1982 - 1992	No indirect equalization	State imposed direct equalization which was considered sufficient
1993 - 2005	Indirect equalization reimposed	By county for 1993; later by school district level ratio studies. Districts with weighted mean provably more than 5% from market value had levy rates and state aid adjusted
2006 - present	Equalization calculations restricted to one school district	State took over general funding of schools with one exception. With no local contribution except in that case, indirect equalization not necessary

Direct equalization

Direct equalization began to be used in Idaho in 1982, which also was the first year full, annually adjusted market value-based assessment was required. When the State Tax Commission first ordered adjustments to locally set values, using ratio studies to develop the adjustments by category of property, several counties challenged the authority of the Tax Commission to impose or require these value changes. In a landmark case²⁰ (Idaho State Tax Commission, 1982), the Idaho Supreme Court ruled that the Tax Commission did have the authority to order equalization changes, all of which were based on ratio studies and foundational principles embodied in the 1980 IAAO Standard on Assessment-Ratio Studies.

Following the initial round of equalization adjustments and challenges, the process became more settled and somewhat routine. 1983 had the largest number of equalization orders issued in any year (11 of Idaho’s 44 counties). After that year counties became more responsive to early

warnings provided by ratio studies done prior to finalization of local assessments and there were few state ordered adjustments. In addition compliance standards were altered in recognition of various situations, especially small, disuniform samples which were (and are) replete in Idaho – a diverse, largely rural, state with the added impediment of no law mandating that either the buyer or seller disclose the sale price to the assessor or state.

As a side issue, and affirmed by the Idaho Supreme Court, taxpayers, who ordinarily would be able to appeal assessed values, have no appeal rights when their values are altered by the Tax Commission. In recognition of this issue and the fact that assessment in Idaho primarily rests with the county, not the state, compliance standards have been established or evolved to embody the premise that the “...most effective equalization program may be one in which the state never takes action, but instills in local officials the desire to appraise equitably.”²¹ (Dornfest, 1993) Following this guiding principle, after initially establishing compliance standards unilaterally, the state tax commission redeveloped its standards – ultimately incorporating these in rules that have the force of law – working closely with local assessors and providing considerable training aimed at increasing understanding of all aspects of ratio studies.

One remaining concern has been the possibility that ratio study results were skewed by selective reassessment of selling parcels. This can create the appearance of compliance with level and uniformity standards when those results do not apply to the broader population of properties. The IAAO Standard devotes an entire appendix to techniques for the detection of such sales chasing.²² (IAAO, 2013) However, it is much better to preclude sales chasing than merely to detect it. After several false starts, the state developed a system whereby many of the sales used in the ratio study would be those occurring too late in the year for the assessments on those properties to be altered. If a county fails compliance given this “look back” system, they are notified and a new study is prepared when the following year’s assessments are completed. This gives counties a several month “grace period⁸” within which compliance can be re-established to preclude state ordered equalization. To guard against sales chasing with respect to the follow-up study, a parcel level review of all assessments in the originally non-complying category is conducted.

Commentary on Idaho direct equalization program

At the inception of the direct equalization program in 1982, a very conservative approach was taken with equalization adjustments minimized by calculating them from the upper confidence limit, rather than the point estimate measure of level determined in the sales sample (ie: the mean in the earliest version of the Idaho standards).

Over time this system was refined and tightened. However Idaho retained the premise that the state should have the burden of proving that indications of low or high local assessments are statistically significant before drawing such conclusions. For this reason, and based on the strong recommendations in the IAAO Standard on Ratio Studies along these lines²³ (IAAO, 2013), non-compliance with assessment level standards is based strictly on confidence intervals, not

⁸ 10 states indicated providing grace periods in the most recent Ratio Study Survey. Baer, Melissa, Marco Kuijper, and Alan Dornfest, Representing the IAAO Research and Standards Committee. *Ratio Study Practices in the United States, Canada, and the World: Results of the 2022 Survey*. Journal of Property Tax Assessment & Administration. Volume 20, Issue 1. 2023. Table 3, p. 70.

point estimates. When these interval estimates include 90% (at the low end) or 110% (at the high end), there is no finding of non compliance – even if the sample median is quite far from these interval limits. In deference to the advice in the IAAO Standard to use lower degrees of confidence in response to repeated failing point estimates, Idaho has adopted rules that allow the substitution of 80% confidence intervals for the 90% intervals initially used to test compliance. The lower degree of confidence is used when the category being tested would have been proven out of compliance using this test for two consecutive studies, but was found in compliance due to the more stringent 90% intervals. Figure 5 shows an example of a study based on 8 sales in which the 80% confidence interval failed to overlap the 90% - 110% range, while the 90% interval overlapped that range and resulted in an initial finding of compliance.

