



LINCOLN INSTITUTE
OF LAND POLICY

Introduction to Mass Valuation

Issues and Challenges

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Four Core Principles of Property Tax Policy

- Assessments based on **market value** with regular and frequent (preferably annual) updates
- A broad tax base with **limited exemptions** to allow **lower rates**
- **Targeted**, accessible, efficient **relief programs**
- A well-managed and transparent assessment system using **mass appraisal techniques**



The screenshot shows the IAAO Technical Standards website. At the top, a blue banner reads "Technical Standards". Below this is a navigation menu with the following items: "Online Resources", "Research Library", "Publications", "Body of Knowledge", "Technical Standards" (highlighted in orange), "IAAO Connect", "Professional Consulting Services (Tech Assist)", and "One on One Training". The main content area features a large heading "IAAO Technical Standards" and a central image of a globe with the text "Global Guidance on Mass Appraisal and Related Tax Policy". Below the globe image, the text reads "Guidance on International Mass Appraisal and Related Tax Policy (approved January 2014)". To the right of the globe, there is a section titled "Guide to Assessment Administration Standards (posted June 2016)" and another section titled "IAAO Technical Standards Standard on Assessment Appeal (approved July 2016)".

Elements of a Fair Property Tax

- **Uniformity**
 - Consistency in assessments, as measured by sales ratios studies
 - Market value assessments maintains a relationship between property-based wealth and property taxes
- **Objectivity**
 - Market value requires valuations based on tangible, unbiased market evidence
 - Mass appraisal systems apply market models in a consistent, impartial manner
- **Transparency**
 - Assessments - and the standards and methods used to generate them - should be accessible by the public and well known
 - Allows public to understand whether they are being treated fairly (taxpayers can compare their assessment to sales of similar properties)

Mass Appraisal

IAAO: “Mass appraisal is the process of valuing a group of properties as of a given date using **common data, standardized methods, and statistical testing.**”

Statistical valuation approaches: Made possible by advances in **computerized statistical methods** that allowed new levels of **standardization and equalization.**

Historical contrast: A 1973 New York State investigation found that in New York City, each assessor used an individual approach: “Cubic footage, property cost, income, age, and condition are all factors, weighed differently by individual assessors.”

Benefits of Mass Valuation: Estonia

Example of the value zones in Tallinn (2001)



Land value zoning has been implemented 1993-2001

Mass valuation models make it possible to dispense with resource-intensive and controversial zoning and to calculate a value based on transactions that takes into account the specificities of each plot (2022).

Market Value as a Tax Base

- Tax contributions in proportion to property wealth
- The tax reflects changes in a dynamic economy, maximizing fairness and ease of understanding
- An incentive to make more intensive use of high-value property
- A means of financing public services and infrastructure that increase property value
- A transparent tax base familiar to property owners
- IAAO: “Only a system requiring current market value acknowledges these changes in market conditions and the distribution of property wealth.”

Boston, Massachusetts: Example of the Positive Changes Produced by Market Value Assessments and Mass Appraisal



Pre CAMA/Reassessment Era

- Frustrated taxpayers
- Very high appeal rates – poor revenue performance
- Unstable/unpredictable tax bills hindered real estate development
- Bond rating teetering at junk bond status



Now – Well Established Revaluation / Market Value System

- Property taxes do not appear as an issue in political polls
- Low appeal rates and high yield tax system (70% of revenue)
- Stable tax system results in significant development activity and tax base growth
- AAA (highest) Bond Rating

Revaluation

- IAAO: “In annual assessment, the assessing officer should consciously reevaluate the factors that affect value, express the interactions of those factors mathematically, and use mass appraisal techniques to estimate property values. Thus, it is necessary to observe and evaluate, but not always to change, the assessment of each property each year in order to achieve current market value.”
- Failure to revalue requires the owners of property in declining or stable neighborhoods to subsidize owners in neighborhoods of rising value.
 - Example of Nassau County, New York State



