

A COMMISSION REPORT

*The Role of the States
in Strengthening
the Property Tax*

Vol. 2



ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
JUNE 1963

A-17

ADVISORY COMMISSION ON
INTERGOVERNMENTAL RELATIONS

Frank Bane, *Chairman*
Don Hummel, *Vice Chairman*
John Anderson, Jr., *Governor of Kansas*
Richard Y. Batterton, *Mayor, Denver, Colorado*
Neal S. Blaisdell, *Mayor, Honolulu, Hawaii*
Howard R. Bowen, *Citizen Member, Grinnell, Iowa*
Anthony J. Celebrezze, *Secretary of Health, Education, and Welfare*
Edward Connor, *Supervisor, Wayne County, Michigan*
C. Douglas Dillon, *Secretary of the Treasury*
Clair Donnenwirth, *Supervisor, Plumas County, California*
Mrs. Florence P. Dwyer, *Member of the House of Representatives*
Sam J. Ervin, Jr., *Member of the Senate*
L. H. Fountain, *Member of the House of Representatives*
Eugene J. Keogh, *Member of the House of Representatives*
Harry King Lowman, *Speaker of the House, Frankfort, Kentucky*
Karl E. Mundt, *Member of the Senate*
Edmund S. Muskie, *Member of the Senate*
Arthur Naftalin, *Mayor, Minneapolis, Minnesota*
Graham S. Newell, *Member of the State Senate, Montpelier, Vermont*
John E. Powers, *President, State Senate, Boston, Massachusetts*
Carl E. Sanders, *Governor of Georgia*
Terry Sanford, *Governor of North Carolina*
Robert E. Smylie, *Governor of Idaho*
Raymond R. Tucker, *Mayor, St. Louis, Missouri*
Robert C. Weaver, *Administrator, Housing and Home Finance Agency*
2 Mrs. Barbara A. Wilcox, *Commissioner, Washington County, Oregon*
Wm. G. Colman, *Executive Director*

**THE ROLE OF THE STATES
IN STRENGTHENING THE
PROPERTY TAX**

VOLUME 2

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

June 1963

A-17

VOLUME 2

RECENT DEVELOPMENTS IN PROPERTY TAX POLICY AND
ADMINISTRATION, BY STATE

<i>State</i>	<i>Page</i>	<i>State</i>	<i>Page</i>
Alabama.....	2	Montana.....	89
Alaska.....	3	Nebraska.....	92
Arizona.....	4	Nevada.....	95
Arkansas.....	7	New Hampshire.....	98
California.....	10	New Jersey.....	100
Colorado.....	20	New Mexico.....	106
Connecticut.....	24	New York.....	109
Delaware.....	28	North Carolina.....	116
Florida.....	29	North Dakota.....	120
Georgia.....	33	Ohio.....	123
Hawaii.....	34	Oklahoma.....	130
Idaho.....	41	Oregon.....	132
Illinois.....	42	Pennsylvania.....	142
Indiana.....	46	Rhode Island.....	144
Iowa.....	48	South Carolina.....	146
Kansas.....	53	South Dakota.....	150
Kentucky.....	56	Tennessee.....	153
Louisiana.....	63	Texas.....	156
Maine.....	66	Utah.....	158
Maryland.....	68	Vermont.....	161
Massachusetts.....	75	Virginia.....	162
Michigan.....	77	Washington.....	165
Minnesota.....	82	West Virginia.....	169
Mississippi.....	86	Wisconsin.....	174
Missouri.....	87	Wyoming.....	180

CONTENTS

VOLUME 1

	<i>Page</i>
Preface.....	iii
Acknowledgments.....	v
Working Procedures of the Commission.....	xi

PART I

INTRODUCTION AND RECOMMENDATIONS

CHAPTER 1. INTRODUCTION.....	3
CHAPTER 2. CONCLUSIONS AND RECOMMENDATIONS.....	7

PART II

THE ROLE OF THE STATES IN DETERMINING TAX POLICY

CHAPTER 3. THE NEED FOR A MANAGEABLE STRUCTURE.....	29
CHAPTER 4. THE CONFLICT OF ASSESSMENT LAW AND PRACTICE.....	40
CHAPTER 5. IDENTIFYING STATE RESPONSIBILITIES.....	47
CHAPTER 6. ELIMINATING UNDERASSESSMENT.....	59
CHAPTER 7. THE PLACE OF THE PROPERTY TAX IN THE STATE-LOCAL REVENUE SYSTEM.....	67
CHAPTER 8. THE LIMITS OF PROPERTY TAX PHILANTHROPY.....	76

PART III

THE ROLE OF THE STATES IN PROVIDING COMPETENT ASSESSMENT ADMINISTRATION

CHAPTER 9. ORGANIZATION FOR EFFECTIVE ASSESSMENT ADMINISTRATION...	91
CHAPTER 10. JOINT STATE-LOCAL PROPERTY TAX ADMINISTRATION.....	99
CHAPTER 11. CENTRAL ASSESSMENT SUPERVISION AND SERVICES.....	111
CHAPTER 12. REMEDIES FOR THE TAXPAYER.....	131
CHAPTER 13. CENTRAL ASSESSMENT OF RAILROAD AND OTHER PUBLIC UTILITY PROPERTY.....	147
I. Valuation and Allocation Under the Unit Rule.....	147
II. Equalization.....	168
BIBLIOGRAPHICAL NOTE.....	181

RECENT DEVELOPMENTS IN PROPERTY TAX POLICY AND ADMINISTRATION, BY STATE

Volume 2 presents descriptions, by States, of some of the recent developments in property tax policy and administration. An attempt has been made to recognize, at least briefly, what most of the States have been doing toward strengthening this tax. The following summaries of the 50 States are based on field interviews, correspondence, official reports, and other published information. In the main, these summaries are confined to steps undertaken in years through 1962, but in a few instances, they extend to developments in early 1963.

While most of the States have undertaken to do something constructive about the property tax in postwar years, their efforts have followed a number of different forms, have concentrated on different phases of the problem with varying emphasis, and have ranged from little more than exploratory stages to broad, vigorous programs. The great variety of this approach is of itself helpfully informative to public officials and civic leaders in any State who are interested in comparing their plans, methods, and progress with what is happening in other States.

The general presentation of the subject in Volume 1 has permitted only limited illustrations of what the States are doing and often without adequate supporting details. Volume 2 permits amplification of these illustrations and expansion of the scope of the illustrative material to cover more of the wealth of interstate experience.

Because of the limited nature of this exploratory study, a policy has been followed of selecting representative situations for special attention and of concentrating mainly on what appear to be especially significant features of the various State programs. Thus, in some instances the emphasis may be on a particularly effective tax study; in others, on pertinent policies or technical procedures; and in still others, on important administrative features. The scope of the project has not permitted comprehensive study of the property tax in any State; thus some notable developments may have been omitted.

The variation in length of the summaries is not necessarily indicative of the relative importance of the programs, but rather reflects the policy of selecting representative developments of particular interest for special attention. Nor does the mention of activities in one State and not in another necessarily mean that they are not carried on in the latter, since no attempt has been made to present uniform, all-inclusive reports.

ALABAMA

In 1955, following authorization by the legislature, the State Department of Revenue initiated a program of technical assistance to local assessing agencies and this has become a permanent program.

Also in 1955, the legislature provided for an Interim Committee on the Revision of State Tax Laws. This committee set up subcommittees including a Special Committee on Ad Valorem Taxes. This Special Committee's Report, published in June 1957 as part of the Interim Committee's Report, noted: ". . . In the view of the committee, improvement of the property tax and clarification of its status as a tax suitable to use by the localities provide the key to better State-local fiscal relations in Alabama. . . . Beyond any question, restoration of the property tax can not be considered as less than the most important tax reform the State can undertake."

The Special Committee recommended reduction in the State property tax (contingent on an increase in other State taxes); relaxing of constitutional tax rate limits imposed on local units of government; continuation of the central assessment of public utilities; and—

. . . that the assessment equalization program of the State Department of Revenue be broadened and strengthened to correct the accumulated inequities of years of faulty and irregular local assessments. County assessors and

boards of equalization are now receiving for the first time the technical assistance and advice they need to improve the assessment picture. The rate at which existing inequities are corrected will depend largely upon the effectiveness of the State program.¹

The State Department of Revenue program which has been in operation since 1955 was designed to advise and assist the county tax assessors and the county boards of equalization by providing technical assistance. The State has a staff of 25 valuation analysts including men trained in appraising real estate and those trained in the analysis of financial statements and accounting procedures. The analysts, assigned to various areas, actually make appraisals for the county boards and assist them in the preparation of maps, plats, etc. The State provides appraisal manuals to the local assessors and board members.

The program appears to have become a permanent part of the work of the Ad Valorem Division of the State Department of Revenue. The chief of this division points out that from 1954 (the first year of the expanded program) to 1962, the State's assessed valuation has increased 59.6 percent—results justifying the expense and effort on the part of the State Department of Revenue.

¹ *Current Tax Problems in Alabama*, Report of the Committee on the Revision of State Tax Laws, Montgomery, 1957, p. 60. (Report of the Special Committee on Ad Valorem Taxes.)

ALASKA

The Alaska Constitution provides that "Standards for appraisal of all property assessed by the State or its political subdivisions shall be prescribed by law"¹ and a general State law on assessments, enacted in 1957 prior to statehood, requires that all assessments shall be equal and uniform and based on the actual value of the property assessed. The State director of the Local Affairs Agency reported in the spring of 1962 that there had not yet been enacted legislation providing standards for appraisal. An appropriation had been made, however, for the agency to employ an assessor and to contract for the preparation and publication of an assessor's manual for use by the local assessors. During 1963-64 the agency plans to draft legislation to provide standards for appraisal and revise the existing laws on property tax assessment and collection for presentation to the legislature in 1964. This legislation will be part of the substantive revision of the municipal code requested by the Third State Legislature.

The assessors in Alaska, meeting early in 1962, agreed that standards for appraisal should be prescribed by statute. They also agreed that the standards for appraisal should be based: for land, on an average of sales of similar land; for structures, on current cost of replacement less depreciation; for personal property, on a self-appraisal by the property owner making a bona fide estimate of current market values. The assessors also advocated State provisions requiring use of such records as tax maps and record cards and agreed that the State assessor must have power to review the work of the local assessors.²

There can be no long delay in developing a procedure for State determination of property values. A school foundation program enacted by the 1962 legislature provides for State aid and also for required local effort. The required local tax effort is the equivalent of an amount which would be raised by a 3.5 mill levy on the full and true value of taxable property. "In computing the required local tax effort, the district shall use the 'full and true value of the taxable real and personal

property within the district' as determined by the Local Affairs Agency."³ The law provides that the Local Affairs Agency shall determine the "full and true value" in consultation with the district assessor. Taxable property is defined in the school foundation law as "all real and personal property taxable under the laws of Alaska, but does not include household goods and personal effects."⁴ While the local tax effort must be computed on the basis of a property tax, the amount required may be raised from any source available to the district and need not be derived from a property tax. The provisions of the 1962 law are to be used beginning with the appropriations for the year starting July 1, 1964, based on the budgets prepared and computed in the prior year. Full and true value, to be determined on or before September 15 each year, would thus be required by that date in 1963.

The responsibility of the State for determining "full and true value" (with quotation marks used in the law as indicated above) was established clearly in the school foundation law. The School Survey Report submitted in 1961 had specifically recommended that the legislature designate a State agency to supervise assessments and to determine annually the "full market value of taxable property" in each district, these values to be used by the commissioner of education in making calculations of State school funds payable.⁵ The Alaska Legislative Council, in discussing the survey recommendations prior to enactment of the 1962 law, pointed out that if State aid is based on assessed valuation, there must be State participation in the equalization of assessments and noted that "Such state involvement in local tax assessment practices would seem to follow the intent of Article IX, Section 3, of the Constitution. . . ." Alaska does not use the general property tax as a source of State revenue at the present time.

¹Laws of Alaska 1962, chap. 164, art. II, sec. 2.05a, as amended.

²*Ibid.*, Art. IV, sec. 4.02 (11).

³*A Foundation for Alaska's Public Schools, a Survey Report prepared for Alaska State Board of Education, 1961, p. 139.*

⁴*Revenue and Taxation in Alaska, Part II, Alaska Legislative Council, 1962, p. 94.*

¹ Art. IX, sec. 3.

