



Sally Powers has been a visiting fellow in the Department of Valuation and Taxation at the Lincoln Institute of Land Policy since 2009. She was director of assessment for the City of Cambridge for thirteen years until 2001, when she became an international consultant. That work has taken her to Kosovo, Montenegro, South Africa, the Kyrgyz Republic, and Turkmenistan, among other countries, where she has participated in projects on property taxation, market value revaluations, and establishment of a valuation profession for a transition economy.

Her career as an assessment administrator and consultant has involved all aspects of property taxation: legal framework, property appraisal, value defense, local government finance, tax policy, project planning and execution, public information, software specification and testing, cadastral/GIS (geographic information systems) mapping and analysis platforms, and tax collection and enforcement. Her research interests focus on mass appraisal, specifically the application of econometric techniques to analyze market activity and develop models to estimate the market value of properties that have not sold. She has written on topics as diverse as appraisal modeling, implementation of the local property tax in Kosovo, and property tax collection strategies.

Powers received her bachelor's degree in anthropology from the University of Chicago, and she holds a Master of Science degree from the Boston College Carroll School of Management.

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LAND LINES: *How does your work fit within the research and education program of the Lincoln Institute?*

SALLY POWERS: The Lincoln Institute is a leader in property tax policy, and its work influences the local government officials responsible for the property tax in thousands of jurisdictions across the United States and internationally. The Department of Valuation and Taxation presents a variety of conferences, seminars, and courses for property tax professionals, and I have served as faculty for a number of these programs since the 1990s. I'm also involved in working directly with local tax practitioners and in research projects that will continue to challenge the conventional wisdom about the property tax.

LAND LINES: *What are some of your current projects?*

SALLY POWERS: One major project deals with a joint venture between the Lincoln Institute and the George Washington Institute of Public Policy to create a free, downloadable property tax database for all 50 U.S. states and the District of Columbia. The *Significant Features of the Property Tax* Web site was launched in June 2009, and the information is updated every year to keep current with changes in the legislation that regulates the property tax in each state.

We regularly expand the subject matter to be included, and have made the site a central access point for information about the property tax from a variety of federal, state, and scholarly sources. For example, the only nationwide study of effective tax rates is published by the Minnesota Taxpayers Association, and this publication is now available for downloading from the *Significant Features* site. The next topic we plan to organize for presentation on the Web site is the various forms of property classification for tax purposes.

LAND LINES: *Can you clarify what an effective tax rate and classification mean, and why they are important aspects of this database?*

SALLY POWERS: The property tax rate by itself does not explain much about the property tax burden in a particular community or provide any basis for comparison across jurisdictions. A high tax rate may simply reflect low property values, and a low tax rate may reflect very high values. Effective tax rates are calculated by comparing the amount of the property tax bill for a property to its market value, which may or may not be the same or even close to its assessed value. Effective tax rates, where they are available, thus make it possible to understand the impact of a tax bill intuitively and to make better informed cross-jurisdictional comparisons.

Classification of property is undertaken by many states, either legislatively or in the state's constitution, to identify property categories based on use, the most common uses being residential, commercial, and industrial. In some states the classifications are applied for identification and reporting purposes only. However, it is employed more frequently to tax favored classes at lower rates than other classes. The most favored classes are generally residential and agricultural uses.

LAND LINES: *Based on your research, how well is the property tax holding up as a primary local revenue source during the current recession?*

SALLY POWERS: There are two major components to a property tax bill: the property value and the tax rate, as discussed above. In states where local tax jurisdictions are not encumbered with extreme limits on tax rates, the property tax can be quite resilient, because when values decrease the tax rate may be increased. In addition, the value always represents an assessment as of a specific date prior to the issuance of the tax bill. It is not unusual for this assessment date to be a year and a half or more before the date of issuance of tax bills. This "assessment lag" gives local jurisdictions a cushion in times of rapidly changing markets, with time to plan for the

eventual change in the level of assessed values and to investigate other local revenue sources. To date, research on property tax revenues during the current downturn has borne out these features of the property tax.