Figure 5: 80% v. 90% confidence interval differences

90% Confidence Intervals:	Lower	Upper
Around the Mean	53.78%	86.64%
Around the Median	40.90%	97.69%
Around the Weighted Mean	56.91%	90.46%
Around the COD	15.03%	87.08%
Around the PRB	0.0921	0.7593
Probability True Mean 90-110	2.70%	
80% Confidence Intervals:	Lower	Upper
Around the Mean	57.94%	82.48%
Around the Median	52.37%	89.91%
Around the Weighted Mean	62.34%	85.04%

The category being tested had a median ratio of 70.8% - strongly suggestive of non-compliance, but with insufficient proof, as demonstrated by the upper limit of the 90% confidence interval.⁹

Limitations – areas covered or recommended in IAAO standards but not addressed in Idaho standards, subject to oversight action, or deficient

Several areas of concern for overall, inter, or intra category assessment quality are not subject to direct oversight in Idaho, although advisory information and statistics are provided to local assessors. These areas include: horizontal equity, vertical equity, and differences between category and overall jurisdiction results.

- a. Horizontal equity – Idaho uses a simplified version of the IAAO standards shown in Table 6. Our advisory standards consist of a COD <=15% on improved residential property and <=20% on other property. There is no remedial action, but reports highlight or otherwise indicate failures.
- b. Vertical equity – IAAO recommends a PRD between 0.98 and 1.03 and also notes a PRB that is best between -.05 and .05. Idaho calculates and makes note of these results, but considers these advisory standards with no remedial action.
- c. Differences between category and overall jurisdiction results. The IAAO Standard on Ratio Studies requires no more than a 5% difference between the appraisal level in a

⁹ Author. Results abstracted from county ratio study conducted January 10, 2024.

class (ie: category) of property and the overall level of appraisal in a jurisdiction²⁴ (IAAO, 2013). Idaho does not observe this standard and does not determine an overall level of assessment for a county or for direct equalization.

- d. Small samples with wide confidence intervals. Many categories have few sales, even if expanded time periods up to two years (the maximum under the Idaho system) are used. In these cases, it is difficult or impossible to be sufficiently confident that the level of assessment is outside the acceptable range. The caution required to conform with statistical significance may result in deficiencies that are not addressed, or, in the case of using lower degrees of confidence, not addressed for two to three years.
- e. Lack of state law requiring buyers or sellers of property to disclose sale prices to assessors or state oversight agency officials. This is a serious impediment, further restricting often already small samples based on voluntarily disclosed sale price information.

Equalization of Centrally Assessed property

The Idaho State Tax Commission (ie: the oversight agency) serves as the assessor and, through its governing board, the first level appeals board, for a class of property known as operating property. This property consists of public utilities, such as companies generating and transmitting electricity, pipelines, telecommunications companies, and railroads. After valuation of the operating property of the company as a whole, the value is apportioned to taxing districts in areas served by the company based primarily on mileage of lines and rails in each area.

Federal law in the U.S. prohibits assessment discrimination against railroads. This is defined as occurring if:

“...the ratio of assessed value to true market value of rail transportation property exceeds by at least 5 percent the ratio of assessed value to true market value of other commercial and industrial property in the same assessment jurisdiction.”²⁵ (49 U.S. Code §11501, 2024)

The Idaho Supreme Court recently expanded the applicability of this provision to include all centrally assessed operating property in Idaho²⁶ (Idaho Power Co., 2023). Ratio studies of commercial and industrial property within areas served by centrally assessed properties are used to determine whether this type of discrimination exists and to calculate a remedy if it does. The weighted mean and its confidence interval are used for this purpose. The remedy is to lower the appraised value of centrally assessed property to match the level determined in the ratio study conducted on the commercial and industrial property located in the same counties as the centrally assessed property.