²This conference of assessors was reported briefly in *Assessors News Letter*, April 1962, p. 41.

ARIZONA

Serious concern for improving administration of the property tax in Arizona has been evident in recent years, but through 1962 the legislature had not acted on major recommendations. Early in 1963, however, the Supreme Court of the State handed down a decision of major significance for the property tax and legislation subsequently enacted provides for far reaching changes in the administration of the tax.

State Tax Commission. The State Tax Commission in Arizona is a three-member board functioning under statutory authority. Its members are elected for 6-year, overlapping terms, and serve full time. The commission has extensive general property tax powers and is also responsible for administration of other major State taxes, including income, sales and use, tobacco and alcoholic beverage taxes.

The commission's property tax duties and powers, as set forth in its 1960 Report, included: have general supervision and direction over county assessors and county boards of equalization; formulate and send to each county forms for listing, valuing, and assessing property; hold a meeting at least once a year with county assessors to consider taxation matters and to secure a uniform valuation of classes of property; appraise and assess all patented and unpatented producing mines and transmit to the boards of supervisors the assessed valuation thereof; make investigations of the properties, income, etc., of public service corporations to ascertain a fair and equitable basis for making assessments. Furthermore—

The Commission is constituted a state board of equalization with full power to equalize the valuation and assessment of property throughout the State, and to equalize the assessment of all property between persons of the same assessment district, between cities and towns of the same county, and between different counties of the state, and the property assessed by the Commission in the first instance. . . .

The Commission shall examine and compare the abstracts of assessments of the property in the several counties and equalize them so that all taxable property is assessed at its full cash value.¹

Local assessing is the primary responsibility of county assessors, 1 in each of the 14 counties. They are elective officers, serving 2-year terms. Overlapping assessment districts are optional for a few municipalities.

Study Commission of 1957. Under 1957 legislation there was established a House Tax Study

Committee to review the State tax structure. This committee, under the chairmanship of Representative Charles O. Bloomquist, gave consideration to several aspects of the property tax. The report said:

It has long been recognized that one of the major problems of Arizona's tax structure has been the lack of uniformity in assessment practices as between counties, and as to classes of property within the respective counties, and as to individual parcels of property within classes. Experience has proven that a direct approach to the problem of revaluation has been unsuccessful, due to the cost involved and the temporary nature of the benefits derived from a revaluation program. It will, therefore, be the recommendation of the committee that legislation be considered to lay the ground work for a revaluation program and to provide the means to effectively maintain the beneficial results of such a revaluation program.²

The committee, while thus recognizing the need for revaluation, did not recommend immediate action but proposed, as groundwork for revaluation, the levy of a realty transaction tax which, in addition to providing revenue, would provide detailed data on sales prices, assessed valuation, etc., to be filed with the State Tax Commission. Such data should serve as "an invaluable guide in the future for the Tax Commission acting in its statutory capacity as the State Board of Equalization, which function it has failed to perform principally due to the lack of facilities and information upon which to base its actions."³

Consideration by the committee of the effect on the property tax base of the several types of exemption led to several proposals. As to the exemptions for veterans and their widows, the committee said the legislature should eliminate, or at least reduce the scope of, such exemptions. It proposed, in addition to tightening the procedure for filing claims, two alternatives. Under one, the exemption would not apply to school district taxes; under the other, a specific limit would be set on the total amount of exemption allowable, and this amount, \$250 to \$1,000, would be a tax credit, which could be used by the veteran at his discretion, to apply to either property or income taxes, State or local. (Special provision would be made for disabled veterans.) The committee advocated clear-cut definition of "manufacturing" and "processing" to aid in administering the manufacturers' inventory exemption. It was also proposed that all counties adhere strictly to the policy of full reporting of the assessed

¹ 25th Biennial Report of the State Tax Commission of Arizona, Fiscal Years 1958-59 and 1959-60, Phoenix, 1960, p. 7.

² Report of the House Tax Study Committee, Charles O. Bloomquist, Chairman, not dated, p. 2.

³ *Ibid.*, p. 4.

valuation of property on which exemption has been allowed.

Proposals for revaluation. The State Tax Commission did not share the committee's view that further groundwork was needed before revaluation. In its 24th and 25th Biennial Reports the commission urged that the legislature appropriate funds for immediate revaluation, saying in 1960:⁴

The Tax Commission for several years has recommended that the Legislature make appropriation to the Tax Commission to permit a property revaluation of the state. This appropriation should be sufficient to permit the employment of engineers and other technically skilled personnel needed to accomplish this task and appropriation should be made available proportionately over a five year period to the Commission so as to permit completion of the entire revaluation work in order to enable the several county assessors to enter the new tax basis uniformly throughout the state for all property. The appropriation is the only legislative action necessary as the Commission already has the necessary statutory authority to equalize property valuations.

Governor Fannin has also recommended revaluation. In his message to the legislature early in 1962, he urged enactment of legislation to enable and compel the tax assessing authorities to value property for tax purposes on a uniform basis and thereafter to maintain statewide uniformity in assessment procedures and practices. He said that without basically uniform property valuations and assessments, the State could not provide equitable school aid, stating: "Many of our school financing problems cannot be solved properly at the State level until we have greater uniformity in property valuation and property tax assessments in all of our counties."⁵

Reappraisal also became the subject of an initiated petition in Arizona. This initiative measure, which proposed creation of a State board of appraisal standards to direct reappraisal of property and to provide for a system of uniform appraisal and assessment practices, was defeated by the voters in the election of November 1962.

Judicial and Legislative Action in 1963

Supreme Court ruling on equalization. On January 9, 1963, the Arizona Supreme Court handed down a far-reaching property tax opinion in the case of *Southern Pacific Company v. Cochise County et al.* (The appellees included, in addition to Cochise County: 8 other counties named, 14 persons named "individually and as County Assessor of" their respective counties, and 3 persons named "individually and as members of" the State Tax Commission and State Board of Equalization.) The Southern Pacific Company charged that its properties, assessed by the Tax Commission, were assessed at a higher percentage than property

assessed locally. The decision noted that the law provided for assessment of all properties at full cash value without distinction as to assessment by the State Tax Commission or the county assessors. The Supreme Court remanded the case to the Maricopa County Superior Court and said that if the company establishes the facts alleged as to the divergence of the assessment levels, the lower court must issue an order against such discrimination. However, the Court ruled against a refund on taxes already paid, even though paid under protest, on the ground that such refund would be too disruptive of government finance. Some quotations from the opinion follow:

... It (the appellant corporation) offered to show . . . that its property was assessed at not less than 89 percent of full cash value but that other property subject to assessment by the respective county assessors was assessed at no more than 20 percent of full cash value on the average. The Board (of Equalization) was requested to equalize the assessment by either lowering it to the average of other properties or by raising other assessments to full cash value. Appellant alleged that the Board wilfully, intentionally and fraudulently rejected its request for equalization refusing to take any action. Thereafter the taxes assessed were paid to the respective county treasurers accompanied by written protests. In January 1960, appellant commenced suit seeking to recover a portion of the taxes paid and to enjoin defendants from making similar discriminatory assessments in the future. . . .

A casual reading of the Articles of the Revised Statutes on taxation discloses a general legislative scheme that assessment on all species of property shall be at full cash value. . . .

There are admittedly some specific legislative exceptions from the uniform general scheme. . . . Railroads have not, however, been excluded from the general uniform scheme of assessment. . . .

... If appellant establishes that its property is being assessed at a higher percentage of full cash value than other properties, then under the existing statutes discrimination within the 14th Amendment to the United States Constitution will have been shown. . . .

... Hence, unless or until the legislature exercises its authority and establishes classifications of property which permit an assessment at a different percentage of full cash value, courts have no alternative other than to prohibit officials from assessing appellant's properties at a different percentage of full cash value from other properties.

As to the requested tax refund, the Court said, in part:

We take judicial notice that the taxing subdivisions of the state have long predicated their fiscal affairs upon the practices alleged in appellant's complaint. For example, school districts have been organized and have issued bonds for capital improvements pursuant to the authority granted by the Constitution, Art. 9, Section 8, in anticipation of continued revenues derived from the taxation practices now complained of. The refund which appellant seeks together with other similar claims threatens the financial solvency of many taxing units of the state, particularly those in rural and undeveloped areas. . . .

... We . . . cannot countenance the wilful, systematic and intentional violation of the law no matter how long continued. To do otherwise would be to deny the equal protection of the law to appellant. We can, however, make our decisions prospective in application where great hardship will result if caused from long continued failure to exert a legal right.

⁴ 25th Tax Commission Report, *op. cit.*, p. 9.

⁵ Message of Gov. Paul Fannin to the 25th Arizona Legislature, Jan. 8, 1962, p. 11.

Legislative action. On January 14, 1963, Governor Fannin, in a message to the legislature, called for immediate action to relieve the State's homeowners from "the crushing and unfair burden of property taxation . . ." He said:

This burden stems primarily from three basic factors. The first of these is a lack of uniformity in property tax assessment practices. The second is the unequal geographical distribution of taxable wealth. And the third is the ever-present need of additional revenue for educational purposes. . . .

The necessity of the situation has been highlighted by the decision which was handed down by the Arizona Supreme Court last Wednesday dealing with the matter of discriminatory tax assessment practices, one of the three factors just mentioned as being the basis for our present tax predicament. It is a momentous decision and one which places the problem of eliminating discrimination and its consequences squarely in the lap of the Legislature.

What the Court has said, in effect, is that if discrimination does, in fact, exist—and I think everyone who has gone into the subject at all will concede that it does—those who are being discriminated against are entitled to relief. The Court, fortunately, limited that relief to the future—otherwise economic chaos to the State could have ensued. But the Court made it quite clear that such economic chaos can only be avoided for the future if some immediate action is taken

Fortunately, the action taken in this regard, will, of necessity, go to the very roots of our over-all tax problem by eliminating the factor of discriminatory tax assessment practices. What the new formula for assessment is to be is for you to decide, but with it must come a revaluation of all property in the State for tax purposes.

With regard to the problem of revaluation, these principles must be preserved:

1. Responsibility for a complete reappraisal of all property in the State must be specifically fixed at the State level.
2. Responsibility for determining and maintaining uniform standards for appraisal and assessment practices must be specifically fixed at the State level.
3. There must be established a formula for the assessment of property for tax purposes to insure a minimum tax burden upon homeowners and an equitable scale of assessment values for all kinds of property uniform throughout the State.

As to the State equalization fund for schools, the Governor said:

This revaluation will afford the essential basis for the equalization of school costs at the State level on the basis of need, and, thus, at least, minimize the effect of the second basic factor in our problem, namely, the unequal geographic distribution of taxable wealth. . . .

. . . We cannot continue to grant increases in state aid in all areas, including those where additional funds are not needed, in order to get them to the areas where they are badly needed.

The Governor also recommended that the legislature give consideration to the exemption features of the property tax, tightening the residence requirements for widows' exemption, and taking steps to limit the veterans' exemption.

The legislature took major action on the property tax. It provided for an immediate revaluation of all property in the State subject to ad valorem taxation; it created 26 different classes of property for assessment purposes; and it established a new agency to supervise the revaluation and to carry out extensive property tax functions.

Under the 1963 legislation there was established an independent and continuing division of appraisal and assessment standards "within the state tax commission" but with a director appointed by the Governor, with the advice and unanimous consent of the president of the senate and the speaker of the house, for a 5-year term. The director is charged with the continuous duty of: ascertaining the methods and procedures followed by the tax commission and each of the assessors of the counties in the classification, appraisal and assessment of property; ascertaining the percentage of full cash value at which the various types of property are assessed by the commission and each of the assessors; proceeding with preparation of uniform maps, assessment records, an appraisal manual and a training program for county assessors and their staffs; proceeding with the classification, revaluation and reassessment of property throughout the State and assisting the commission and the county assessors in the performance of their duties. On or before December 31, 1964, the director, in cooperation with the commission and each of the county assessors, shall have completed an appraisal of all property in the State subject to ad valorem taxation. The director is given extensive powers to carry out his duties and the law provides that—

If the director and the commission fail to agree on any matter relating to the administration of this article or on any matter relating to ad valorem taxation, the final determination shall be made by the director, except that the commission shall continue to act as the state board of equalization. . . .

For the purpose of determining the basis of valuation for assessments, property was divided into 26 classes. The law does not presently set forth the basis to be used for each class but provision is made for a special session of the legislature before the close of 1963 which could take action based on information gathered by that time by the director of the division of appraisal and assessment standards.

