PRESIDENT'S MESSAGE

August 2025

I am going to start this newsletter with reference to an article on "Truth in Taxation" which is a concept that I consider to be particularly important and helpful in connection with the issue of transparency which, as most practitioners will be well aware, is a major problem in many property tax systems around the world.

The article is titled "Truth in Taxation: A Solution to the Growing Property Tax Problem" and was written by Matthew Putnam. It is too long to include here in its entirety, but I will share some selected extracts with you.

The Executive Summary states: "Truth in Taxation legislation, created in Utah in 1985 and subsequently adopted in Nebraska and Kansas, has proven effective at countering increasing property taxes in an inflationary environment. Prior to the institution of Truth in Taxation - a combination of levy limit and public notice - in Utah, taxpayers in the state were facing some of the highest property tax rates in the country. Following the implementation of Truth in Taxation, Utah is now consistently among the states with the lowest property taxes in the country; in 2021, Utah was ranked the state with the seventh lowest property tax rate.

Property taxes remain a significant part of state and local tax revenue - $23 billion, or 27% of all state and local revenue, in 2022. Polls consistently rank property taxes as one of the most unpopular taxes in the United States. Numerous states have consequently seen various property tax reforms: California Proposition 13, Massachusetts Proposition 2½, Oregon Measure 47, and the Colorado Taxpayer Bill of Rights were all enacted after a period of sustained high inflation in the 1970s and 1980s. Today, after another period of record inflation, there is again pressure for property tax reform legislation. State policymakers should consider Truth in Taxation to bring property tax increases under control

Truth in Taxation combines a property tax levy limit and two mechanisms for expanded transparency for taxpayers. A levy limit controls the total revenue collected each year in contrast to a rate limit or assessment limit (a cap on increases in the assessed value of a property). Levy limits existed prior to the 1970s tax revolt, but were only found in five states (Arizona, Colorado, Oregon, Pennsylvania, and Utah). Over the course of the 1970s and 1980s, twenty-one states adopted levy limits, with more following suit in the 1990s.

Transparency with regard to how much households pay and how much tax increases affect taxpayers is necessary for good policymaking. Truth in Taxation requires sending each household a notice showing how much its individual taxes would increase from a proposed change and indicating the date a public hearing will be held to address the change. At the public hearing held to address the relevant tax rate increase, taxpayers can voice their opinions on the increase and officials hold a public vote on whether to approve the increase.

To effectively protect and inform taxpayers while providing states and localities with sufficient revenues, Utah brought these elements together when it implemented its Truth in Taxation legislation in 1985. By limiting automatic, exponential property tax growth and involving the voice of citizens in the process of raising taxes, taxpayers benefit.

Truth in Taxation has three main elements:

1. Calculations of Certified (or Rollback) Rates: Officials calculate what property tax rate would be to raise the same revenue next year based on new assessed values. The rate may float up or down for both the locality and individuals' property taxes to match the same amount collected.

2. Transparency with Notices to Taxpayers: When officials wish to increase the tax levy, they are required to provide notice and disclosure to taxpayers outlining how much the increase is, how much it will affect their parcel's tax, the reasons for the increase, and the date and location of a public hearing regarding the increase. The information regarding the public hearing is published in a local, well-distributed newspaper and online.

3. Accountability through Public Hearing and Vote by Taxing Authority: Public hearings allow constituents to express their opinions on property increases and force a degree of accountability on public servants. These hearings focus on whether to exceed the certified rate. Following hearings and feedback from taxpayers, officials vote on whether to increase the tax levy. Taxpayers tend to oppose property taxes and will vote against increases in most cases. This vote protects taxpayers but ensures localities are not devoid of funds when they are needed.

For example, assume a locality collects $1,000,000 based on a 1% tax on all property in its jurisdiction. The following year, the average property value in the area increases and, with the previous year's 1% tax rate, the collection would rise to $1,200,000. With the levy limit under

Truth in Taxation, the tax rate would float down to .833% to keep the money collected at $1,000,000. Thus, some properties may experience a slight increase in their property tax, but the average property will have no increase.

If the agency decides it wants to increase revenues, the transparency aspect of Truth in Taxation is activated. The taxing entity sends out a notice that shows the current tax rate on the home of the recipient and how much the potential tax increase would cost. Additionally, the notice includes the date, time, and place of the public hearing in which officials will discuss the proposed tax increase.

Though the state is imposing no limits on local governments' ability to set their own property tax rates, simply engaging taxpayers in the process has a proven track record of restraining "silent tax increases."