Transparency of Results

Results of Idaho county and category ratio studies are published on the website of the Idaho State Tax Commission.²⁷ (<https://tax.idaho.gov>, 2025) Full reports of results from each county are available on request but lists of sales including parcel numbers generally are not made public.

7. Background – Oversight in the Netherlands

Property Tax in the Netherlands

The Netherlands has a multi-tiered government structure, comprising central, regional, and local levels. The central government includes the national administration, ministries, and advisory committees. The decentralized governance system consists of 12 provinces, 342 municipalities, and 21 polderboards (or water authorities). Municipalities and water boards are both forms of local government that cover the entire country. In the Netherlands, many municipalities and water boards collaborate on local taxes through specialized joint organizations they have established for this purpose. As a result, there are not 342 separate organizations responsible for property valuation for property taxes, but rather 160: approximately 100 municipalities and 60 “joint organizations”. These joint organizations, or shared service centers” are not private enterprises but also have a legal status as government organizations.

The central, regional, and local governments in the Netherlands each have the authority to levy taxes. In doing so, these governments use the (market) value of real estate properties as a basis for taxation. Prior to 1995, each government organization was individually responsible for assessing property values, using various methods and definitions, leading to inconsistencies.

On January 1, 1995, the Special Act for Real Estate Assessment (in Dutch: “Wet WOZ”) was introduced. This legislation established a unified framework for defining and documenting real estate property values for taxation purposes. The act aimed to achieve four key objectives:

- Efficiency;
- Clarity (for the taxpayer);
- Quality; and
- Uniformity.

The Act made municipalities responsible for the valuation of all real estate properties. All other governments were obligated to use the assessed value for taxation purposes. Initially, municipalities were required to assess the value of all real estate properties every four years, and all other government bodies were mandated to use these assessments for their tax calculations. In 2007, this process was enhanced with the introduction of annual appraisals, where the valuation is based on a reference date one year prior to its application.

As a result of this, the assessed value (in Dutch: “WOZ-value”) is the base of different forms of property taxes, levied by different governments. The most well-known property taxes are:

- The Municipal real Estate Property Tax;
- The Water Board Tax;
- The home owners forfeit and capital return tax (a small percentage of the assessed value of houses is considered “income” to be taxed under income tax).

Part of Government Information Infrastructure

In 2006, the “WOZ registration” was incorporated into the “System of Base Registers” a cornerstone of the Dutch public sector information system. This system integrates ten interlinked base registers, modernized to ensure greater data consistency, reliability, and accessibility. Examples include registers for cadastral data (property ownership), population data (residency), and business data. By connecting these registers, the system has streamlined the processes underlying public sector information management, fostering improved interoperability across government systems.

Complementing this system is a robust digital infrastructure designed to support secure and reliable data exchange between government organizations. Both central and local governments are mandated to use this infrastructure to enhance the quality and accessibility of digital services for citizens and businesses. A key feature is the “secure digital letterbox”, provided to every resident in the Netherlands, enabling the safe receipt of confidential communications from government agencies. Together, these innovations form the foundation for efficient, transparent, and trustworthy digital government services.

Netherlands Council for Real Estate Assessment

The Netherlands Council for Real Estate Assessment (NCREA) is an independent oversight organization that oversees and ensures the quality of these assessments. It is in the mission statement of the NCREA to enhance the trust of taxpayers. The board of the organization includes representatives from all parties (municipalities, polderboards (water boards) and the central government) that utilize the WOZ-value for taxation purposes. The organization has a staff of 23 professionals. The employees have diverse backgrounds. Most have a technical, legal, or public administration background.

Due to the limited quality requirements outlined in the Special Act for Real Estate Assessment, the NCREA has significant discretion in determining its implementation. The NCREA sets requirements both for the work processes municipalities must follow and for the resulting deliverables. For example, it establishes standards for appraisals, valuation reports, and appeal rulings. The NCREA tries to connect the standards as much as possible to international standards.