The legislature provided an appropriation of \$1,500,000 to be available for the Division of Appraisal and Assessment Standards. It provided also that each county assessor's office shall be responsible for the payment of the cost of permanent records, maps and supplies.

ARKANSAS

Arkansas has not levied a property tax for State purposes since 1947, but it has had an active program of State participation in local property tax administration since 1955. There have been subsequent amendments and changes, but the law of 1955 remains basic. In that year the legislature provided for "a complete new appraisal and assessment as of January 1, 1957, of all property in the State of Arkansas, both real and personal, that is required by law to be assessed by county assessors." It also set up a new type of local equalization agency and directed the Arkansas Public Service Commission, through a newly created Division of Assessment Coordination, "to furnish guidance, instruction and assistance to the county assessors" and "to exercise the duty and responsibility of coordinating and supervising the work of the county assessors and county equalization boards in such manner as to provide uniformity of methods, procedures and results in the several counties of the State."¹

The county assessor thus continues the key figure in local assessing. He is elected for a 2-year term. The former boards of equalization, all members of which had been appointed by the county quorum court, were abolished in 1955 and new boards established with appointment planned "to remove . . . members from political influence as far as possible." The new boards, consisting of three members in most counties, are selected—one by the school directors of all school districts in the county, one by the members of the councils of all cities and incorporated towns in the county, and one member appointed by the county judge. In larger counties the boards of equalization may have five or nine members, appointed similarly 2-2-1 or 3-3-3. Members serve for 3 year overlapping terms.

The 1955 law specified some of the duties of the Assessment Coordination Division including, in addition to the broad supervisory power: to visit, confer with, and advise the county assessors and county equalization boards; to hold and conduct such schools or instructional meetings for county assessors and their deputies as may be deemed necessary; to prescribe and furnish appraisal, assessment, and record forms for uniform use throughout the State; to prepare and promulgate Real Estate Assessment Manuals and Personal Property Assessment Manuals; to perform such other duties and

furnish such other assistance as may be deemed necessary, including the furnishing of maps and aerial photographs.

Reappraisal. Initially the division emphasized the organization of the reappraisal projects as the basic step in achieving "uniformity of methods, procedures and results." It instituted an educational program which involved some 300 meetings in 75 counties, press releases, radio and television, and personal calls by field staff not only on county assessors and boards of equalization but also on county judges, other county officials, school district and municipal officials, and others interested in the reappraisal program. The division developed lists of firms and individuals qualified to do the reappraisal work, and a 1957 law provided that appraisers for assessment evaluation must be registered with the State and that the division should prescribe standards, keep records, maintain a list of reputable appraisers and firms, and require them to comply with the procedures set by the division. All of the 75 counties completed their original reappraisals in 1959 and there is now annual review.

Educational and assistance programs. The other duties prescribed in 1955 are also carried on actively. The division has held, under joint sponsorship with the Arkansas Assessors' Association, an annual Assessors' Institute for county assessors and deputies. The institute held in the fall of 1962 was attended by 95 assessors, assessor nominees, and deputy assessors representing 57 counties—figures comparing with 91 and 55 for the 1961 institute and with 74 and 44 for the 1959 institute. A special seminar or 2-day course is held every 2 years especially for newly elected assessors, which concentrates on the use of manuals and other fundamentals. When county assessors or deputies attend such meetings, the expenses are paid by the State. The division also holds a series of regional meetings each year in about 10 centrally located cities, bringing together the county assessors, board of equalization members, and county judges of several counties to improve intercounty coordination.

By the fall of 1957 the division had four field men making frequent calls on county assessors. In the fall of 1961 there were 8 to 10 men always in the field—specialists in various classes of property as commercial, rural, industrial, residential, and personal. They are available to work with county offices on special problems, training new staff, etc.

¹ *First Biennial Report of the Arkansas Assessment Coordination Department for the years 1957-58*, Little Rock, Ark., 1958, p. 4.

THE ROLE OF THE STATES IN STRENGTHENING THE PROPERTY TAX

The manuals prescribed in the 1955 law were completed and distributed to assessors in the fall of 1956 and have since been revised. The latest edition of the real estate manual was issued in 1960; the personal property manual is kept up to date with annual supplements. The State emphasizes the careful use of the manuals as an essential guide to uniform assessing.

Ratio studies. A basic tool of the State in its supervision of the assessing process is its continuing statewide ratio studies. The ratio study applies to both real and personal property. For real property it is based on a field appraisal of the true, full market, or actual value, in sampling by classifications such as commercial, residential, industrial, rural, and miscellaneous properties, to include not less than 3 percent of the total number of real properties in each classification in the county. The personal property ratio study is based on examination of the records in each assessor's office to determine the degree of compliance with the criteria established by the Personal Property Manual. The studies are broken down by taxing units, and ratios are furnished each year, by classes of property, for 422 school districts and 377 municipalities as well as the 75 counties. In 1961 for the real estate project the division used 42,650 real estate calls on which it had made field appraisals.

The ratio study is to be completed each year by August 1 when the division makes certification of its findings—"the average ratio of the assessed value to the true, full market, or actual value of all the property in such county"—to the county judge and county assessor in each county and also to specified State officials. If the county ratio shows the assessed valuation below 18 percent of the actual value, the county is to lose certain State aid or turnback funds (as described in the following section), but the county assessor and board of equalization have until the third Monday in November to review their assessment roll and make adjustments if they wish to do so. If there are any such adjustments the Assessment Coordination Division makes a new study to determine the ratio on the revised roll and certify the new ratio to the appropriate officials.

Level of assessment. The 1955 legislature set 20 percent as the ratio of actual value at which assessments were to be made and provided means for enforcement on a countywide basis. From 1947 it had been the duty of the Public Service Commission (or such other agency as was responsible for utility assessment) to set a ratio of actual value which it would use in assessing utilities, etc., and to certify this ratio to local officials of each county. The local officials were supposed to use the same standard, but there was no means of exerting pressure to make them do so.

In accordance with the 1955 law the Public Service Commission certified that it would use

20 percent of the true and full market or actual value of property assessed by it in 1957 and directed local officials to adopt the same basis for locally assessed property. This directive now became significant, since the 1955 law had provided that if, by 1957, any county had assessed valuations below 90 percent of the established standard (or 18 percent), that county would lose a proportionate share of its State aid.

Subsequently the sanctions were eased by postponing to 1958 the 18 percent requirement and to 1959 a 20 percent requirement. The 20 percent requirement now has been dropped and the provision is that no money will be withheld if the percentage of the assessed value to the true, full market, or actual value is 18 percent or more. This gives the county assessor a leeway of about 10 percent from the planned 20 percent.

When the certifications were made on August 1, 1961, the ratios ranged from 16 to 22 percent and there were four counties which had assessments less than 18 percent of full value, according to the ratio studies made by the Assessment Coordination Division. By the third Monday in November, one county still had failed to bring its percentage up to 18 percent. Prior to this time, only one county had not made the necessary adjustment, in 1959, and this county had part of its turnback moneys withheld in 1960. Since school districts, county governments, and municipalities receive more than 50 percent of their combined operating budgets from State aid or turnback funds, the possibility of any withholding is a potent stimulus to adjusting valuations so that the total reaches the minimum approved level.

Current appropriation. The Assessment Coordination Division had a budget appropriation of \$212,100 for each of the fiscal years 1961 and 1962.

Summary. The 1955 legislation under which the current program was initiated was, in general, strengthened under 1957 legislation, but the program ran into serious opposition in 1959. In that year bills were introduced to reduce the assessment level to 10 percent of full value, to abandon the reappraisal program, and to abolish the Assessment Coordination Department. On the other hand, the Arkansas Assessors' Association sent a resolution to the legislature giving strong support and approval to the program and requesting that no legislation be passed to restrict or impede the department activities. The net result was legislation postponing the date at which loss of State aid would be enforced if the 18 percent ratio were not met, initiation of a study on how compliance could be made easier for the counties, and realignment of the functions of the Department of Assessment Coordination and the Public Service Commission, roughly restoring the organization in effect in the 1955-57 period. The director of the department, speaking in 1961, summarized the developments as follows:

ARKANSAS

I fully realize that it is practically impossible to have equalization between property owners for a tax assessment purpose, but we are closer to achieving this goal at the present in Arkansas than at any time in the history of our State. We are very proud of our program in Arkansas, and it is functioning very efficiently, in our opinion, at this time even though the citizens of our State were reluctant to accept the program in the beginning. Evidence of this is that in 1959 the State Legislature frowned very much on our appropriation and, for a time, the appropriation and existence of the department was in doubt. But, the biennial appropriation for 1961 and 1962 was passed through both houses of the Legislature without a voice being raised in regard to it. A majority of the county assessors accept the recommendations that we make through our manuals and use the recommended forms for evaluating certain properties.

Since the existence of our department, the total assessments in the State (personal and real estate) have risen 67 percent—personal 31 percent and real estate 87 percent.*

One very clear-cut effect of the program has

*C. Jack Cato, "Improved State Assistance to Local Assessors," *Assessment Administration, 1961*, International Association of Assessing Officials, Chicago, 1962, p. 135.

been the increase in valuations—especially in the real estate assessed by the county assessors. The comparative figures for 1954, the last year before the beginning of the equalization program, and 1961 follow (in thousands):

Item	1954	1961	Percent increase
Local Assessment:			
Realty.....	\$406, 013	\$842, 559	108
Personalty.....	226, 988	308, 656	36
Total.....	633, 001	1, 151, 215	82
State Assessment:			
Realty, utilities and carriers.....	10, 347	14, 625	41
Personalty, utilities and carriers.....	194, 734	250, 615	28
Total.....	205, 081	265, 239	29
Grand Total.....	838, 082	1, 416, 454	66

CALIFORNIA

Property tax administration in California has made noteworthy progress in postwar years, with the State conducting skillfully and effectively two programs to promote uniformity in local assessing. To establish and maintain statewide uniformity of average local assessment levels among county assessment districts, advanced techniques have been developed. At the same time, an outstanding aid program has been carried on to improve the quality of assessing within the individual assessment districts. Failure to equalize the assessment levels of State assessed and locally assessed property has stirred a controversy that is still unresolved, but it involves administrative policy and does not reflect on the quality of property appraisal.

Organization for Assessment Administration

The general property tax, which applies broadly and uniformly to realty and most tangible personalty,¹ is administered jointly by the State and local governments. Its local administration is mainly at the county level.

Local Organization

While California is the largest State in population and third largest in area, it has only 58 local primary assessment districts; i.e., the State's 57 counties and 1 city-county. The counties assess property and collect taxes for themselves, school districts, most special districts, and a large majority of the cities. Cities are permitted to do their own assessing and collecting, but quite generally they depend on the counties for these services.² The great

¹ Exempt property includes growing crops; certain trees and vines; \$100 of personal property of householders; and the more or less typical exemptions of the property of governments, religious, charitable, and educational institutions; and veterans. There are special property taxes of 0.1 percent on solvent credits and baled cotton, of 1.5 percent on aircraft other than those owned by common carriers, and an "in lieu" tax on motor vehicles.

² To encourage the use of county assessment and collection, with its economy and convenience, by the minority of municipalities that still performed this function in order to obtain more taxing power than they would have under the county level of assessment, a law of 1961 provided that "any statutory tax rate limitation to which a general-law city is subject is automatically increased, when the city transfers its assessment and collection functions to the county, in whatever proportion the assessed value of property on which city taxes were extended exceeded the assessed value of that property for county tax purposes in the last year for which the city collected its own property taxes." (California State Board of Equalization, *Annual Report, 1960-61*, p. 17.)

majority of the counties have the requisite size and resources to maintain adequate assessment organizations—41 have populations over 20,000 and only 7 under 10,000.