OXFORD

Tax by Design

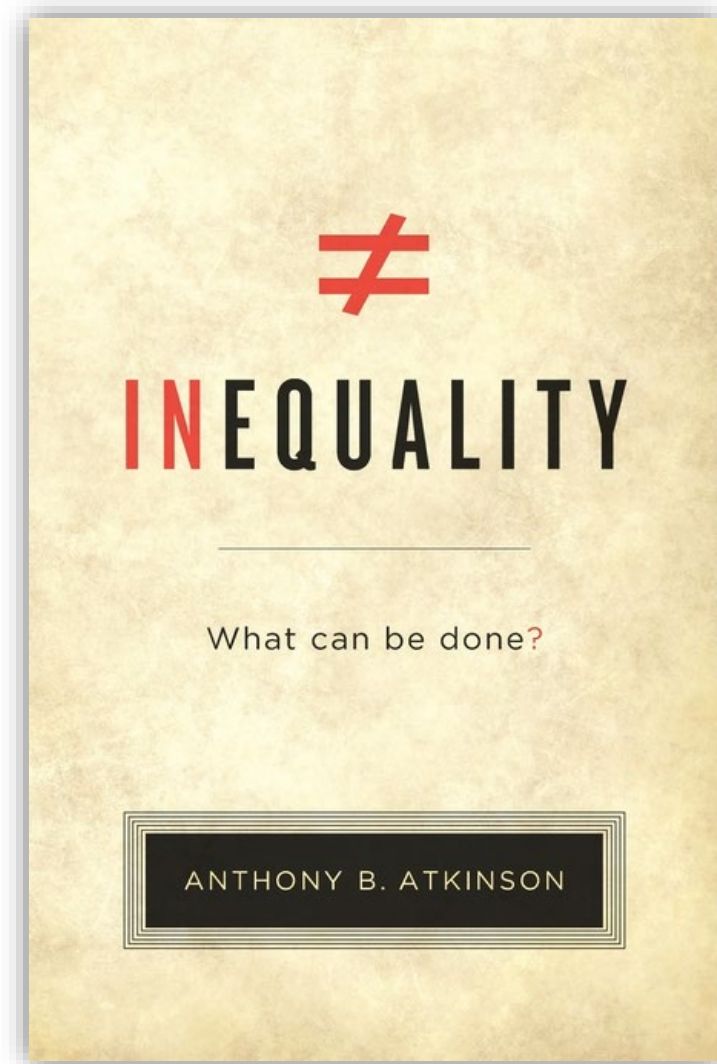
THE MIRRLEES REVIEW

Conclusions and Recommendations for Reform

 Institute for
Fiscal Studies

Mirrlees Review:

“Any property tax requires regular revaluations, and this process should begin as soon as possible.”



The 15 Proposals from Tony Atkinson's 'Inequality – What can be done?'

Proposal 1: The direction of technological change should be an explicit concern of policy-makers, encouraging innovation in a form that increases the employability of workers and emphasizes the human dimension of service provision.

Proposal 2: Public policy should aim at a proper balance of power among stakeholders, and to this end should

- (a) introduce an explicitly distributional dimension into competition policy;
- (b) ensure a legal framework that allows trade unions to represent workers on level terms; and
- (c) establish, where it does not already exist, a Social and Economic Council involving the social partners and other nongovernmental bodies.

Proposal 3: The government should adopt an explicit target for preventing and reducing unemployment and underpin this ambition by offering guaranteed public employment at the minimum wage to those who seek it.

Proposal 4: There should be a national pay policy, consisting of two elements: a statutory minimum wage set at a living wage, and a code of practice for pay above the minimum, agreed as part of a "national conversation" involving the Social and Economic Council.

Proposal 5: The government should offer via national savings bonds a guaranteed positive real rate of interest on savings, with a maximum holding per person.

Proposal 6: There should be a capital endowment (minimum inheritance) paid to all at adulthood.

Proposal 7: A public Investment Authority should be created, operating a sovereign wealth fund with the aim of building up the net worth of the state by holding investments in companies and in property.

Proposal 8: We should return to a more progressive rate structure for the personal income tax, with marginal rates of tax increasing by ranges of taxable income, up to a top rate of 65 per cent, accompanied by a broadening of the tax base.

Proposal 9: The government should introduce into the personal income tax an Earned Income Discount, limited to the first band of earnings.

Proposal 10: Receipts of inheritance and gifts *inter vivos* should be taxed under a progressive lifetime capital receipts tax.

