Cooperation between municipalities and taxpayers for valuation purposes

Ruud M. Kathmann
r.kathmann@waarderingskamer.nl

Marco Kuijper
m.kuijper@waarderingskamer.nl

Mass appraisal for taxation

• Two problems:
  – updating object characteristics for valuation
  – taxpayer's trust in correctness assessed value

• One solution
  – cooperate
  – municipality makes interactive site
  – taxpayer helps updating information
Some backgrounds

• Act for Real Estate Assessment
  – 403 municipalities responsible for assessment
  – 8 million properties to be appraised annually
  – market value (100%), one year earlier
  – owners and users are officially informed
• Assessed values kept in key-register
  – Key-register used for taxation and other uses
• Quality control by Council for Real Estate Assessment

Fiscal use of register of values

• Assessed values are used for
  – Municipal real estate tax
  – Real estate tax polderboards
    • other type of local authority in The Netherlands
  – State taxes:
    • Income tax (for owner occupied houses)
    • Corporation tax (limits fiscal depreciation of real estate)
    • Inheritance tax
    • Tax for lease on housing
Use of key-register of values

- Taxation
  - Municipalities, polderboards, central revenue office
- Prevention of real estate fraud
  - Notary office, mortgage banks
- Maximum rent for social housing

Valuation / appraisal

- International Valuation Standards
- Market value
  - The estimated amount for which a property should exchange on the date of valuation between an willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently, and without compulsion
- Mass appraisal
Problem 1: updating data

- Cadastral information
  - ownership, plot size
  - updating based on legal transactions
- Registration of buildings
  - type, size and building year
  - updating based on building permits
- Data collection for valuation
  - quality of building (materials, facilities)
  - maintenance condition
  - location, environment

Market data used for valuation

- Cadastral information
  - selling prices (over 100,000 sales each year)
  - each sale price compared to assessed value
- Advertisements (on the internet)
  - asking price
  - object characteristics (size, age, type, garage)
  - building quality, maintenance
  - pictures
Guideline for updating data

• Based on international standards (IAAO)
• Updating object characteristics
  – Continuous (yearly) updating for building activities (etc.) based on permits and aerial photos
  – After transactions (improvements by new owner)
  – Inspection once every five years
• Market for residential property
  – Quality of property and maintenance condition are very important for market value
  – Quality and maintenance hard to keep updated

Problem 2: Taxpayer’s trust

• Taxpayer gets
  – official notification of value (part of municipal taxbill)
  – valuation report (available on private page on internet)
• Appeal possible:
  – if taxpayer considers assessed value incorrect:
  – objection to municipality (reconsideration by appraiser)
  – court (tax judge, first phase)
  – court (tax judge, second phase)
  – last phase: high court
Assessment / appeals

• Our goal:
  – clear valuation report to explain value
  – avoid official objections/appeals:
    • easy contact by internet
    • contact between taxpayer and assessor by phone
    • appointment at municipal office
    • appraiser comes to see the property

Appeal

• In 2013 there were:
  – 3% objections (190,000) for municipalities
  – about 10,000 cases in court
• In 2014 there were:
  – 1.7% objections (110,000) for municipalities
• About 25% - 30% of total costs for objections/ appeals
• Trust of taxpayer is low
  – poll: 70% of taxpayer has low trust
Analysis

• Poll on trust of taxpayer
  – most important: accuracy of data

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Analysis

• Psychology: attribution theory
  – A person has higher trust in his own work, than in work done by others

• Also for valuations
  – A person has a higher trust in a valuation for which he made some contribution:
    • granted contract, paid for
    • presented information, checked data

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Solution: cooperation

- Starting points:
  - taxpayer knows his property best
  - taxpayer trusts valuation better when he has contributed
  - municipality stays responsible
- Case studies
  - Over 10 municipalities in The Netherlands
  - Interaction by internet

Cooperation: how does it work?

- Municipality:
  - makes interactive personal page on internet
  - presents all object characteristics used for valuation
  - presents appraisal based on these data
  - asks taxpayer to check data
- Taxpayer
  - states that he agrees with all data
  - suggests corrections (changes)
- Municipality
  - answers (before formal assessment) how input is used

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Measuring results

- Counting number of reactions
  - 40% taxpayers visit site
  - 1% taxpayers suggest corrections
  - most of them are correct
- Counting number of appeals
  - decrease in number of appeals
  - but also decrease in other municipalities
- Poll about trust in assessed value
  - general increase in trust because market developments
  - taxpayer understands valuation better

Cooperation: results

- Taxpayers are willing to cooperate
  - new valuation triggers them to visit personal internet page
  - taxpayers react even if this results in a higher assessment
- Higher quality of data
  - decrease in number of appeals
  - decrease in costs for formal appeals
  - Increase in trust (even people who didn't participate)
- Investments needed
  - user friendly internetpage and informing taxpayers
  - procedures for direct respons to taxpayer
• Any questions

  – now, or

  – r.kathmann@waarderingskamer.nl