County assessors are elected for 4-year terms. Under this method of selection some of the counties fail to get technically competent assessors, but in many counties the assessors have professional qualifications and become career administrators through repeated reelection. In some counties professional continuity is achieved by a procedure under which an assessor planning retirement retires before the end of his term, necessitating appointment of an assessor for the unexpired term by the board of supervisors, who almost invariably appoint someone from the assessor's staff. In a recent election only one successful candidate came from outside the fraternity. According to Cuthbert E. Reeves, who surveyed all the county assessment organizations in 1958:

Almost without exception, the elected assessors display great interest in their tasks. Some have a background which gives them special qualifications, but regardless of background, nearly all evince keen understanding of the basic elements in appraising and a somewhat surprising familiarity with the recommended techniques. Where the importance of assessing warrants having a considerable staff, the assessors seem to have been successful in recruiting very competent men for the key positions. As a generality, my staff confirms my own conviction that the quality of personnel in these offices definitely is superior to what is found in most states.³

State Organization

The State's share of property tax administration is the responsibility of the Board of Equalization, a constitutional agency of four members elected by districts for 4-year terms and, *ex officio*, the State controller. This board, created in 1879, now administers State taxes yielding close to three-fifths of the State tax revenue in addition to its property tax responsibilities. The latter include (1) assessment of all railroad and public utility property for local taxation; (2) interdistrict equalization of assessments; and (3) provision of supervisory and technical aid to county assessors.

The board's administrative organization, under an executive secretary, includes two major line divisions or departments, one to administer business taxes and the other to administer property taxes. The Property Tax Department, headed by

³ Cuthbert E. Reeves, "Local Assessment of Property," Consultants' Report No. 3, in *Final Report of the Joint Interim Committee on Assessment Practices to the California Legislature*, May, 1959, p. 334.

an assistant executive secretary, operates through three divisions, each identified with one of the department's functions—the Valuation Division, concerned with central assessment; the Intercounty Equalization Division; and the Assessment Standards Division, concerned with aiding and improving local assessing. The Property Tax Department's staff numbers about 160.

For the State government's share of property tax administration, California's expenditure is rather modest. The Board of Equalization's total expenditure for this purpose in fiscal 1960-61, including the expenditures of the Property Tax Department and the department's share of central staff overhead and services of other State agencies, was \$1,850,900, of which intercounty equalization accounted for 44 percent, central assessment of railroad and public utility property for 35 percent, and aid to county assessors for 21 percent. This expenditure amounted to 11 cents per capita and 0.084 percent of the year's total local tax levies on tangible property of \$2.196 billion. The amount was small, but, as will be shown, the benefits were large.

Board of Equalization Expenditures, Property Tax Department, 1960-61

[In thousands of dollars]

Division	Board expenditures	Indirect expenditures	Total expenditures
Assessment standards.....	\$371.5	\$39.5	\$411.0
Equalization.....	737.0	82.5	819.5
Valuation.....	577.7	65.5	643.0
Total.....	1,686.2	187.5	\$1,873.7

¹ Excludes \$170,000 of reimbursable costs for mapping.

² Excludes \$22,641 of reimbursable costs for making timber appraisals for counties included in first two columns.

Source: California Board of Equalization, *Annual Report, 1960-61*, table 3A.

State Aid for Local Assessing

California has not permitted its zeal for inter-area equalization of assessments to obscure the more basic need for equitable primary assessing. The Division of Assessment Standards was organized in 1938 primarily to aid the elective county assessors in achieving high-quality assessment, and its accomplishments have well justified its creation. While the State Board of Equalization lacks the broad supervisory powers possessed by the similar agencies of some States,⁴ the Standards Division

⁴ The board's powers are largely advisory, though for purposes of intercounty equalization it may order uniform percentage increases or decreases in a county's total assessment roll.

works closely with the Standards Committee of the State Association of County Assessors and its professional advice and aid are widely accepted.

In early postwar years the division created a broad foundation for a statewide program by a notable survey, authorized by legislation in 1947, of each county assessment district in the State, to determine the adequacy of the procedures and practices employed by the assessor; the nature and extent of the county's taxable resources; the volume of assessing work called for; and the requirements of the assessor, in equipment, personnel, and funds, to do an adequate job. The initial project involved several years of painstaking work, and similar surveys, upon request, are a continuing feature of the division's program.

Each survey, as completed, was published in attractive form with supporting maps, tables, charts, and diagrams. Given in precise form were the county's economic characteristics as they affected assessing, the special features of the assessment load and the assessing methods which they called for, the office space required, together with an efficient layout of furniture and equipment, specific map and record system requirements, an organization chart with an explanation of personnel needs, and detailed annual budgets projected for 5 years. The entire presentation violated the usual rules by being intelligible and interesting to laymen as well as technicians. The reports went to the assessor, county officials, and leading citizens as a basis for education, discussion, and conference with State board representatives, and were influential in upgrading the assessor's office in numerous counties.

Functions of the Division of Assessment Standards

The overall program of the Assessment Standards Division includes general advisory services, compilation and publication of manuals, schedules, forms, etc., valuation research, review of claims of organizations for tax exemptions, and contract mapping and timber appraisal services. For the performance of these functions the division had an authorized technical staff of 23 in 1962 (with 5 vacancies at the beginning of fiscal 1962-63), not including technicians in the contract services. This technical staff includes specialists in building costs, record systems, and appraisal of urban-type realty, rural-type realty, equipment, inventories, and other personal property, and industrial, water supply, mining, petroleum, gas, and timber property.

The division's advisory services include, in addition to the handling of innumerable inquiries, extensive field services such as on-the-job training of assessors in specialized work and group training courses in a variety of fields throughout the State,

aid in solving technical appraisal problems, consultation on equipment, personnel and reappraisal problems, and conduct of special surveys for individual counties. The division participates in numerous group and regional conferences and in the State board's annual conference with assessors. An inservice training program is maintained for the division's staff, including training in the instruction of assessors and use of instructional materials.

The publications of the division for the guidance of assessors include an Assessors' Handbook, a series of appraisal manuals, numerous cost and price schedules, and various statistical reports. The handbook, covering every phase of the assessor's job, is under constant revision, as are the division's other publications. Illustrating the annual publication schedule, the following material was revised and reissued in fiscal 1961-62: Qualifications for Assessors, Machine Prepared Roll Procedure, Data Processing Equipment and Procedure, Sales Ratio Studies, Building Cost Manual (Part V, Rural), Appraisal of Residential Personal Property, Farm Mobile Equipment Cost Data, Commercial Equipment Cost Data, Industrial Mobile Cost Data, Vessel and Boat Manual, Boat Cost Data, Airplane Valuation Data. Valuation research is carried on in conjunction with the preparation of publications and in developing solutions for special appraisal problems.

A mapping section of the division prepares tax maps for counties under contracts providing for actual reimbursement of costs to the State. While standard tax maps are not a legal requirement, a great majority of the counties have such maps, about half of them supplied by the division. The division also initiated a contract timber appraisal service in 1960 which was being used by four counties in 1962.

Review of exemptions. The Board of Equalization is required by law to review all claims by organizations requesting exemption from taxation under the provisions of the welfare exemption section of the State constitution and to send its findings to the county assessors for their consideration. The Division of Assessment Standards, which performs this function, processed 3,092 claims in fiscal 1961-62, including 241 new claims. Of the new claims, the division recommended approval of 129 and denial of 112.

One of the numerous usefully informative features of the annual reports of the Board of Equalization is the statement, by counties, of the number and assessed value of veterans', church, college, and welfare exemptions, and of the total value and its percentage relation to each county's taxable assessed valuation. In fiscal 1960-61 the total exemption for the State was \$1.6 billion, or 5 percent of the taxable valuation, but the range for the 58 counties was from 0.7 percent to 8.2 percent.

The Benefits of Supervision

In 1958 a Joint Interim Committee on Assessment Practices of the California State Legislature retained Cuthbert E. Reeves, nationally known consultant on property appraisal, to investigate and report on the quality of local assessing in the State. Reeves and his staff reviewed the assessment ratio studies and other relevant data of the Board of Equalization, utilized the findings of the committee's statistical consultant,⁶ conducted independent assessment-sales ratio studies, and made field surveys of all county assessment districts to determine, firsthand, the methods, procedures, and capabilities of the county assessors and to evaluate the quality and effectiveness of the Assessment Standards Division's supervisory services.

In submitting his report, Reeves stated, "My statewide investigation of assessing procedures and assessments and of operations in the numerous county assessing departments has convinced me that the standard of uniformity being attained in California definitely is higher than I have found in other States."⁷

Reeves emphasized that this judgment was relative, that assessing in some counties was substandard, and that there was some variation in the level of assessment among classes of property. There was a tendency, he found, for farm property to be assessed at the lowest level, for the assessment of commercial classes of personalty to be high, for higher assessing of higher valued property in the residential and commercial groups, and for less uniformity in the assessment of personalty. Summing up the situation, however, he said that "it appears that there is a *reasonable* degree of uniformity as to intra-county assessing," and that the findings—

... all warrant the conclusion that in most of the counties, reasonable consistency prevails in the assessing of individual parcels within a class, and that the disparities between classes of property may be explainable if not fully justifiable.⁸

One important purpose of the field survey was to get the county assessors' appraisal of the services rendered by the Division of Assessment Standards. In the words of the report:

The great majority declared that it has been the chief factor in promoting notable progress throughout the State. The few reservations from enthusiastic, wholesale endorsement were from some rural counties which find the technique too detailed and generally beyond their requirements. Another "complaint," if it can be so termed, is that solving of special problems sometimes has to wait because the DAS personnel available for advisory service are too few in number to meet the demand.⁹

⁶ See Dr. George M. Kuznets, Report No. 5, in Final Report of the Joint Interim Committee, 1959, *op. cit.*, pp. 355-380.

⁷ Reeves, *op. cit.*, p. 295.

⁸ Reeves, *op. cit.*, p. 330.

⁹ Reeves, *op. cit.*, p. 336.

"The counties in which the greater degree of uniformity is found," the Reeves report continues, "are mostly those which have progressed furthest in the adoption of state-approved appraisal methods and the intelligent application thereof and a few others where standardized procedures were evolved many years ago."⁹ It was also Reeves' observation that "The number and magnitude of inequities that arise from intracounty lack of equalization in assessment of ordinary property can be minimized by continuation and augmentation of the State Board of Equalization supervision and assistance program."¹⁰

Further evidence of the well-above-average quality of local assessing in California was disclosed by the assessment-sales ratio study covering 1,263 selected assessment districts in 48 States conducted by the Census Bureau in conjunction with its 1957 Census of Governments. The coefficients of dispersion (or indexes of inequality) in the assessments of single-family houses were below 20, a range considered to indicate good to high-quality assessing, in only 20 percent of all districts, but were in this range in 38 percent of the 34 California districts included in the study. In the comparison of districts over 50,000 population, California made a still better showing. The study covered 395 such districts, 27 of them in California. Of the latter, 13, or 48 percent, had coefficients of dispersion of 20 or lower, while only 20 percent of the other districts were in this classification.¹¹

Interdistrict Equalization

Intercounty equalization and equalization between State property assessments and local property assessments have been continuing concerns of the State legislature, its interim committees on taxation, and the State Board of Equalization in postwar years, both issues having taken on new importance. While the State had discontinued its use of the property tax in 1910, the equitable administration of a school foundation program enacted in 1945 depended on sound intercounty equalization of assessments to prevent competitive underassessment. Tax and debt limits geared to assessed valuations also needed to be given uniform statewide value, as did tax exemptions for veterans and grants to the needy aged, blind, and children that had means tests related to assessed valuation.

The central assessment of utilities, generator of the problem of equalizing State and local assessments, had its origin in a provision of the constitution of 1879 for State assessment of certain kinds of intercounty railroad property. In 1910 the general property tax on public utilities was replaced by an

"in lieu" gross receipts tax;¹² but a constitutional amendment of 1933 removed this tax, reimposed on public utilities a general property tax for local use, made the State Board of Equalization responsible for assessing most classes of public utilities, and provided that: "All property so assessed by said board shall be subject to taxation to the same extent and in the same manner as other property." (art. XIII, sec. 14.)

The State constitution provides that "all property subject to taxation shall be assessed for taxation at its full cash value" (art. XI, sec. 12); that State and county boards of equalization are empowered to make the assessment roll conform to the "true value in money" of the property it contains (art. XIII, sec. 9); and that the State Board of Equalization shall assess property within its assessing jurisdiction "at the actual value" of such property (art. XIII, sec. 14). As in most other States, the assessing practice tends to be remote from the legal requirement, thereby complicating the problem of equalization.

In carrying out its new assessment responsibilities, the State Board of Equalization announced that it was assessing public utility property at 50 percent of its market value, and in each of the 3 years 1935-37 required percentage adjustments of many county assessment rolls for the purpose of intercounty and State-county assessment equalization. The resulting uproar of complaint discouraged the board from issuing further equalization orders, and from 1938 to 1949 it merely met the formal requirements of the constitution by declaring each year that all property assessments were equalized as assessed.

