



PRESIDENT'S MESSAGE

March 2026

I thought I would start this month's newsletter with an article entitled "What Really Rankles Property Taxpayers" as that sounds very topical! The author – Peter Gariepy – serves on the Ladue Schools Board of Education in St. Louis County, Missouri in the USA.

He states: "Outdated assessment systems are opaque and structurally biased, leading to "data rot." Local governments should invest in tools that make it easier for taxpayers to understand how their property is valued.

Local government officials may think property owners care only about how high their tax bills are. But those leaders underestimate the public's frustration with the volatility and opacity of the reassessment process.

Developers, real-estate investors and homeowners can plan for known costs, but they cannot plan for uncertainty. In St. Louis County, Mo., where I serve on a local school board, our recent reassessment cycle saw valuations jump sharply. While much of this increase was caused by market inflation, the public outcry was made worse by a failure to effectively communicate the rationale behind the numbers.

When a "black box" algorithm says a home is worth 20 percent more without providing adequate context, it creates sticker shock that degrades trust in the competency of local government. But the problem goes deeper than bad PR. Dated assessment systems aren't just lacking in transparency; they are often structurally biased.

As jurisdictions nationwide face similar challenges, public administrators must move beyond the era of opaque legacy systems. Local officials need a procurement mandate for "glass box" assessment tools – systems that are transparent as to how they come to their conclusions about property value. This is particularly important as assessment systems increasingly employ artificial intelligence.

Outdated mass appraisal systems suffer from a statistical flaw known as “over-smoothing,” or trying to pull properties toward the average. This works well enough for a subdivision of identical homes. But across mixed-income neighborhoods it creates an invisible tax shift.

The legacy black box system effectively says, “I don’t have enough data to prove this distressed home is only worth \$30,000, so I’ll value it closer to the county average.” The result? The \$30,000 home gets assessed at \$60,000. Meanwhile, a house with a higher market value gets pulled down toward the average.

This distortion is frequently compounded by a reliance on outdated “cost approach” models that default to calculating replacement costs when sales data is thin. These systems see a house that would cost \$100,000 to replace but miss the reality that it sits in a disinvested neighborhood where it would sell for only a fraction of that price.

This inequity is further cemented by the appeals process. Wealthier homeowners are more likely to hire representation to appeal their assessments, and win. The legacy system then “learns” from this new, lower data point. Meanwhile, lower-income homeowners appeal less frequently, so the system “learns” that their inflated value is correct. Year after year, this “data rot” compounds. The way to break this cycle is by moving to a glass box model that invites the taxpayer to correct the data before it becomes a permanent record.

The core of the glass box model – otherwise known as explainable AI – is simple: the system must “show its work.” In a glass box model, the assessment office presents a clear narrative: “We rejected comparable property A because it lacks a finished basement. We selected comp B because, like your property, it is along a busy road.”

This transparency can transform local government’s relationship with the business community as well. Commercial property owners often receive assessments based on generic assumptions that bear no relation to their actual net operating income. A glass box system explicitly details the capitalization rates and vacancy assumptions used, transforming an adversarial dispute into a data-enlightened conversation.

This shift isn’t just about fairness; it is a matter of aligning with the regulatory standard. As of October 2025, new federal rules require lenders to rigorously test automated valuation models for discrimination.

If the private sector is now held to this standard, the public sector should hold itself to it as well. As banks abandon opaque models to comply with federal law, local assessment offices that rely on dated black box vendors will find themselves increasingly out of step – and legally vulnerable to challenges under the Fair Housing Act.

Another practical, high-impact innovation that more local governments should employ is the “pre-appeal” portal. This tool treats taxpayers as partners in solving the dirty-data problem. It allows property owners to upload interior photos – showing, for instance, the deferred maintenance that an exterior-only inspection could not have seen – before the formal appeal deadline. Intelligent processing tools can streamline this review, allowing assessors to fix the condition rating in the database without a months long hearing, significantly reducing the administrative burden on staff.

For city councils and county commissioners, the path forward is clear. Do not give your assessment office a blank check for technology. Rather, use the power of procurement to establish a targeted mandate: We will fund best-in-class tools, but only if they explain themselves to our taxpayers.