Before adopting Truth in Taxation, Utah experimented with various property tax reforms. In 1947, Utah legislators lowered the definition of assessed value from 100% of "full cash value" to 40%. Lawmakers again lowered the definition from 40% to 30% in 1961 and again from 30% to 25% in 1969. Officials in Utah attempted to match the legal definition of assessments to assessments in practice across the state and paired these changes with various systemic changes to the state approach to property tax.

The Supreme Court of Utah invalidated the state's property assessment laws in the 1984 case of *Rio Algom Corporation v. San Juan County*. This forced state legislators to completely overhaul Utah's approach to assessments and property tax. After making the change back to full fair market value for assessments, legislators enacted the Tax Increase Disclosure Act in 1985. This legislation, paired with consistent property assessments at 100% of value, stabilized Utah's property tax.

The overhauled tax system allowed Utah to sustainably collect property taxes, and, as a result of the stable revenue stream, sizable property tax reductions were implemented in 1995, 1996, and 1998. Aside from changes to the date requirements for hearings, Utah politicians have changed very little with Truth in Taxation in 40 years. In 2009 and 2010, website notices were added to modernize notification to taxpayers.

Nebraska adopted Truth in Taxation in 2019 after decades of struggling to combat high property taxes. Past attempts focused on revenue limits across all tax collections and setting rate limits on property taxes. Rate limits could be surpassed with a vote from taxpayers, allowing localities to increase revenues for designated projects. Through the 2010s, Nebraska had the sixth fastest increase in housing prices, with prices increasing 26% from 2008 to 2018. Despite the rate limits, property taxes closely adhered to the rapidly increasing assessments. Between 2013 and 2018, many counties in Nebraska lowered tax rates but, due to rising assessments, levied taxes continued to increase. In Buffalo County, the average tax rate fell nearly 0.4% over this five-year period but the total taxes levied increased by over $23 million.

Nebraska adopted Truth in Taxation with the passage of LB 103 in 2019, creating a certified rate, requiring newspaper notices of increases, and requiring public hearings before a vote. Initially, notifications of the increase and of public hearings were only published in newspapers rather than mailed directly to taxpayers. This was partially remedied in 2021 with LB644, the Property Tax Request Act, which requires direct mail to taxpayers but notably does not require explaining how a taxpayer's bill would increase in the event the tax increase was approved.

Nebraska's law differs most from Utah's in setting an "allowable growth percentage" of 2%. In other words, property taxes can automatically increase 2% per year without triggering the taxpayer protection of Truth in Taxation. This increased percentage diminishes the relevance of Truth in Taxation as revenue can automatically increase without notifying taxpayers and without receiving feedback on the use of funds.

The problem of rising property taxes was exacerbated in 2020 by the Nebraska Property Tax Incentive Act, which increased the state income tax credit for property tax from 6% to 30%. While this took some burden off taxpayers and made them less likely to complain about increased rates, it also incentivized further rising property taxes. With less scrutiny from taxpayers, local governments and taxing authorities are more likely to raise taxes. Despite eagerness to ameliorate the property tax burden, the expanded credits may diminish the effectiveness of the state's Truth in Taxation measure in restraining property tax increases."

The article proceeds to look at other schemes for limiting property tax increases in Florida, Illinois and Iowa. It concludes: "Rapid growth of property taxes is a widespread problem for state and local governments. Seeking solutions, state legislators have implemented a variety of policies. These are often stop-gap measures or completely hobble local governments. The Truth in Taxation policy pioneered and improved by Utah is the most effective way to address inflation and assessment driven property tax increases. The high degree of transparency and involvement of taxpayers leads to fewer tax increases and less uproar over tax rates when they do rise." The full article, which is very interesting, is available via the link below:

Truth in Taxation: A Solution to the Growing Property Tax Problem - Foundation - National Taxpayers Union

Time now to move on to IPTI matters. We are looking forward to our next major in-person event which is IPTI's "Property Tax Policy and Practice" conference to be held in Halifax, Nova Scotia on 16 and 17 September. We have a stellar line up of speakers from around the world who will be sharing their expertise across a wide range of topical issues.

More information about that conference, along with a great range other forthcoming events including conferences, symposiums, webinars, workshops, etc., is available on our website: www.ipti.org.