In the meantime, the new school foundation program had created an urgent need for intercounty equalization, the level of local assessments in many areas was failing to keep pace with rising wartime and postwar property values and apparently falling farther and farther below the 50-percent level at which the Board of Equalization stated it was assessing public utility property, and some local assessors were contending that the actual level of public utility assessment was materially lower than that stated by the board. "Perhaps the most significant element in the charges and countercharges during this period," according to one commentator, "was the absence of any large body of factual evidence to support one or the other argument."¹³

⁹ Since there was supposed to be a relationship between the rates of this tax and the rates of local property taxes, the State continued to have an administrative interest in the latter, making studies from time to time to determine whether the proper relationships were being preserved.

¹⁰ Leslie E. Carbert in Report of the Senate Interim Committee on State and Local Taxation, Part 6, *Property Assessments and Equalization in California*, 1953, p. 18. In ch. 1 (pp. 1-20) Carbert reviewed the entire background of the State's problems of assessment administration.

⁹ Reeves, *op. cit.*, p. 330.

¹⁰ *Ibid.*, p. 297.

¹¹ The source of these data is U.S. Bureau of the Census, *Taxable Property Values in the United States (1957 Census of Governments, vol. V)*, tables 19 and 22.

In an attempt to solve these equalization problems, the 1949 session of the legislature enacted a law giving specific administrative instructions to the State Board of Equalization. The board was to conduct annually a sample survey in each county to determine the relationship between the assessed and market values of locally assessed property, and was also to determine the statewide average ratio of assessed to market value for such property. For these determinations the board was directed to consider sales and other appraisal data "compiled by appraisers competent to determine accurately the market value of the property." The law included provisions for equalizing the assessment ratios of State assessed and locally assessed property in each county and for providing more equitable allocations of State aid where assessed valuation was a factor.

The adoption of this 1949 legislation stirred widespread concern that the payment of large amounts of taxes would be shifted from the public utilities to other taxpayers, and the law never went into effect. The 1951 legislature postponed its application for 2 years, as did succeeding legislative sessions, until it was repealed in 1959. Before the legislative action of 1951, however, the State Board of Equalization had completed the mandated sample survey, thus laying the groundwork for what has become an outstanding intercounty equalization program.

The Intercounty Equalization Program

Under the State constitution (art. XIII, sec. 9):

... State and county boards of equalization are hereby authorized and empowered . . . to increase or lower the entire assessment roll, or any assessment contained therein, so as to equalize the assessment of the property contained in said assessment roll, and make the assessment conform to the true value in money of the property contained in said roll;

The courts have held that this section is to be read distributively, thus authorizing the State Board of Equalization to increase or lower the entire assessment roll of any county but not the individual assessments, and a county board of equalization to increase or lower individual assessments but not the entire roll. In 1959, while repealing the comprehensive 1949 variable-ratio method of equalization, the legislature introduced a variable-ratio method of intercounty equalization for school purposes. The board is required to certify to the State Department of Education a factor for each county (the statewide average assessment ratio divided by the county ratio), which is used to adjust county assessed values to bases for distribution of State aid to school districts and repayment of school construction loans.

The function of the Intercounty Equalization Division of the State Board of Equalization is to measure the average assessment level of each

county annually, primarily to enable the board to take such action as is required to bring the assessment levels of the 58 counties into reasonable conformity and to enable the State Department of Education to make an equitable distribution of school equalization aid. The division performs this function by means of sample assessment ratio surveys. The work is done by a staff of about 60, operating through 5 field offices, at an overall annual cost of upward of \$800,000.

The first assessment ratio study was completed in 1951, but not until 1955 did the procedure become fully operative for issuance of equalization orders, and not until 1956 did it take the form in which it has since been continued and refined. The basic features of the procedure were written into the statutes in 1959.

The board's painstaking efforts over a period of years to develop a reliable method of measuring assessment levels give significance to the special characteristics of the procedure that has evolved, particularly to the rigorous statistical techniques that are applied. The main features may be summarized as follows:¹⁴

Use of appraised values. In its sample surveys the board relies entirely on appraised values, rather than on sales prices or combinations of sales prices and appraised values, as is customary in most other States. The work is done by a carefully trained staff of appraisers, who use the best professional techniques.

The board's objections to measuring assessment levels by comparing assessed values of real properties with their sales prices are that (1) sold properties do not constitute a true cross section of all locally assessable property; (2) the practice ignores personal property; and (3) the sales price may not reflect the actual monetary value of the property, as when, for example, the seller takes as part of the purchase price a second mortgage worth considerably less than its face value. Ronald Welch, who directs the Property Tax Department, says:¹⁵

... of course our appraisals are necessarily subjective, and those who defend sales-assessment ratios are critical of our method for this reason. I can assure you, however, that our appraisers do a very professional job and that they are thoroughly dedicated to the proposition that sales prices are the best evidence of value. Each year as we go into a county to make a new appraisal survey,

¹⁴There is little up-to-date published material on the procedures followed in California's assessment ratio studies. This summary is based mainly on the following unpublished papers presented by Ronald B. Welch, Assistant Executive Secretary, Property Taxes, California State Board of Equalization: *Measuring County Assessment Levels*, November 1960; *Sampling for Intercounty Equalization Purposes*, December 1962; *Expansion of the Intercounty Equalization Samples*, January 1963; "Trending" for Intercounty Equalization Purposes, September 1961.

¹⁵Quoted from a letter dated Feb. 26, 1963.

we check to see which real properties that we appraised 3 years ago have changed hands and try to verify the terms of sales and the validity of sales prices as market value evidence. The ratios of the aggregate prices in acceptable transactions to aggregate appraised values are quite uniformly in the 90- to 95-percent range. These tests are not very reliable, since the number of sales is small, but the results are reassuring. A 90- to 95-percent range is good in view of the fact that the sales have occurred up to 3 years after the appraisals were made and real property values advance rapidly and more or less continuously in California.

The sampling technique. The board uses a random, stratified sample designed to be truly representative of all locally assessable tangible property, real and personal. The size of the sample used for the several counties ranges from 87 to 492 properties, with the number designed to obtain assessment ratios of equal accuracy in all counties.¹⁴ All of the assessments on a county's local assessment roll are classified in 18 strata, 9 on the secured roll and 9 on the unsecured roll (property, the taxes on which are not a lien on real property sufficient, in the opinion of the assessor, to secure payment of the taxes), according to the size of the assessments, i.e., secured roll stratum No. 1, under \$2,000, to No. 9, \$5 million and over, and unsecured roll stratum No. 11, under \$1,000, to stratum No. 19, \$5 million and over. An additional stratum, No. 10, is used in 17 counties for developed petroleum, mineral and water rights. With the total number of assessments in each stratum known, a number of assessments is selected at random from each stratum—a very low percentage of the assessments in the low-value strata and a very high percentage in the high-value strata. The properties involved in this random selection are then identified and assigned to the appraisers for valuation.

Among the States that regularly conduct assessment ratio studies, California appears to be the only State that uses a random stratified sample of the universe of locally assessed property. With respect to the size of the sample, Welch states that "We can demonstrate by standard statistical procedures that this seemingly small sample produces highly accurate results, assuming, as we must, that the appraised values are accurate measures of market value," and suggests "that small, professionally designed samples and more careful measurement of market values will produce more reliable results than masses of unverified data of limited or dubious accuracy."¹⁵

¹⁴The statistical tool used as a measure of sample adequacy is a confidence interval; namely, the distance on either side of the mean of a sample within which the means of other samples of equal size would fall if the universe were successively sampled an infinite number of times (the items in each sample being returned to the universe before the next sample is drawn).

¹⁵Ronald B. Welch, "Measuring Local Assessment Levels Between Survey Years," in *Revenue Administration, 1960*, National Association of Tax Administrators, Chicago, p. 36.

Stratification by assessed value size appears to serve well the primary purpose of finding the relation of the assessed value to the market value of all locally assessable property for intercounty equalization; but it is less helpful for intracounty equalization than would be stratification by property-use type, a classification which the county assessors' records do not now permit. The consultants to the legislature's Joint Interim Committee on Assessment Practices in 1958 noted this limitation and recommended that the board require that the assessment rolls show suitable code numbers and amplify its sampling pattern to permit a determination of assessment ratio for each property type.¹⁶ This has not been done.

Expanding the sample. Upon completion of the sample appraisals in a county, the sample for each stratum is separately expanded to a tentative estimate of the market value for the stratum by multiplying the average appraised value of the properties in the sample by the total number of assessments in the stratum. Addition of these tentative estimates for the 18 strata gives a tentative estimate of market value for the entire local roll. This figure is then adjusted as follows. The average assessed value of the property in the sample is expanded in the same manner, and the expanded figure is compared with the actual total assessed value. If it differs (and it usually does slightly), the tentative market value figure is adjusted accordingly. For example, if it is 101 percent of the actual assessed value, the tentative market value figure is divided by 1.01. The result is an estimate of the market value of all locally assessable tangible property in the county.¹⁷

Trending. The market value estimate thus produced relates to a lien date for which assessed values have already been fixed, since the staff always picks its sample from a roll that has been completed and appraises it as of that roll's lien date. The resulting estimate is then projected, or "trended," to the current year. For example, in the 1962-63 fiscal year properties in a sample are appraised at their market value on the 1962 assessment date and the estimated 1962 market value is trended forward to the 1963 assessment date for comparison with the 1963 assessed value. The current assessed value is related to the projected market value to determine the assessment ratio.

The law requires that the board make appraisals in each county at least once in 3 years, and that be-

¹⁶Reeves, *op. cit.*, pp. 323-324.

¹⁷This simplified summary of the expansion procedure disregards the special adjustments that are provided for—in counties with stratum 10 properties, in dealing with unsecured properties which are either unassessed or are assessed at less than \$1,000, and in removing to a separate stratum 20 any property in the sample that is assessed at a ratio to its appraised value that is so high or so low as to make it seem unrepresentative of unappraised properties in the same stratum.

tween appraisal survey years it project the estimated market value from the last prior survey. Thus in approximately one-third of the counties there is a 1-year projection, in another third there is a 2-year projection, and in the remaining third there is a 3-year projection.

The projection is made by means of an equation that is derived by relating the most recent appraisal-based estimate of the market value of locally assessable property in each county to three economic indexes—public and parochial school enrollment in grades 1 to 8, sales of retailers other than service station operators and automobile dealers, and wages of persons insured by the State against unemployment.²⁰ Since new appraisal surveys are made each year in one-third of the counties, appraisal-based estimates of market value and 3-year projections are available for comparison as of a single assessment date. Given overall perfection, the two estimates for a given county would be equal. In practice there has been a reasonably satisfactory correlation, though with the new appraisal-based estimates tending to be higher than the projected estimates, particularly in the small counties.²¹

The procedure followed by the board in its appraisal surveys recognizes explicitly that—

Market values must be related to assessed values that were made prior to the time the market values became known to assessors if the assessment level is to be measured with any assurance of accuracy.²²

By appraising property in a sample taken from a completed assessment roll and as of the preceding lien date, it also is possible, without danger of biasing the sample, to inform assessors of the properties in the sample as soon as they are selected, and of the appraised values as soon as they are established.

Disclosure of data. By board policy and by law, the assessor is given an opportunity to examine and

²⁰ Additional adjustments are made in counties with appreciable timber and petroleum resources.

²¹ Reporting on such comparison in September 1961, Ronald Welch said: "We have yet to get a perfect fit, but we have had many near misses and enough misfits to dispel any complacency that we might otherwise have acquired. In our 5 years of experience we have established beyond doubt (a) that our new appraisal surveys tend to produce higher full value estimates than were obtained by trending, which is to say that our trend lines are usually not steep enough; and (b) that the underestimation of full value by trending (hence, the overstatement of the assessment ratio) tends to be greater in small counties than in large ones."

²² "The degree of misfit has been decreasing over the past several years, and we hope that it will continue to decrease for several more years. There is, of course, an irreducible minimum, and we have no idea now how small this may be. . . ." ("Trending" for Intercountry Equalization Purposes, *op. cit.*)

²³ Welch, "Measuring Local Assessment Levels Between Survey Years," *op. cit.*, p. 33. See, also, California State Board of Equalization, *Annual Report, 1955-56*, p. 5.

discuss the appraisals with the board's appraisers, and the subsequent equalization procedures are subject to check by the assessor at every stage and by the public at several stages. The board must transmit promptly to each county assessor the computed ratio of assessed to market value for his county, and also advises assessors in advance of the probable market value in order to aid them in conforming to the required assessment level.

