

## Cooperation between municipalities and taxpayers for valuation purposes

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## 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 year
- 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

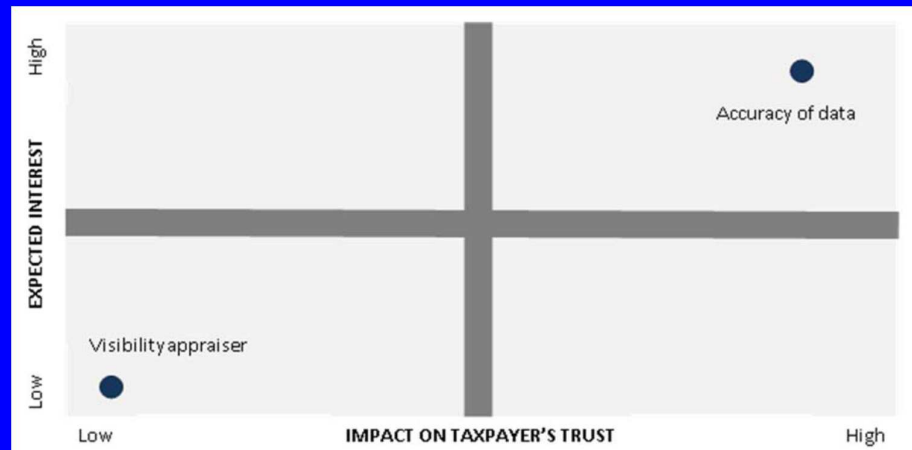
- Our goal:
  - clear valuation report to explain value
  - avoid official objections/appeals:
    - easy contact by internet
    - contact between taxpayer and assessor by phone
    - appointment at municipal office
    - appraiser comes to see the property

## 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 works?

- 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



## 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
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