Employees of the NCREA regularly visit all valuation organizations (municipalities and “joint organizations”) in the Netherlands to provide support and guidance. Each municipality needs annual permission from the NCREA to send the assessed values to the taxpayer. Municipalities will get this permission only if they have demonstrated that the quality of the valuations is in order. In addition, the NCREA conducts process audits throughout the year. To demonstrate the quality of the valuations, municipalities must present the results of the ratio study they performed to the NCREA.

The NCREA follows the standards of the IAAO as much as possible, but applies them in a "principle-based" rather than a "rule-based" manner. This means that inspectors from the NCREA assess whether municipalities comply with IAAO standards. If they do not, the "comply or explain" principle applies, requiring municipalities to explain why there is a deviation. It is then up to the inspector to determine whether this explanation is valid.

The NCREA primarily focuses on the quality of property valuations. It ensures that valuations are accurate and comply with established standards. However, the use of these valuations for taxation purposes is the responsibility of the organizations tasked with tax assessment, including municipalities, water boards (polderboards), and the Dutch Tax and Customs Administration. These entities are responsible for determining how the valuations are applied within their respective tax systems.

Knowledge and expertise center

The NCREA also serves as a national knowledge and expertise center for mass valuation and government information infrastructure. As such, it acts as the primary point of contact for political inquiries and other questions related to the execution of the Special Act for Real Estate Assessment. Additionally, the NCREA is the first point of contact for municipalities when they have substantive questions about property valuation. In many cases, it also serves as a point of contact for taxpayers with questions about the WOZ valuation they have received from municipalities. However, the NCREA does not play a formal role in discussions between municipalities and taxpayers regarding their valuation. If taxpayers believe the determined value is too high, they can first file an objection with the municipality. If necessary, they can then appeal to the court and, subsequently, to the court of appeal.

Transparency about results

The NCREA audits the quality of the valuations and administrative processes and publishes an individual quality score ("star rating") for all municipalities on its website, reflecting the effectiveness and accuracy of their valuation processes. As shown in Table 10 the ratings range from 1 to 5 stars. This score is viewed by taxpayers through the municipality's website, but tax agents also use it to determine in which municipalities they can support taxpayers in filing objections against property valuations. In addition to the star rating, the NCREA also publishes all research reports online, while ensuring compliance with privacy laws and regulations.

Table 10: Star rating used by NCREA

Stars	Overall Assessment	Explanation
★★★★★	Good, multiple years	The municipality has consistently delivered high-quality valuations for multiple years and meets all quality requirements.
★★★★	Good	The municipality delivers high-quality valuations and meets all quality requirements.
★★★	Sufficient	The municipality provides sufficient quality and meets the key quality requirements.
★★	Needs improvement in certain areas	The municipality does not meet one or more important quality requirements. This could include: failing to publish values on time, having a backlog in handling objections, incomplete administration, or insufficient quality of recorded property characteristics. Concrete agreements are made on necessary improvements, and the NCREA increases supervision.
★	Urgent improvement needed	The municipality delivers valuations of insufficient quality, fails to meet key quality requirements, and does not take adequate measures to ensure proper management and quality. Agreements are made at the administrative level, and the NCREA closely monitors progress. Until demonstrable improvements are made, the values and tax bills cannot be sent to the taxpayer.

In addition to individual assessment of municipalities, the NCREA also conducts nationwide thematic surveys. For example, this is done on the alignment of valuations with market levels, or on how complex properties (such as industrial complexes) have been valued by municipalities. The results of these studies are also published online.

Enforcing laws and regulations, including equalization

Equalization is not a part of the Dutch property tax system. The NCREA does not have the authority to independently increase or decrease values (or revenue from taxes) directly. Indirectly, it does because the NCREA will only give permission to send assessed values to the stakeholder if it is satisfied that they meet all quality requirements, including the Standard for ratio studies.

When assessing whether municipalities comply with the Standard for ratio studies, the NCREA is bound by Dutch jurisprudence. In particular, a ruling by the Supreme Court (in Dutch: Hoge Raad) states that the sale price of a property, from a transaction that took place around the reference date, is equal to the market value¹⁰. As a result, the standards for ratio controls are not always met.