The board is required each year to prepare preliminary tabulations, open for public inspection, showing for each county the year's assessment ratio and specified data relating to its derivation (in such a way as to prevent identification of individual parcels). Each assessor is then given an opportunity to discuss the tabulations as they relate to his county. Following any adjustments deemed necessary as the result of such discussions, the board is required, not later than a specified date, to make the tabulations available for public inspection and to publish the assessment ratios for all counties. Publication of the ratios, authorized by the legislature in 1959, had been widely opposed by the assessors on grounds that it would overstimulate appeals from assessments; but thus far there has been no such result.

Equalization orders and the tolerance zone. When the State Board of Equalization made its first assessment ratio survey, in 1951, it found the statewide ratio of assessed to market value of locally assessed tangible property to be 28 percent and the range for the individual counties to be from 17 percent to 32 percent. By 1955, when the board first issued county equalization orders on the basis of an assessment ratio survey, the statewide ratio had declined to 22.1 percent. With equalization at market value impracticable, the board obtained the opinion of the State attorney general that it could equalize at the statewide average and decided that 25 percent would be a good standard. It decided, also, that a tolerance zone centered on the 25 percent standard, was desirable and issued equalization orders only to the 14 counties whose assessment ratios were below 20 percent.

Subsequently, the board has centered the tolerance zone, which it sets each year, on the statewide average. The averages in 1956-61 remained relatively constant, ranging from 22.6 percent to 24.0 percent and standing at 23.5 percent in 1961. The tolerance zone has been narrowed, but the assessors have become highly sensitive to the results of the ratio studies and make special efforts to keep within zone limits. In no recent year, until 1962, when it issued two orders, has the board found it necessary to issue more than one equalization order. Considerable legal formality surrounds the issuance of such orders, including the right of a county to a hearing before the board at the State capitol.

State-Local Equalization

In the central assessment of railroad and public utility property, the board is responsible for determining the market value of the properties, equalizing their level of assessment with that for locally assessed property, and allocating the assessed valuations of the unitarily assessed operating properties among the local taxing districts.

The technical work of appraisal and allocation is done by the board's Valuation Division, which has for this purpose what probably is the largest technical staff among the States. There are a total of 65 positions, 30 of which are concerned with allocation. According to expert evidence, the division has been functioning with notable competence. Two comprehensive independent surveys in recent years have made suggestions for improvements in certain techniques and procedures, but have recognized the good quality of the operation.²⁸

In the refinement of formulas for determination of the unit valuation of operating property, the Valuation Division in recent years has evolved a productive method of deriving the income figure used in income capitalization as evidence of value. Instead of using the orthodox capitalization of a utility's net income after deduction of all expenses except interest charges, the division places its main emphasis on the results obtained by capitalizing income before interest charges, depreciation, and corporation income and property taxes.²⁹ Among other fields in which the Valuation Division has been doing distinguished utility valuation research is the perplexing one of allocating unitary valuations to the local taxing jurisdictions. In California this means over 5,000 taxing districts and over 16,000 code areas or tax rate areas. C. M. Chapman, in recommending further experimental studies of method by the division, observed that "Probably it would be far more logical to eliminate intrastate allocation and to tax state-assessed property on a statewide basis."³⁰

While the Valuation Division and the Intercounty Equalization Division have been producing reliable data that facilitate the equalization of assessments of State assessed and locally assessed property, the State Board of Equalization itself apparently has made little effort to equalize the two levels of assessment. For a number of years the

board has had the evidence of its Intercounty Equalization Division's surveys that the statewide assessment level for locally assessed property is below 25 percent of market value, but it has continued to assess public utility property at close to twice the local assessment level.

The Joint Interim Committee on Assessment Practices, reporting to the legislature in 1959, said:

State-assessed property is being assessed at levels approximately twice the statewide average for locally assessed property. It is appraised for assessment purposes in the manner generally accepted throughout the country for utilities and railroads.

The present constitutional requirements that all taxable property 'shall be taxed in proportion to its value' (art. XIII, sec. 1), and that all state-assessed property 'shall be subject to taxation to the same extent and in the same manner as other property' (art. XIII, sec. 14) are clearly being violated.³¹

Quite understandably, the board fell into this predicament in the postwar inflation when the market value of ordinary property was rising more rapidly than that of utility property because of the regulatory restraints imposed on the latter, and local assessors were doubting the validity of the soaring values of the former and failing to advance assessments accordingly.

When the magnitude of the discrimination was disclosed by the board's first assessment ratio survey, it was clear that the law was being violated; but it was also clear that any abrupt rectification of the situation could have a disruptive effect on local governments that were materially dependent on taxes levied on public utility property or were already pressing against their tax rate limits. There was no public enthusiasm for enforcing the law, a feature that might be expected to carry some weight with an elective regulatory board; and there was some feeling that for regulated monopoly enterprises, entitled to earn a fair return on their investments, no material harm was imposed as the tax was passed on to their customers. The railroads enjoyed no such advantage, however, and the electric and gas utilities were concerned over the unregulated competition of residual fuel oil and tax-exempt publicly owned enterprises.

Interim study committees of the legislature, particularly those reporting in 1953 and 1959, have given the problem searching attention and proposed solutions. In response to an inquiry addressed by the chairman of the Joint Interim Committee on Assessment Practices to the chairman of the State Board of Equalization in 1958, the latter explained the difficulties involved and suggested that—

This corrective action might well follow the pattern under which the differences in assessment practices developed. As we have indicated, this seems to have been a matter of gradual change occurring for the most part during a 10-year period beginning in 1939. If elimination of inequity could be achieved on a gradual basis during a like

²⁸ Leslie E. Carbert in Report of the Senate Interim Committee on State and Local Taxation, Part 6, 1953, Divisions II and III, *op. cit.*, and C. M. Chapman, "A Survey of State Assessment of Property," Report No. 2 in *Final Report of Joint Interim Committee on Assessment Practices*, 1959, *op. cit.*

²⁹ For description and justification of this method, see Ronald B. Welch, "Refinements in the Capitalization-of-Earnings Approach to Valuation of Public Utilities Properties," in National Tax Association, *Proceedings of the 48th Annual Conference*, 1955, pp. 99-108.

³⁰ Chapman, *op. cit.*, p. 223.

³¹ *Final Report*, *op. cit.*, p. 12.

period that would seem preferable to any drastic change. Reduction in the ratio of assessed value to market value of state-assessed property might be accomplished at a rate not exceeding 2 percentage points in any year.²⁷

This plan, similar to one carried to completion over a 10-year period by the Oregon Tax Commission, has had subsequent discussion but has not become an officially declared policy of the board.

The Joint Interim Committee's technical consultants, Chapman and Reeves, concurred in recommending the setting of a uniform standard of assessment above the existing statewide level of local assessments and below the level of State assessments, with gradual transition to the common level over a 10-year period.²⁸ The committee's own recommendation was for a constitutional amendment requiring the assessment and equalization of locally assessed property at 25 percent of full cash value, with equalization mandatory outside of a range from 22.5 percent to 27.5 percent; and requiring the board to assess the property owned or used by railroad, express, and specified types of car companies at 25 percent of full cash value, and to assess the property owned and used by telegraph, telephone, electric, and gas utilities at 50 percent of full cash value.²⁹ None of the foregoing recommendations has been adopted and equalization of State and local assessments remains unfinished business.

Review and Appeal

The 1959 report of the Joint Interim Committee on Assessment Practices directed attention to the serious shortcomings of the State's provisions for the review and appeal of assessments.

1. In the first place, the authority for administrative review of primary assessments is deficient. The county boards of equalization can change individual assessments on appeal, but they have no authority to bring the assessments of different classes of property into uniformity by ordering the increase or decrease of the level of assessment of all property of a class or type. The State Board of Equalization can uniformly raise or lower a county's entire locally assessed, secured roll, which has no effect one way or the other on intracounty uniformity of assessment. The board's assessment ratio surveys could be made highly effective tools for intracounty equalization if the board had more adequate supervisory authority.

2. In the second place, the appellate facilities available to the aggrieved taxpayer fail to offer him a satisfactory remedy. The county board of supervisors is ex officio the county board of equalization, which is authorized to hear taxpayer appeals from their assessments. The committee characterized these boards as follows:

The county boards of equalization, composed of members of the county boards of supervisors acting in an ex officio capacity, sometimes show little enthusiasm for their equalization work. It is at best an added, sometimes unpleasant duty. The problems are often complex and technical. In such a situation the board members are apt to support the assessor on the grounds that he is supposed to be the authority. 'We have confidence in our assessor' is probably the most frequent response of equalization board members to questions about their work. Such confidence, of course, is complimentary and usually well deserved, but in many cases it covers a less than desirable amount of inquiry on the part of board members.³⁰

There has been increasing dissatisfaction with the ex officio county review boards, and in 1962 the voters approved a constitutional amendment empowering the legislature to authorize boards of supervisors in counties of more than 400,000 population to create boards of tax appeals to assume the functions now performed by the ex officio boards. As of mid-1963, no action had been taken, or was in sight, under this amendment.

There is no provision for appeal from decisions of the county boards of equalization to a State board; appeals must be to the regular courts, whose concern is primarily with questions of law and which require the taxpayer to prove constructive fraud on the part of the assessor. Also, as the committee observed (in reference to the board's assessment of utility properties), "One criticism levied against the State Board of Equalization is that it takes actions and then sits as an appeal agency on its own actions."³¹

3. In the third place, until the legislature acted in 1959 to require regular publication of county assessment ratios by the State Board of Equalization, the taxpayer lacked reliable information as to the prevailing level of assessment in the county that he could use in evaluating the equity of his assessment and in preparing an appeal to the county board of equalization. Although the legislature did not adopt the recommendation of the Committee on Assessment Practices that the county average be made prima facie evidence in appeal cases, its provision for annual publication of the data was an important step in vitalizing the appeals machinery. The committee said:

... that in all probability the appeals and review machinery will have to be strengthened in the future. We are recommending only that there be full disclosure of information at the present time, in order to give a real test of whether the present machinery is adequate when it is not stalled by secrecy.³²

California stands clearly among the leading States in the quality of its assessment administration and in the progress made in postwar years. Sharing the responsibility for this progress, in a difficult period of soaring population and shifting land use,

²⁷ *Final Report, op. cit.*, p. 127.

²⁸ *Ibid.*, p. 169.

²⁹ *Final Report, op. cit.*, pp. 13-15.

³⁰ *Ibid.*, p. 38.

³¹ *Ibid.*, p. 39.

³² *Ibid.*, p. 42.

CALIFORNIA

have been the willingness of local governments to support reasonably adequate assessment staffs, the increasing professionalization of the assessment function, the continuing attention given by the legislature and its interim study committees to property tax problems, and the high quality of advisory service, technical aid, and research provided by the Property Tax Department of the State Board of Equalization.

That this progress has been uneven, that there are still problems of organization, equalization, devel-

opment of adequate machinery for review and appeal, and raising the quality of assessing in some areas is evident from the foregoing summary. It is evident, also, that these problems are quite solvable and that they exist in large part through continuance of some of the outmoded organization and procedures carried over from the last century. Thus, the State has a significant potential for advancing its already relatively favorable position in the conduct of this highly technical administrative function.

COLORADO

Over the past few years Colorado has instituted a constructive program of State assistance to counties as a major step toward improving equity and uniformity in assessment, and this program is making progress. In 1962 the voters approved a constitutional amendment to delete from the constitution the requirement for assessment at full cash value, thus clearing the way for setting a legal base for assessing which would be both practical and constitutional.

*Assessment organization.*¹ Assessing in Colorado is a joint State-local function with the State responsible for assessing public utility property and the counties responsible for assessing other taxable property. There are 63 counties, with 62 having an elective assessor serving a 4-year term, and 1, the city and county of Denver, having an appointive assessor. The 4-year term is relatively recent, as prior to 1954 the regular term was 2 years. Salaries are controlled by State legislation which approved an increase in 1954 and again in 1962. The office of county assessor is provided for in the State constitution, which provides also that the county board of commissioners shall serve as a county board of equalization to hear complaints of taxpayers, add omitted property to the rolls, and equalize assessments.