LAND LINES: *It's clear that the American property tax is a complex affair. How does this compare to your experience in other countries?*

SALLY POWERS: International experience with the property tax varies greatly, depending on the maturity of the property tax system, the culture, and the legal underpinnings for the tax. The projects I worked on in Eastern Europe were introducing a market value based property tax. Political leaders and central and local public officials had no difficulty with the concept of market value. Valuation methods were uncomplicated and directly related to sales. A common theme in the U.S. and many other countries, however, is the desire to make the burden of the property tax smaller for residences than for businesses. Some of the proposed formulas to provide tax relief are extremely complicated, such as relating property value to household size and ages of household members.

LAND LINES: *How widespread is the property tax?*

SALLY POWERS: It is quite surprising how many countries assess some form of tax or fee on property or property rights. Another Lincoln Institute project I am working on is the African Tax Institute (ATI), a joint venture with the University of South Africa at Pretoria. More than ten research fellows at ATI have visited one or more of 38 countries to develop in-depth reports on the various forms of tax on property (Franzsen and Youngman 2009). Most of those reports and supplemental appendices are posted on the Lincoln Institute Web site as working papers. In every country studied the researchers found some sort of tax or fee on ownership or use of property. In many countries all land is owned by the government, but the rights to use the land are owned by individuals and companies that pay fees and taxes on their use rights.

In countries of the former Yugoslavia, for example, the property tax is a familiar concept. In the early 1990s, the Federal Republic of Yugoslavia established a privatization program that transferred ownership of government-owned apartment flats to individual owners. An annual tax was assessed on the owners, based on the characteristics of the property.

LAND LINES: *Can you describe more about your interest and experience in econometrics applied to property market data.*

SALLY POWERS: I was plunged into multiple regression analysis on my very first property tax job for the City of Boston in 1982. I was part of the team hired to use statistical analysis to develop models (formulas) that could be applied to property data to estimate market value. I was fortunate because the city hired some of the top experts in this emerging field to train us in these methods. Since then, both as an assessor and later as a consultant, I have continued to use econometric tools to estimate market value for property tax application.

It has been fascinating to participate in the increasing sophistication and effectiveness of CAMA (computer assisted mass appraisal) to generate AVMs (automated valuation models). The biggest leap in this technology takes advantage of GIS capabilities to analyze location and property value. I am looking into an econometric tool for CAMA application that analyzes data around median values rather than the mean. This is interesting because the current statistical standards for value accuracy and uniformity are calculated around the median because, compared to the mean, it measures average value with less bias from extremely high or low values.

LAND LINES: *Do you have any other observations about the Institute's work in the current volatile realm of property taxation?*

SALLY POWERS: As a visiting fellow at the Lincoln Institute, I have found it especially gratifying to see the increasing public interest in the *Significant Features of the Property Tax* database. The Web site has been cited by many scholars in the field of local pub-

lic finance, and the authors of two papers presented at recent Institute seminars used data from the site for their analyses.

Adding to its Web-based resources, the Lincoln Institute has produced more than 10 online courses on such diverse topics as property tax policy, modern valuation technologies, property tax reform in Massachusetts, and introduction of the property tax in transition economies. The IAAO (International Association of Assessing Officers), the leading membership organization for tax assessors and other property tax professionals, has recognized the value of these courses, and now its members can receive continuing education credit for taking them.

Finally, the Institute has inspired more economists to become interested in property tax valuation and equity issues. For example, economists from the University of Illinois and Florida State University are conducting studies of assessment equity that introduce contemporary econometric tools to both display and analyze patterns of overvaluation and undervaluation of property in assessing jurisdictions.

Visiting fellow Dan McMillen (2011), working with a rich data-set that includes the City of Chicago, will present his analysis and conclusions at the next annual conference of the IAAO. I will be on hand to help make his innovative findings accessible not only to the statistical analysts in the audience, but also to property tax assessors who are interested in improving values in their own jurisdictions. **L**

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