¹⁰ Quote from a Supreme Court ruling, 2000: “If the property was sold close to the valuation date, the general assumption is that the value equals the price that has been paid, unless one of the involved parties (taxpayer or municipality) invokes, and proves, facts and circumstances that imply that the paid prices do not reflect the value.”

8. Contrasting the Idaho and Netherlands oversight models

Introduction and key figures

To better understand the differences and similarities between the property tax systems in Idaho and the Netherlands, the following Table 11 provides a comparative overview of key characteristics for both jurisdictions. This comparison highlights variations in population size, property numbers, tax revenues, and administrative structures, offering a foundation for further analysis.

Table 11: Key figures Idaho and The Netherlands (2024)

	Idaho	The Netherlands
Inhabitants	2.0 mln	17.7 mln
Area size	83,569 sq mi	16,221 sq mi
Number of properties	1.1 mln	9.2 mln
Sales price average house	\$ 531,000	\$ 470,000
Effective tax rate (res.)	0.415 % (after tax relief)	~0.1 – 0.5%
Per Capita revenue	\$ 1150	\$ 621
Tax revenues based on the assessed value	\$ 2.3 billion (no tax relief) \$ 2.1 billion (after tax relief ¹¹)	\$ 11 billion
Total annual costs for appraisal and assessment per parcel (2006)	\$ 20.00	\$ 21.65
Oversight budget	~\$ 9 million	~\$ 4 million
Size of staff	40 employees	23 employees

The oversight of the property tax system is carried out by the Idaho State Tax Commission (ISTC) in Idaho and by the Netherlands Council for Real Estate Assessment (NCREA) in the Netherlands. In this section, we compare both systems as outlined in the previous sections.

Role comparison

The role of the ISTC appears to be broader than that of the NCREA. In addition to overseeing property assessments, the ISTC is also responsible for reviewing and approving the property tax budgets of counties and taxing districts and providing direct support including software

¹¹ The Idaho Legislature provided \$246 million in direct property tax relief in 2024. See House Bill 521, Idaho Legislature. –<https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2024/legislation/H0521.pdf> (last accessed March 3, 2025)

development and support. In contrast, the legal mandate of the NCREA is primarily focused on evaluating property valuations.

The NCREA informs software companies to properly incorporate (legislative) changes and modernizations in the annual valuation into their software systems. It also helps that the number of software providers offering tax and valuation systems to municipalities is very limited—around five. The NCREA strongly believes in the power of competition to drive improvements. There is no requirement for NCREA certification of software or providers.

There are, however, several similarities. Both organizations operate independently from the local governments, enabling them to provide opinions and recommendations without being influenced by external parties. The expertise of both agency’s staff is exceptional, which establishes these organizations as knowledge centers in their respective fields. As a result, they are often the primary point of contact for matters related to property taxation. They serve not only as the first resource for politicians and other governmental bodies but also as a trusted source of information for inquiries from the media and taxpayers. Along these lines, both the Netherlands and Idaho make their ratio studies results available. However, in the Netherlands a special request is necessary to obtain detailed statistical results.

Structurally, both, Idaho and the Netherlands have set up their oversight agencies in such a way as to attempt to make the boards of both organizations function independently. This is beneficial for the trust of:

1. politicians and policy makers;
2. the public (stakeholders);
3. the parties that are being overseen (taxing districts, assessors and municipalities).

Another important similarity is that both organizations rely on international standards, particularly those established by the International Association of Assessing Officers (IAAO), in carrying out their oversight responsibilities. Both organizations will operate within laws and do so administratively by developing rules and regulations. These rules incorporate many aspects of IAAO standards, particularly the Standard on Ratio Studies.

Table 12 shows major features of both entities oversight functions.

Table 12: Comparison Oversight Activities in Idaho and The Netherlands

Function	Idaho (ISTC)	The Netherlands (NCREA)
Review quality of assessments	Primary focus on ratio studies. Data is limited due to absence of mandatory sale price disclosure law.	Primary focus on ratio studies and underlying property characteristics. Data tends to be abundant; information is publicly available.
Equalization	Require compliance with level of assessment standards.	Equalization is not applicable in the Dutch context.