There are two State agencies involved in administration of the property tax, the State Board of Equalization and the State Tax Commission. The board is a constitutional agency consisting of the Governor and four other State officers—Auditor, Treasurer, Secretary of State, and Attorney General. The board is to adjust, equalize, raise, or lower the valuation of real and personal property, but this power is confined to equalization among counties and classes and does not extend to the property of individual taxpayers. The board also is responsible for setting the rate for the State property tax, but this has become of minor importance as the State has been reducing its own use of this tax.

The State Tax Commission is a board of three members appointed by the Governor, but under civil service regulations and holding office under such regulations. The commission is directly responsible for the assessment of public utility property and it has extensive supervisory power over

the assessment of other property. The commission prescribes forms and gives directions and assistance to local assessors. Also it reviews the assessment abstracts filed by the counties and makes recommendations on the abstracts to the State Board of Equalization. The commission has other duties related to the property tax, including approval of tax levies in excess of statutory limits for various types of local units and approval of school bonds in excess of statutory limits. The commission does not have responsibility for taxes other than the property tax; such taxes are, in general, the responsibility of the State Department of Revenue under a director appointed by the Governor.

Reappraisal program of 1947. The 1947 legislature directed the Tax Commission to undertake a reappraisal of all taxable property. The commission created a Department of Reappraisal to supervise and assist the county assessors who were to carry out the actual reappraisal. On the assumption that the rise in property values during the early 1940's was temporary, the commission determined that the reappraisal should use 1941 values as a base. A real estate manual developed for use by the county assessors provided for: appraisal of buildings on the basis of reproduction at 1941 construction costs, adjusted for depreciation, obsolescence, etc.; appraisal of urban land largely on the basis of 1941 market value; and appraisal of agricultural land on the basis of production capabilities.

The reappraisal was started in the 1947-49 biennium and continued through 1949-51. The legislature directed the commission to make the new values effective for the 1952 assessment. Since the reappraisal was not yet complete, it was decided to compute the average percentage of increase which had been found in the appraisals completed by that time in a county and apply this same rate of increase to the property not yet appraised. The net result was a 1952 State valuation of \$2,471 million compared with a 1951 total of \$1,734 million. (The 1951 total, it may be noted, had been only 33 percent higher than that of 1913.)

Assessment methods study. While the 1947-52 reappraisal aided materially in equalizing assessments, it also fixed attention on remaining disparities and raised questions as to interclass problems—especially on the relationship of assessments on public utilities and on locally assessed property. One problem, that of equitable assessment of house-

¹ The following two sections are based largely on *Financing Government in Colorado, 1959*, Report of the Governor's Tax Study Group. This comprehensive study includes a very helpful section on the property tax.

hold goods, was eliminated when a constitutional amendment of 1956 authorized exemption of such property and the 1957 legislature provided the exemption. In 1957, also, the legislature provided for two important studies to be undertaken by the Colorado Legislative Council, one on assessment methods and one an assessment sales ratio study. The assessment methods study was divided into two areas, general and public utility, and resulted in two reports of major significance for the Colorado property tax.³

In its report on assessment methods, the Council Committee said "Equalization of property tax assessments does not exist in the State of Colorado among counties, among other taxing districts, within joint taxing districts, among classes of property or among properties within classes." After analyzing the causes of this situation, the committee made a series of corrective recommendations grouped as administrative, constitutional, statutory, and other. Pointing out that the Tax Commission, using its existing powers, could do much to improve assessing, the committee proposed changes including: development of a comprehensive and consistent assessment policy; delegation to a director of appraisals the responsibility for necessary research; reorganization of staff to afford direction of field men for a well-planned program of instruction, supervision, and inspection; provision of a thorough and properly graduated series of training courses for assessors and State staff, etc.

There was one constitutional recommendation—for an amendment to eliminate the requirement that property "be assessed at its full cash value" and to provide instead that assessments "shall be just and equalized." An amendment to this effect was approved by the voters at the election of November 1962.

Other recommendations, generally involving legislative action, included: creation of a division of appraisals under a director responsible to the Tax Commission for execution of its policies as to supervision of local assessment; clarification of duties and powers of the commission with specific recommendations for such legislation; a clear-cut requirement that county assessors assess in accordance with law and Tax Commission rules, manuals, etc.; change in basis for assessing merchandise and manufactures; repeal of obsolete statutes; elimination of civil service requirements for members of the Tax Commission and provision for their appointment by the Governor for 6-year overlapping terms; elimination from the constitution of the provision for both State and county boards of

equalization, but provision by statute for reestablishment of the county boards, with appeal procedure from such boards to the Tax Commission, which would be the State agency having chief administrative authority in equalization.

The utility assessment report analyzed methods used by the commission in assessing various types of utilities and compared results with those obtained by use of methods followed by the consultants. The committee recommended that the commission change some of its methods and that it develop a system to equalize assessments of various types of utilities and to equalize valuations of utility and locally assessed property. The Council Committee also proposed legislation to: redefine the term "public utility", repeal detailed instructions to taxpayers and provide that the commission issue reporting instructions, etc.

The reports and recommendations of the Legislative Council had immediate and important results. Conferences between the committee and the State Tax Commission led to various administrative changes and the 1960 legislature enacted a number of recommended measures. Among the latter were: provision for a director of appraisals and equalization and for certain other new employees; an annual school for assessors, with the cost of operation and instruction to be met by the Tax Commission and the cost of travel expenses of assessors and deputies to be met by the counties; some reorganization of the commission; a new definition of "public utility" for tax purposes; changes in information required to be filed by public utilities; elimination of some of the obsolete provisions; and a substantially increased Tax Commission appropriation.⁴ In 1962 the legislature approved for submission to the electorate the constitutional amendment on full value and it was voted in November. The 1963 legislature established an interim committee to work out legislation to implement the amendment and a report is anticipated for the 1964 session.

Sales ratio studies. In 1957 the legislature directed the Legislative Council to conduct assessment sales ratio studies to cover real property other than public utilities, and such studies have been continued. The basic data are secured from conveyance certificates prepared by county clerks, recorders, and assessors and reported by them to the Legislative Council under a realty recording act also enacted in 1957. After preliminary checking, most of the prospectively usable certificates are followed up by correspondence. The studies have been conducted for four separate periods, 1957-

³ *Colorado Property Assessment Methods*, Research Publication No. 32, and *Public Utility Assessments*, Research Publication No. 33, Colorado Legislative Council, 1959.

⁴ The Tax Commission appropriation was increased from \$144,638 in 1959 to \$214,362 in 1960, and \$282,000 for 1962-63.

58, 1958-59, 1959-60, and 1961, with the first two periods covering fiscal years, the third covering the 18 months through December 1960, and the fourth covering the calendar year 1961. While a continuation of the studies, to cover 1962, has been authorized by the 1963 legislature, the same legislature repealed the realty recording act which provided the raw material for the studies.

The assessment sales ratio studies have been used for two major purposes. Resulting ratios were a factor in the formula for distribution of State school aid, but under 1963 legislation the sales ratio factor was eliminated from the State school aid formula. The ratio studies have also been used, as recommended by the Legislative Council assessments methods study, in the diagnosis of possible faults in methods of assessment and in application of methods. With the repeal of the realty recording act, it is not clear whether the assessors and the Tax Commission will continue to have this useful tool.

For 1961 the statewide ratio was found to be 25.7 percent, with the urban figure 27.9 percent and the rural 21.1 percent. Further breakdown by classes of property showed an urban range from 36.0 percent for industrial buildings to 26.4 percent for one-family dwellings (with such dwellings ranging from 29.9 percent for those 1 to 8 years old to 21.1 percent for those over 48 years old). For rural property, the classification "miscellaneous rural land with improvements" was the highest, at 24.0 percent, and "miscellaneous rural land without improvements" the lowest, at 17.7 percent, while agricultural land, improved, had a ratio of 21.2 percent and unimproved a ratio of 17.9 percent. On a statewide basis there has been a slight decline over the period studied, with the ratio dropping from 28.0 percent for 1957-58 to 25.7 percent for 1961.

The county ratios for 1961 ranged from 15.0 percent to 38.2 percent, but with most counties toward the lower end of the range. Only 19 counties had ratios above the State figure, and for 36 of the 63 counties, the county ratio was below 25. (Ratios were not computed for four counties because of insufficient data.)

The ratio studies are published in two parts, summary and detailed. The summary, part 1, shows State ratios by classes of property and county ratios—total, urban and rural—for the current period and at least one prior period. The study uses the interquartile range to indicate dispersion, giving for each county, in percentage points, the "average range above and below the average sales ratio within which the middle half of the sales ratios fall when arranged from low to high." Part 2 gives details by counties by classes of property (nine urban and four rural classes), giving the number of sales in each ratio class, the average ratio and the measure of variation.

Appraisals and Equalization Division. In 1960 the legislature authorized the establishment, under the Tax Commission, of a new division to be headed by a director of appraisals and equalization. Examinations were held by the civil service commission and Hollis A. Swett, formerly of the staff of the California State Board of Equalization, was certified to the new position. He took office November 1, 1960. Since then there has been notable action, including reorganization and development of a staff to provide assistance to assessors, production of a series of manuals, development of training schools, and other services.

The division staff, late in 1962, included a group of consultant assessors working from field offices and a group of specialists working from the central office. The consultants are located around the State so that each man serves five to eight counties, and an attempt is made to group counties likely to have similar problems. Each consultant works with the county assessors, giving them aid and supervision as needed, and contributing materially to uniformity of assessment in his territory. The central staff members may be called on to aid in solution of special problems in their respective fields.

The central staff includes specialists in rural property, urban property, personal property, an industrial engineer, a utility and industrial appraiser, and a statistician. While these men are available to assist local assessors on specific problems, much of their time in 1961 and 1962 was spent in the development of manuals (with assistance of the Colorado Assessors' Association) and in the installation of procedures for the use of the manuals. The industrial engineer has been working on current cost manuals, but also has been aiding in the assessment of complex industrial properties, and the demand for this latter service has been greater than the time available for it. The statistician, in effect a systems and procedures analyst, is to make a study of workloads and manpower needs in each assessor's office. (The Tax Commission has a statutory duty to make such studies and see that each assessor's office is properly staffed.) Additional staff members are needed to meet other special requirements and to keep up with requests from local units.

Inservice training is considered of major importance for local assessors and State staff members. Schools have been held regularly, as required by the law mentioned above, with emphasis recently placed on the new manuals and procedures. While the school is normally held at the University of Colorado in the fall, a special training session was scheduled for January in 1963 especially to meet the needs of the newly elected assessors.

The Colorado program is still in its early stages, but much has been accomplished and further pro-

COLORADO

gress is in prospect. Mr. Swett, speaking at the 1962 Conference of the International Association of Assessing Officers, said: ⁴

Until recent years, budget limitations have limited the effectiveness of our Tax Commission in its assistance program. The need for concerted action is now well recognized at all levels of our State government. Our

legislature has made the necessary funds available; our program is taking shape. . . .

I sometimes feel that the property taxpayer has become the 'forgotten man' in State government. I believe that many of our States have been derelict in their responsibilities to the taxpayer; that they have ignored their responsibility to maintain fair, equitable, and uniform assessments, as required by their constitutions. . . .

Fair and equitable assessments do not happen by mere chance. Only a comprehensive training and assistance program, carefully administered at the State level, can produce such assessments. Surely every State owes this much to its taxpayers.

⁴Hollis A. Swett, "Technical Assistance to Local Assessors," *Assessment Administration, 1962*, International Association of Assessing Officers, 1963, pp. 106, 107.

CONNECTICUT

Connecticut levies no general property tax for State purposes and its share in the administration of this tax is relatively limited. The State does no actual assessing of property, and through 1962 it had no local fiscal aid programs that required statewide equalization of assessments; but the State Tax Commissioner has general supervisory authority over local property tax administration.