Now it's time for a quick look at what is making headlines concerning property taxes in selected jurisdictions and countries around the world. For more information, and links to the original news articles, please refer to IPTI Xtracts which can be found on our website: https://www.ipti.org/ipti-xtracts

The Sri Lankan government plans to introduce a nationwide property tax by the first half of 2027 as part of a broader fiscal reform agenda agreed under its ongoing program with the International Monetary Fund (IMF). According to the IMF's Fourth Review under the Extended Fund Facility, the proposed property tax aims to strengthen Sri Lanka's revenue base and support fiscal consolidation efforts. The government is expected to complete the necessary groundwork - including a database of market property values - by mid-2026. The government's intention to proceed with developing the data infrastructure for this tax program was detailed in a letter of intent addressed to the Managing Director of the IMF. It said, "We plan to continue building the data infrastructure for a possible property tax. We are planning to introduce property taxes by 2027. In the meantime, building adequate information on property valuation is key. The first step in the process requires a database on historical valuation records. To this end, we are working to digitize the valuation records held by the government valuation department, starting with municipal councils. We plan to complete this process by end-2025. Next, a database on market value estimates is required. We have thus put in place a provisional digital nationwide Sales Price and Rents Register (SPRR). We have resolved outstanding data sharing constraints and will establish the final SPRR by end-September 2025. Finally, we will combine the historical digitized records with the SPRR to generate a final database of properties with estimated market values by June 2026. This database will be the key resource for the assessment of property values and the basis for several taxes, including property taxation and capital gains taxation. We will also ensure that this database will be accessible to … the valuation department, the land registry, and the public by September 2026" the document signed by President Anura Kumara Dissanayake said. So far, no details have been released on how this property tax will be implemented.

Moving on to Malaysia, experts are calling for tax on vacant and unsold homes. Such a tax, they say, could prevent speculation and push developers to build homes that meet actual needs. Housing experts have called for a vacancy tax to help tackle the rise of vacant and unsold homes and lower property prices by discouraging speculation. They said many "affordable" housing units are being held empty by owners or investors, making it harder for real buyers to find homes.

A research associate said a vacancy tax can prevent speculation and push developers to build homes that meet actual needs, reducing oversupply and supporting more balanced housing development. “While some fear falling home prices or rents, this kind of market correction (vacancy tax) may be just what we need to make housing more fair and stable,” she said. “In highly urbanised states where vacancy and overhang rates are high, a vacancy tax would help stop people from holding on to homes for quick profit.” Figures from the statistics department show that nearly 20% of homes in Selangor and Penang were vacant in 2020. More than 53,000 units were unoccupied in Penang, often waiting to be sold or rented out. In Selangor, 343,562 homes were reported vacant, with about 197,065 of them either newly completed or pending occupancy. As of mid-2024, there were 22,642 completed homes that remained unsold for more than nine months, according to the national property information centre. These unsold homes, also known as overhang units, were worth a total of RM14.24 billion. The researcher noted that countries like Canada, Australia and Singapore have vacancy or higher property taxes on empty or non-owner-occupied homes, ranging from 1% to 3% of the property’s value. A 3% tax applies to homes left empty for more than six months in Vancouver, Canada, while a sliding scale is used in Melbourne, Australia, starting at 1% in the first year of vacancy and increasing in later years. In Singapore, higher property tax rates are imposed on non-owner-occupied homes. The Dean of a Malaysian university Housing, Building and Planning School, said a vacancy tax would reduce flipping and hoarding, especially for properties in the RM300,000 to RM500,000 range. He also proposed raising the real property gains tax for those who sell their units too early, saying this would make quick resale less attractive and help curb flipping.

And finally, in Georgia, USA, in a 5-1 vote recently, the City Council of Austell approved a millage rate that increases property taxes by 158%. The rate is now 8.25 mills, up from 3.19 mills. According to the city, a home with a fair market value of about $300,000 will have to pay roughly $595 more in taxes. City leaders said the new rate will fund salary increases for first responders and city employees, plus new equipment and technology for several departments. The only council member who voted “no” on the rate increase said that the proposed increase is due to several factors, including an allegedly mismanaged city budget and the fact that the millage rate hasn’t changed in more than 20 years. The chairman of the local Taxpayers Association was one of several people protesting the change. “There’s obviously a terrible fiscal mismanagement going on in Austell, and this is outrageous,” he said. “It’s going to cause a great deal of suffering and pain on the part of the taxpayers.” It seems that they need a Truth in Taxation scheme in Georgia! IPTI understands that the council proposed a 101% property tax increase last year, but voted against it after public opposition.

Paul Sanderson JP LLB (Hons) FRICS FIRRV
President, International Property Tax Institute