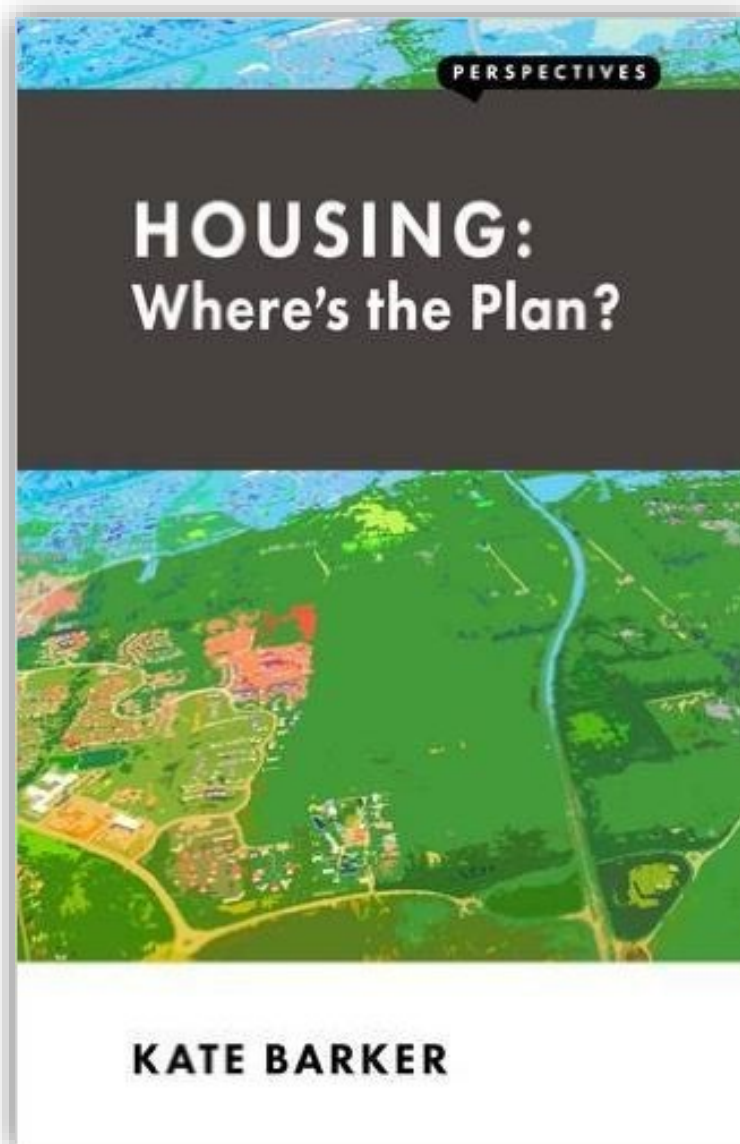
Proposal 11: There should be a proportional, or progressive, property tax based on up-to-date property assessments.

Proposal 12: Child Benefit should be paid for all children at a substantial rate and should be taxed as income.

Proposal 13: A participation income should be introduced at a national level, complementing existing social protection, with the prospect of an EU-wide child basic income.

Proposal 14 (alternative to 13): There should be a renewal of social insurance, raising the level of benefits and extending their coverage.

Proposal 15: Rich countries should raise their target for Official Development Assistance to 1 per cent of Gross National Income.



FINANCIAL TIMES

UNDERCOVER ECONOMIST

APRIL 17, 2015

The economists' manifesto

Tim Harford

If Britain's top economists were in charge, what policies would they implement? Tim Harford sets the challenge



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Kate Barker

Author of the 2004 Barker Review of Housing Supply



I am expecting Dame Kate Barker to propose something controversial but straightforward: that we should build more houses. It is, after all, her report that policy wonks have been citing for the past decade whenever they want a number for how many houses England needs. Instead, some of her solutions "are so unpopular I can hardly bring myself to suggest them to you". This is music to my ears.

...Barker suggests two thrusts to the tax reform, and "ideally we would do both". The first is to replace council tax with a land value tax. This would tax expensive homes more heavily, in line with their value, and encourage valuable land to be used intensively. But it would also weigh heavily on elderly widows living alone in large houses. The second is to charge capital gains tax on people's principal residency. If you live in your own home and its price starts to soar, you will be taxed.

Mass Valuation Conclusions

- Mass appraisal is the process of valuing a group of properties as of a given date and using common data, standardized methods, and statistical testing.
- A property's value:
 - is determined by valuation equations, tables, and schedules developed through mathematical analysis of market data.
 - should not be based solely on the sale price of a property; rather, valuation schedules and models should be consistently applied to property data that are correct, complete, and up-to-date
- A properly developed and administered computerized assessment system results in a valuations that are accurate, uniform, equitable, reliable, and efficient (low per-parcel costs).

Thank you

JOAN YOUNGMAN
SENIOR FELLOW
LINCOLN INSTITUTE OF LAND POLICY
Jyoungman@lincolninst.edu

RON RAKOW
FELLOW
LINCOLN INSTITUTE OF LAND POLICY
rrakow@lincolninst.edu