Frequency of Ratio Studies	Annually done by ISTC	Annually done NCREA for 25% of municipalities. Remainder are done by reviewing the results of ratio studies done locally.
Review taxing district levies	Review and approve submitted taxing district levies for compliance with law.	Not a part of the task of the NCREA.
Mapping of taxing districts	Review and map taxing district boundaries.	Quality control of municipal geo-information is carried out by other organization.
Appraisal and policy advice	Explain policies to public, assessors and other county and state officials.	Explain valuation policies to public, assessors and other county and state officials.
Software support	Direct software support to several assessment and billing systems.	No direct software support.
Direct valuation	Valuation of railroads and public utilities.	No direct valuation.
Review ongoing reappraisal	Review plans and ensure compliance with five year reappraisal requirements, administer penalties (withhold state revenue sharing) for non compliance.	All municipalities must comply with the law to value annually and reinspect once every 5 years. If they do not comply, sanctions may be imposed. In the worst case, a municipality may not be granted permission to send the valuations and tax notices to the taxpayers.
Circuit breaker claims approval and payment	Review claims and approve claims for tax relief under this program (state pays tax relief to counties on behalf of eligible claimants).	Tax relief programs administered at the municipal level.
Coordinate education and training	Provide training directly or indirectly and certify appraisers.	Professionalism program through informal advice.
Investigate taxpayer complaints	Consider complaints from taxpayers about improper assessments and investigate if warranted (in law).	Consider complaints from taxpayers about improper assessments and investigate if warranted (informal).

Analyzing property tax	Compile valuation and tax data and research property tax changes and effects on different types of taxpayers and different taxing districts.	Compile and analyze valuation data and develop national key figures.
Appeals	Direct involvement for centrally assessed property; not involved in appeals of locally assessed property	No involvement

System controls

In Idaho, some of the systems in use are optional while some must be followed or used. Optional ones include: software and standards for horizontal and vertical equity. Mandatory ones include: reappraisal (with physical inspection) of all property every 5 years, meeting ratio study level standards for each tested category annually, levy limits and the process for submitting budget and levy information, circuit breaker tax relief qualifications and the claims submittal process. Mandatory processes have penalties for failure. Usually these are in the form of withholding of state funds otherwise shared with counties and other local governments, reducing taxing district property tax budgets, ie: disapproving circuit breaker claims . Failure to meet ratio study level standards can result in direct equalization of values in the failing category.

The NCREA also enforces mandatory requirements, including, similar to Idaho, compliance with IAAO standards for alignment with market levels and for vertical and horizontal inequity. Additionally (like in Idaho and in accordance with IAAO standards), the NCREA requires that every property is physically inspected at least once every 5 years, meaning that the registered property characteristics must be verified. In the most extreme cases, if a municipality fails to meet any of these requirements, the NCREA can enforce a restriction preventing the municipality from sending the valuations and tax notices to taxpayers. This would mean that the municipality could not issue tax bills, which would directly impact revenue.

Involvement in software development and support

Both organizations play a role in assisting local governments maintaining the software they use for property taxation and valuation purposes. In Idaho’s case, the state became involved in providing software to the county assessors to accomplish both better standardization and higher quality assessments. Today many of Idaho’s counties are still reliant on the state for software and support, while others are independent. But in all cases the state oversees the quality of the final assessments and ensures that they meet standards.

In the Netherlands, the NCREA maintains close contact with the software providers that supply municipalities with their tax and valuation systems. This includes a key role in developing and standardizing data definitions such as property measurements, as well as (for instance) providing support to software vendors in implementing legal changes in their systems.

Education

In Idaho, rules demand some amount of professional education for both property tax appraisers and mappers. Although local governments pay for classes, the state tax commission coordinates the location, registration process, instruction, and certification of results. A combination of IAAO and other professional classes is taught at both regional and two centrally located annual schools. Often state staff provide the instruction and may develop course material, especially on specific topics such as ratio studies, valuation of agricultural land, budget and levy limitations, and circuit breaker qualifications. Classes are widely attended.

The NCREA considers promoting the professional competence of employees working at municipalities and companies involved in WOZ tasks as one of its key priorities. However, it does not "own" this responsibility. The municipalities and companies themselves are responsible for ensuring the professional competence of their staff.