Trust in government is not built through grand promises but through pragmatic, incremental improvements in service. If local governments want to regain public trust, stabilize revenue and stop the invisible tax shift onto their most vulnerable residents, they must upgrade to a system that is as transparent as it is precise.”

Comment: although the article is focussed on the USA, the issues it raises are of universal interest in the property tax world, especially as so many assessing bodies are now moving towards the incorporation of artificial intelligence in their jurisdictions.

Time now to move on to IPTI matters. During February, we delivered another in the series of webinars we provide jointly with the Institute of Municipal Assessors (IMA). This IMA-IPTI webinar was on the topic of “Valuing Mixed-Use Properties”. Many readers will be aware that these types of property – often combining residential, commercial, retail, and/or other uses – present unique challenges for valuers due to their complexity and diversity of integrated uses. Our expert speakers in this webinar explored current trends in mixed use development and the implications for property assessment and taxation. They examined the challenges these properties pose for assessing authorities, including issues related to classification, income allocation and market data availability. The application of various valuation approaches, including how and when to blend methodologies to reflect the unique nature of each property were also discussed. In addition, attendees gained insight into the development and support of capitalization rates that account for the diverse components within mixed use properties.

Another interesting event that took place during February was that I was invited to speak at the UK Valuation Tribunal Clerks in-person training event held in Sheffield, Yorkshire. The Valuation Tribunal is an independent third-party that deals with property tax appeals that cannot be settled by discussions between the taxpayer and the assessing authority – the Valuation Office Agency (VOA). The VT Service leadership team had asked me to talk about

how I viewed the work they did and how they compared with other similar appellate bodies in different parts of the world. I was pleased to be able to draw comparisons between the way in which the property tax appeal system works in the UK with similar appeal systems – in particular, those in North America. It was an interesting and enjoyable event.

Looking ahead, as usual we have a variety of informative events coming up – both virtual and in-person. Information about all forthcoming IPTI events – including conferences, symposiums, webinars, workshops, training, 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>

Starting in Jamaica, it is reported that The National Land Agency (NLA) is to undertake a revaluation of all parcels of land in Jamaica. “This work will take about 12 months. That valuation will advise the new property tax rate for fiscal year 2027/28,” Minister of Finance and the Public Service Fayval Williams said in the House of Representatives recently. She noted that property tax rates have remained unchanged since fiscal year 2016/17. “Property values have remained at the same value as they were then on the books of government. Our property taxes support our municipalities and the National Solid Waste Management Authority (NSWMA). The Prime Minister, to whom the National Land Agency reports, has approved the NLA to begin a revaluation of the many parcels of land in Jamaica,” she stated. In Jamaica, property tax is levied on property owners to generate revenue for public and community amenities administered by local government. All residential and commercial properties are subject to property tax, which is assessed on the unimproved value of the land.

Comment: I am pleased to add that IPTI will be holding its annual Caribbean conference in Jamaica – in partnership with the RICS – later this year.

Moving on to the USA, in Michigan, Wayne County continues to process claims and pay out auction proceeds to former owners and interest holders. Millions of dollars are now making their way back to Wayne County residents who lost property to tax foreclosure following important Michigan court rulings and changes in Michigan law that provide a path for former owners and interest holders to receive compensation from the sale of tax foreclosed properties. In two major cases – Schafer v. Kent County and Hathon v. State of Michigan – the Michigan Supreme Court ruled that former property owners and interest holders may be entitled to receive money left over after their foreclosed property were sold at auction. Under changes to Michigan law, these “remaining proceeds” are the funds remaining once unpaid taxes, interest, and administrative costs are covered. The Supreme Court rulings applied the

