



BAHAMAS – February 2022

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GOV'T TO MEET REALTORS ON 'MISGUIDED' TAX CONCERNS

The Government will meet with the Bahamas Real Estate Association (BREA) to address what a senior official described as "misguided" concerns over real property tax revaluations.

Simon Wilson, the Ministry of Finance's financial secretary, told Tribune Business in a recent interview that the work performed by Tyler Technologies in the recent New Providence-wide mapping exercise did not involve the provision of "appraisal services" as BREA and many of its members had suggested.

Instead, he argued that it was a "computer-aided mass assessment" of property valuations that was little different from what was done at the federal, state and local level in countries such as the US and UK. Valuations, Mr Wilson said, were derived from "algorithms" based on field data obtained in the mapping exercise, and these were then "tested" against actual property sales figures.

Voicing concern that BREA was "attacking the integrity" of the real property tax assessment process and the persons involved, he charged: "Their concerns, I believe, are misplaced. We're going to meet with BREA and share with them the details of the exercise.

"This exercise did not involve appraisals of property but tax assessments. The methodology used was computer-assisted mass assessments. That's the methodology. It was not appraisals. We didn't go into anybody's home, look at their appliances, look at their floor tiles, look at the ceiling and see if it was grooved or sheet rock.

"What we did is a standard assessment for property tax purposes, which is done in Florida and elsewhere. It's the same methodology. It is not appraisals as per the Real Estate (Brokers and Salesmen) Act 1995. You cannot take our assessments and say this is the appraised value of a house. Our estimates are very conservative."

Mr Wilson thus sought to distinguish Tyler Technologies work from BREA's, and the Act's, definition of "appraisal services" by asserting that it conducted a tax assessment by virtue of the island-wide mapping exercise that saw all properties photographed and, in some cases, measured.

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However, BREA has pointed to the May 14, 2019, press release issued by Tyler Technologies to announce its real property tax contract with the Government's Department of Inland Revenue (DIR). In it, a senior Tyler executive states that it is providing "appraisal services" to The Bahamas.

"We are pleased to be selected once again to provide appraisal services to the Commonwealth of the Bahamas and bring fair and equitable taxation to its residents," said Jake Wilson, Tyler's vice-president and general manager of appraisal services. That is what has particularly exercised BREA, but the release goes on to refer to the mass tax assessments cited by Mr Wilson.

"Tyler offers the only national mass appraisal service in the US, and we're looking forward to extending that expertise internationally," Mr Wilson added. Tyler described its CLT Appraisal Services as the "oldest mass appraisal solution" in the US which has been used to appraise nearly 35m parcels of residential, agricultural commercial and industrial properties.

BREA has urged the Davis administration to withdraw the 2022 real property tax bills now being mailed out to home and business owners on the basis that the appraisals supporting the Department of Inland Revenue (DIR) valuations are not valid or legal.

Echoing concerns first printed in this newspaper last week, BREA said Tyler Technologies cannot legally conduct appraisals/valuations in this nation because it is not licensed to do so.

And nor could it be licensed, the Association added, because only Bahamian citizens or permanent residents with the right to work can be authorised to do appraisals under the Real Estate (Brokers and Salesmen) Act 1995 via its sections four and 13.

The Government has made the counter-argument that the powers of the Government's chief valuation officer to assess property values for taxation purposes are "totally unrelated to the provisions of The Real Estate (Brokers and Salesmen) Act 1995".

It pointed to the Real Property Tax Act 2010's section seven, which states that this official has the duty to determine which properties - and owners - are liable to pay taxes. "No such prohibition regarding citizenship or work permits can be found in the Act," the Department of Inland Revenue said in a statement.

"And the chief valuation officer (CVO) has the power to obtain information from any person that is relevant to the CVO's accurate assessment of property under the Act." The BREA statement, though, potentially provides a road-map for attorneys and their clients to challenge the validity of the 2022 real property tax billings.

Any court challenge, particularly if it is successful, could cause major chaos and disruption to the Government's revenues and fiscal planning at a time when it needs to collect every cent possible.

Mr Wilson, though, reiterated that Tyler Technologies' work was no different from local government property assessments in the UK. "I'm like the minister [Senator Michael Halkitis] in thinking the approach by BREA, this statement, is not only attacking the integrity of the process and the persons involved, but what you are saying is that none of the assessments are valid," he added.

"I could go on and on, but let's put it this way. It's in nobody's interests for us to get into a public fight with BREA. We plan to have discussion with them, and take it from there." Mr Wilson said the Ministry of Finance had been seeking to overhaul and modernise the real property tax system from as far back as 2005-2006, when it realised its paper-based approach could simply not keep up.

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Barbados-based tax officials, hired via the proceeds of an Inter-American Development Bank (IDB) grant, were "shocked we were going round from house to house. This opened our eyes that we had got to change the way we do it".

Tyler Technologies was selected after a competitive bidding process overseen by the KPMG accounting firm, Mr Wilson added. It began work in 2016 and, although stopped "for a short period of time" under the Minnis administration, was restarted and seen through to its conclusion with Bahamians doing much of the field work.

"It ain't like this is a one-man shop," Mr Wilson said of Tyler Technologies. "This ain't someone doing this from their garage. They have algorithms, which were tested against real data and property sales. They validated the research before they went to this stage.

"We were very, very careful, given that we were coming out of the pandemic, to make sure the impact was not as sharp as it could have been. That's why we paid every owner-occupied household a \$312.50 rebate to soften the impact. This is not about money. This is about fairness and equity across the taxpayers."

Of 85,000 properties on the real property tax register, some 58,000 fall into the owner-occupied category. Of the latter, Mr Wilson reiterated just 2,700 or 4.7 percent had seen their 2022 real property tax bills increase, while 2,400 saw a decrease.

He added that the way the real property tax system had been structured, it tended to capture newer properties that had just been constructed as opposed to older ones whose valued may have increased but were not recorded.

"That's why for years we talked about doing computer-aided mass assessments because we realised we were falling further and further behind in doing assessments and treating taxpayers unfairly," Mr Wilson said.

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