Valuation of individual properties and certain types of property for which few sales are available may be problematic and not easily subject to quality testing using statistical techniques such as ratio studies. Sometimes formulaic processes are involved, such as for forest land in Idaho, where exact valuation formulas are found in law. More often, as in the case of complex industrial properties, acceptable values may vary widely and the quality of the assessments may not be known except on appeal by the affected taxpayer. In these latter cases, in Idaho, the state may advise the county assessors and have its appraisers testify as to the methodology used if there is an appeal. These appeals are heard by a local (county) board of equalization whose decisions may be appealed to a state board of tax appeals and then to court. In the Netherlands, direct oversight methods, such as equalization, are not applicable. In the Netherlands taxpayers must first file an objection with the municipality. If they disagree with the municipality's decision, they can appeal through three levels of the judiciary: the district court, the court of appeal, and ultimately the Supreme Court. Unlike in some other jurisdictions, the NCREA does not play a role in these legal proceedings.

The number of available property sales transactions of residential properties in the Netherlands is sufficient to allow for careful and accurate valuations. This is due to the full disclosure of sales data, the country's high population density and the dynamic housing market. For less common properties, such as complex industrial assets, the NCREA (in collaboration with municipalities) has developed a methodology in which central valuation guidelines based on construction costs are established. These guidelines must be applied by municipalities for calculating the depreciated replacement costs.

9. Conclusions

Oversight agencies play a pivotal role in the property tax industry, fostering accountability, public trust, compliance with laws, and transparency. Their independent observations, examinations, and analyses serve as a cornerstone for maintaining a fair and equitable system. By acting as a knowledge center, these agencies provide valuable insights and guidance to all levels of governance, both upward to state authorities and downward to local municipalities and counties.

The presence of a robust oversight mechanism offers significant benefits to counties and municipalities. It provides assurance to policymakers and the public that property tax policies and practices are being implemented fairly and in accordance with legal standards.

A strong system of oversight in the property tax industry requires several critical elements:

1. **Expertise of the Oversight Agency:** The agency must combine technical proficiency with professionalism. This includes the ability and willingness to provide education and training to stakeholders, ensuring a well-informed community of practitioners and policymakers.
2. **Political Will for Transparency:** Transparency and accountability require political leadership that is committed to openness and willing to take corrective measures when necessary. To safeguard the integrity of oversight, the agency must be insulated from the broader political process, ensuring unbiased operations.
3. **Legal Authority:** Oversight entities must have clear and enforceable legal authority to carry out their mandate. This ensures they can act decisively to address non-compliance and other issues.
4. **Adequate Resources and Staffing:** To function effectively, oversight agencies need sufficient resources and a dedicated, well-trained staff. Without these, their capacity to conduct thorough examinations and provide valuable insights diminishes.

In summary, oversight agencies are indispensable to a transparent and accountable property tax system. Their independence, expertise, and ability to act as both enforcers and educators underpin their effectiveness, ensuring the confidence of policymakers and the public alike. One may argue that a unified system combining all functions may be more efficient. But, such a system is inherently self policing and this may diminish public trust in outcome quality.

Role of oversight in implementation of standards

Oversight agencies need guidance themselves to reinforce whatever standards they adopt. This results in three operative tiers:

- States look to IAAO so that the guidance that has been developed is established by more than the state itself.
- Local assessment jurisdictions in turn look to their states for guidance.
- In centralized systems this is more problematic because the assessment jurisdictions can turn to IAAO standards, but there is no specific guidance from an oversight agency with sufficient authority to enforce standards.

Collaborative instead of Coercive

The Idaho oversight system includes elements that could be deemed “coercive” in that failure may result in loss of local government revenue or forced adjustments to locally established valuations. Although both of these actions have occurred, in recent years they have become increasingly rare – not just because of reluctant enforcement – but largely because local assessment agencies understand the goals and what is necessary to avoid such state action. Further, through active communication, including both education and generally non-confrontational and frequent engagement with local assessors and other local officials and their associations, the entire process has become more collaborative and elicited a strong sense of partnership rather than acquiescence.

This is very similar to how it works in the Netherlands, where the NCREA also has certain coercive instruments at its disposal but applies them sparingly. Instead of relying on enforcement, the agency focuses on fostering cooperation with municipalities. By maintaining open communication, providing guidance, and supporting best practices, the NCREA encourages local governments to conduct property valuations accurately and consistently. This approach has led to a system where municipalities take responsibility for proper valuation, not out of fear of sanctions, but due to a shared understanding of the importance of fair and transparent property taxation.