changes in the law to foreclosure sales that took place before December 22, 2020 and opened the door for eligible residents across the state to file claims. As of January 8, 2026, more than \$3.8 million has already been returned to eligible claimants in Wayne County. Because these rulings were new and unfamiliar to many residents, the Treasurer's Office took a proactive approach to making sure people knew they might be eligible to receive remaining proceeds. The office carried out an extensive informational campaign designed to reach former property owners and interest holders who may be qualified to file a claim. That outreach included targeted social media advertising, direct mail communication, billboards, TV and Radio ads, and multilingual materials aimed at making the process easier to understand. The goal was to remove barriers, spread awareness, and ensure that eligible former property owners and interest holders, many of whom are Wayne County residents, had a real opportunity to apply. While many payments have already been issued, some claims are still working their way through the legal process. Under Michigan law, each claim must go through multiple steps and receive approval from the Circuit Court before payment can be released. Even as these payments move forward, the Treasurer's Office stresses that its top priority is preventing foreclosure in the first place. Through payment plans, tax assistance programs, and community partnerships, the office works year-round to help residents stay in their homes. When foreclosure does occur, the Wayne County Treasurer's Office remains committed to protecting the rights of property owners, including their right to any surplus funds from tax foreclosure sales.

Moving on to Pakistan, a recent report published by the World Bank argues that Pakistan's immovable property taxation system has significant untapped revenue potential but is constrained by structural, institutional, and valuation weaknesses. Property-related taxes are well suited for subnational finance because they are stable, visible, and difficult to evade when properly administered. Yet Pakistan collects a very small share of GDP from recurrent property taxation compared with international benchmarks. The system is fragmented across federal, provincial, and local governments, with overlapping taxes on transfers, ownership, and use of property. This complexity, combined with outdated valuation practices and narrow coverage, prevents property taxation from functioning as a reliable and equitable source of domestic resource mobilization. A central finding is that weaknesses in land records, cadastral coverage, and valuation methodology severely erode the tax base and undermine fairness. Large portions of land and property – especially in peripheral urban areas and formerly excluded regions – are either missing from tax rolls or inaccurately recorded. Valuation tables are updated infrequently and rely on inconsistent methods across agencies, leading to assessed values that diverge sharply from market prices. The coexistence of multiple valuation systems for different taxes increases compliance costs, encourages underreporting, and creates opportunities for informality and dispute. As a result, similarly situated properties face very different effective tax burdens, weakening both horizontal equity and public trust.

The report maps the full landscape of property-related revenues to show that Pakistan relies heavily on transactional taxes while underutilizing recurrent taxes on ownership. Numerous levies apply at the time of property transfer – stamp duties, registration and mutation fees, capital value taxes, and federal advance and capital gains taxes – making formal transactions costly and encouraging undervaluation or off-record transfers. In contrast, the Urban Immovable Property Tax (UIPT), which should serve as the core recurrent tax for local governments, has historically been based on outdated rental value systems with extensive exemptions and weak enforcement. This imbalance biases the system toward one-off revenue collection rather than stable, growth-friendly annual taxation tied to property wealth. To address these constraints, the report proposes a phased shift toward capital-value-based property taxation supported by institutional and technological reform. Key recommendations include harmonizing valuation methodologies across taxes, conducting regular sales ratio studies, and progressively updating valuation tables using objective, formula-based approaches. The establishment of an independent valuation agency is presented as a cornerstone reform to ensure technical consistency, reduce conflicts of interest, and build a national repository of property data.

And finally, here is an unusual way to try and avoid paying property tax. A man in New Zealand has declared that his house is an embassy and he will never pay rates on it. The property, described as a “humble one-bedroom house built in 1940”, has a flag flying on its front lawn and a sign on its fence that identifies the house as the “Embassy of Te-Moana-Nui-a-Kiwa”. The occupier is a self-titled “ambassador”, and since taking ownership of the property in 2007, he has refused to pay rates to Waikato District Council. He objected to paying rates because he claimed his property had been misclassified as freehold general land and should have been classified as Māori customary land, which would mean it was exempt from rates. The council took him to court in 2022, at which point his outstanding rates bill was \$64,108. The council was successful and he was ordered to pay the rates plus costs of \$1810. He applied to the High Court for a judicial review of the decision. The appeal was heard early last year, by which stage he owed the council \$165,251. He was unsuccessful, with the court saying there was no evidence to support his assertion that the land was Māori customary land or Māori freehold land under the Te Ture Whenua Māori Act. Late last year, his application to the Court of Appeal for leave to appeal was declined. The man said that although he may have lost in court, he still wouldn’t be paying rates. The total amount now owed is some \$195,000.

You have to admire his determination to avoid paying rates, and his perseverance but, ultimately, he will have to pay the bill or lose the property which is valued at \$500,000.

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