Principle versus Rule based

Rules should be principle based. A level of assessment between 0.9 and 1.1 is not goal on its own, but just an instrument to ensure that the principle of current market value assessment has been followed. Therefore the rule and the principle should also be understood, both by the primary assessor and the oversight authority to prevent blindly following rules that fundamentally are not understood. A good understanding of principles can lead to better development of rules that are widely accepted, and this approach is embodied in both the Dutch and Idaho oversight processes.

An important distinction between oversight in Idaho and oversight in the Netherlands lies in the focus of the underlying system in terms of being rules or principles based. We assert that the Idaho system appears to be more rules based while the system in the Netherlands is more principles based. In the oversight areas common to both jurisdictions, this translates into very specific rules set in administrative rules (with the force of law) in Idaho and more principles based guidance and expert level judgment by the oversight agency in the case of the Netherlands. Specific examples include the heavy reliance on confidence intervals when testing assessment level in Idaho and the lack of action in cases where assessment level cannot be proven inadequate or where assessment horizontal or vertical equity fail IAAO standards. In these cases, the Idaho oversight agency can merely advise local assessors of the issues, but cannot take specific action. In the Netherlands, however, the principles of equitable assessment would clearly be violated and local assessors could be required to take remedial action.

Both systems have strengths and weaknesses: The rules based systems may create more certainty for local officials, while the principles based system may be more responsive to expert acknowledged assessment equity concerns.

Differences and between Idaho and The Netherlands

Differences do of course exist. Perhaps the main identifiable one is the absence of strict equalization protocols in the Netherlands. Regardless of frequency of utilization, the Idaho system is more reliant on rules that must be specific to send a clear message about what constitutes compliance. Structurally, another difference occurs due to the status of local governments responsible for assessment in Idaho. These governments, as established in the Idaho constitution, are co-equal with the state, although statutes (which operate underneath the constitution) grant oversight responsibilities to the state. This structure reinforces the need for clear and specific rules, which may not be as necessary in the Netherlands.

General Conclusions

The system in use in Idaho and the Netherlands embodies the important principle of subsidiarity. This may be best described as a system that reserves tasks for a central authority only if they cannot be “... performed effectively at a more immediate or local level.”²⁸ (Almy, Richard, et al., 2008)

Interestingly, elements of the principle are found in the U.S. Constitution, 1992 Treaty of Maastricht on the European Union, and Council of Europe European Charter of Local Self-Government.²⁹ (Almy, Richard, et al., 2008) As a further demonstration, although the property tax in the U.S. is overwhelmingly a local tax¹² (ie: not providing much in the way of state level funding and providing no federal funding), only two states – Delaware and Hawaii³⁰ (Dornfest, Alan S., et al. 2017) – have no state level property tax administrative or oversight agency. Conversely, in practice, state valuation (assessment) systems clearly embody subsidiarity, with only two – Montana and Maryland³¹ (Dornfest, Alan S., et al., 2017) – conferring all valuation responsibility on the state. The Idaho system is somewhere in between systems run exclusively by the state run and those with no state involvement and includes features such as local assessment of most property along with state equalization that are common throughout the U.S. The main message is that the importance of the principle of subsidiarity does not obviate the need for active and present oversight. The Netherlands system does not distinguish “state” level operations, as their oversight is a national government function. But, in practice, both systems fulfill a major underlying goal of good valuation practices to ensure an equitable tax basis. The multi-tiered systems that are in use in both places add assurances and accountability while sustaining direct involvement of those closest to the stakeholders being served.

¹² In FY 2022, 3.3% of property tax went to state level governments in the U.S. U.S. Summary & State Estimates Tables found at: <https://www.census.gov/data/datasets/2022/econ/local/public-use-datasets.html> last accessed February 9, 2025.

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¹⁰ *Ibid.* Section 14.1. pp. 34 – 35.

¹¹ *Ibid.*

¹² IAAO. *Standard on Ratio Studies*. 2007. Table 2-4. P. 34.

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