Organization for assessing. Assessing in Connecticut is the function of the 169 local units. This total, frequently referred to as towns, includes 17 cities consolidated with towns, 1 borough consolidated with a town, and 151 towns, with populations ranging (in 1960) from 162,178 for Hartford to 383 for Union. These units may have a single assessor or a board of three or five assessors, elected or appointed, and serving terms of 1 to 6 years, but with some indefinite terms. A compilation made by the Institute of Public Service of the University of Connecticut in 1959,¹ based on reports from 149 of the 169 units, including all but 1 of the 52 units then having a population of 10,000 or more, showed the smaller units generally using part-time boards and the larger units full-time assessors, but a number of the smaller units also had full-time assessors. The smaller towns, for the most part, elected their assessing officials, while all but 1 of the 25 units over 25,000 population appointed them. The combined total for the 149 reporting units was 97 electing and 52 appointing their assessing officials in 1959, but since then a few other towns have shifted from election to appointment. In 1959 a 4-year term was most common for the group as a whole.

The institute study listed 19 separate assessment tools and inquired about their use by local units. Included in the list were maps, records of various kinds, forms for special purposes, building cost schedules, land appraisal schedules, and other aids in determining value. None of these tools is required, or supplied, by the State, but most of the larger Connecticut units used a good percentage of them. The survey found that as population increases, assessors use more of the assessment tools. In 61 of the 149 towns and cities reporting, assessors used 15 or more of the 19 tools listed, and 45 units used 10 or fewer. In the major item of tax maps, the institute found 96 of the 149 units using them, including all but one of the units over 10,000 population.

¹ Patricia Stuart, *Assessment Administration in Connecticut Towns and Cities*, Institute of Public Service, The University of Connecticut, 1959.

The ad valorem tax base includes real property and several classes of tangible personal property. Included is the property of utilities, except for the operating properties of railroads, street railways, and common carrier motor buses, and the tangible personal property of communication companies (these exceptions being subject to State gross receipts taxes). Intangibles have been removed from the tax base and many items of tangible property have been eliminated over the years, with the result that a special commission, authorized by 1957 legislation to study the tax system, said in 1959:²

Erosion of the personal property tax base through accumulated exemptions has caused owners of motor vehicles and business personal property to carry the major load of personal property taxes in Connecticut.

The cost of property tax administration, including assessment and collection, was analyzed for 1957 by the Tax Study Commission and was found to range from 0.84 percent of collections in the 4 largest cities to 2.73 percent in 52 towns with populations under 2,500. In this latter group, however, costs in individual units ranged up to 4.93 percent. Of 12 units with costs under 1 percent, only 1 had a population under 3,000 and 10 had populations of 16,000 or higher. The commission concluded that attention should be given to consolidating units for assessment and collection functions with a view to economy.

State law requires complete reassessment once in each 10-year period, but this regulation is not construed to mean only 10 years may elapse between revaluations. When there is a revaluation, it is the general practice for the municipality to employ a private appraisal firm to do the work.

There is no State assessment of property and no State tax on property, but the State has supervisory powers as discussed below.

State supervision and assistance. Since 1923 there has been a Municipal Division in the office of the State Tax Commissioner. While one function of the division was described as "to be as helpful as possible to local assessing and collecting officials," until recently other demands on the staff took precedence. The 1959 Tax Study Commission quoted a 1948 tax survey, which said:

Supervision by the State in the assessment process is negligible. . . the Tax Commissioner has the responsibility to supervise local assessment practices and to compel compliance with the law. In practice, the Tax Commissioner's activities in this field have been confined largely

² *Property Taxes in Connecticut*, Report of the Connecticut Tax Study Commission, 1959, p. 37.

to the establishment of procedures, the interpretation of laws, and the collection of assessment data. They appear to have had little direct effect upon the assessment procedures as such.

It noted "The present Commission finds that 10 years of property tax growth have brought little change in basic conditions as found by the 1948 Commission."³

The functions of the Municipal Division in 1961, as summarized in a study by the Institute of Public Service,⁴ included: auditing the accounts of some municipalities and reviewing audits of all other towns and cities; administering State grants in lieu of taxes to units where there is State owned property; granting approval for local bond issues when debt would exceed 5 percent of the grand list (up to the statutory limit, for specified purposes, of 15 percent); preparing and publishing reports on assessment and collection of local taxes, receipts and expenditures, and exempt property; preparing special reports for other State agencies; and generally answering questions and giving advice on various aspects of assessment and collection of taxes.

In 1961, however, a new position was created in the Municipal Division—Municipal Assessment Agent. It was anticipated that this would result in a substantial increase in the advisory and technical aid available for assessors, with the agent giving supervision as well as assistance in solving special problems. The agent was temporarily assigned to work on the assessment ratio study authorized in 1961, but has returned to his primary function. He visits local units, at their request, to aid in solving any special problems, and serves as a roving troubleshooter.

Despite the limited activity of the division in work with assessors, the division, the State University, and the Motor Vehicle Department have provided some notable aids. The division furnishes basic forms for reporting property; after each legislative session it issues to each assessor copies of acts affecting assessing and tax collecting and summarizes such acts; in 1959 it compiled in one volume "Statutes Pertaining to the Assessment and Collection of Property Taxes." The University Institute of Public Service, under the sponsorship of the State Tax Department, the Connecticut Association of Assessing Officers, and the Institute of Public Service, published a "Handbook for Connecticut Assessors" in 1950; this was revised in 1957 and another revision is to be issued in 1963.⁵ The

handbook has information on basic principles of assessment practices, factors involved in assessing real and personal property, determination of depreciation and obsolescence, methods of revaluation and other matters, but it is not regarded as a substitute for a manual. The State Motor Vehicle Department has for some years supplied assessors with lists of motor vehicle owners in their towns and a description of their vehicles, but until recently the assessors set the values. In 1961 the Motor Vehicle Department initiated a new system in which it distributes to each assessor cards giving name of owner, motor vehicle description and price (punched cards where the assessor has equipment for their use), and the department prepared instructions for the use of the cards.

Inservice training. As early as 1934 it was reported that the Tax Commissioner periodically conducted roundtable discussions and conferences throughout the State to discuss property tax problems and to assist assessors, tax review boards, and collectors. In 1944 the first statewide school for assessors was undertaken as a joint project of the Institute of Public Service of The University of Connecticut, the State Tax Department, the Connecticut Association of Assessing Officers, and the International Association of Assessing Officers, and the school has been held annually since then. Recent schools have been 4-day sessions with elementary and advanced courses. Certificates are awarded to those who satisfactorily complete a 2-year course. The school is accredited by the IAAO and its courses satisfy partial requirements for CAE certification. The courses also count as credit toward the CCA (Connecticut Certified Assessor), a designation awarded by the Connecticut Association of Assessing Officers to qualified assessors.

The 18th annual school, held in July 1962, on the campus of The University of Connecticut, had two courses in Assessment Principles and Procedures and an Advanced Course. Students must complete A.P.P. I before taking A.P.P. II, and must complete both before enrolling in the Advanced Course. There is thus a 3-year program of instruction. In 1962 there were 172 assessors enrolled, including 41 in the first year course, 33 in A.P.P. II, and 98 in the Advanced Course. A total of 95 cities and towns was represented. In addition, 16 members of boards of review attended a special session on their work. Classes start at 8:30 and run through the day, with some evening sessions and some assigned evening reading. The course content has been developed to provide theory and practice of sound assessment administration under Connecticut law. Instructors, drawn largely from Connecticut's experienced assessors (notably from its group of 16 who have the CAE designation) and from the staff of the institute and the Tax Department, are chosen for teaching ability as well as technical competence.

³ *Property Taxes in Connecticut, op. cit.*, p. 75.

⁴ Rosaline Levenson, *Improving State Assistance to Local Assessors*, Institute of Public Service, The University of Connecticut, 1962, p. 54 ff. This very informative report is the basis for most of the remainder of this section and part of the following section on "Training."

⁵ Besides publishing the *Assessor's Handbook* and the two studies referred to above, the Institute of Public Service has published *Handbook for Connecticut Boards of Tax Review*, *A Guide to Property Revaluations*, and other studies.

Proceedings are not published, but those attending the school receive a comprehensive notebook containing the lectures, special papers, and other useful material. The fee for the school, including instructional material and room and board from Sunday afternoon through Thursday afternoon, is \$60.

An analysis of attendance at the school through 1961, made by the Institute of Public Service,⁸ indicated that some municipalities made no use of the facilities. Through 1961, 25 towns had never sent their assessors to a school and 22 had sent them only once, most of these towns being the smaller units with part-time non-professional assessors. Only 1 of the units over 20,000 population had never used the school, but 3 had used it only once. On the other hand, seven units in this population group had sent their assessors to the school each year, 1944 through 1961.

Level of assessment. Prior to 1957 the law required assessment of taxable property at fair market value, but "the courts had countenanced assessed values below fair market values so long as all property within the municipality was uniformly assessed."⁹ In 1957, however, the Connecticut Supreme Court, in its decision in the case of *E. Ingraham Co. v. Town and City of Bristol* (144 Conn. 374), held this longstanding practice to be illegal.

In the Bristol case a taxpayer sought relief on the ground that his personal property was assessed at 90 percent of full value and his real property at 50 percent. The court, while not granting the relief sought, ruled that the underassessment was invalid and contrary to the provisions of the State statutes. The court said, among other things:

Nor can we overlook a further matter in demonstrating the impropriety of pursuing a rule of fractional valuation. When assessors adopt such rule, they indirectly assume a role which rightfully is not theirs to plan. For if such a rule is applied, the assessment roll will obviously be smaller in amount than it would be if the mandate was carried out. Under such circumstances the borrowing power of the municipality is affected, since its indebtedness may not exceed specified percentages of the grand list. Assessors who use fractional valuations to determine their assessments therefore interfere, perhaps unwittingly but nevertheless effectively, with a power that belongs to others.

Following the supreme court decision, legislation was enacted to permit assessment at below market value. State law still requires valuation at fair market value, but the ratio to be used for assessment is to be determined for each unit by the assessor. When the 1957 law was enacted, it was described as stopgap, to permit study of the problem, and the 1959 Tax Study Commission recommended that the base for all units be set by law at a uniform 65 percent of fair market value, with a tolerance zone of 10 percent either way. Through

1962, the legislature had taken no action to establish a uniform assessment ratio.

Assessed valuation is the basis for local borrowing limits and is also the measure for exemptions for veterans and the blind. There are no tax rate limitations in Connecticut. Through 1962 State school aid was not affected by assessed valuations, but several bills proposing use of equalized valuations as a factor in school aid were before the legislature in 1963. Under the present system, with the assessment ratio to be determined by the assessor, the legislature has, in effect, delegated to local officials, often elective, the authority to determine such matters as the borrowing power of the municipality and the value of partial exemptions.

The Tax Study Commission, in recommending a uniform ratio in 1959, said:¹⁰

The wisdom of permitting municipalities to establish assessment levels is at least questionable. While theoretically, a low level of assessment produces a correspondingly higher tax rate resulting in the same dollar tax for taxpayers in any given town, it is well known that inequities thrive in "low ratio" climates. Moreover, there is much to be said in support of a uniform basis of property assessment throughout the State from the standpoint of administrative and fiscal control, and fair competition among municipalities for business enterprise.

Sales ratio study. In 1961 the legislature provided that the Tax Commissioner should determine for each town the relationship of the assessed valuation of properties to the fair market value of such properties as determined from sales or other evidences of value. The study was made under the direction of John F. Tarrant, Director of Research in the Tax Department.

The law had prescribed the use of the last completed grand list which, with the varying assessment dates used by the local units in Connecticut, led to the study of all real estate transfers in the 7-month period October 1, 1960–May 1, 1961. After elimination of clearly unusable sales, questionnaires were sent to the parties to the remaining transactions to secure data to supplement available records and to check on the inclusion of the sale in the study. The result was the comparison of sales price and assessed valuation for about 15,000 properties in the 169 towns. As pointed out in the study, the sales were heavily weighted with single-family houses and vacant building lots—the source of the active market in most jurisdictions and also a significant factor in the school aid problem. The school aid problem was probably the major factor in the decision to undertake the study.

The study found that the ratio of the net grand list at assessed value to the net grand list at fair market value ranged among the towns from 23.17 percent to 88.23 percent. Of the 169 towns, 108, or almost two-thirds, had ratios between 40 and 60 percent, with 4 towns below 30 and 6 over 70 percent.

⁸ Rosaline Levenson, *op. cit.*, pp. 45–46.

⁹ *Property Taxes in Connecticut, op. cit.*, p. 30.

¹⁰ *Ibid.*, p. 30.

The report on the study noted that when it was submitted, in May 1962, it was already somewhat obsolete because 10 towns had had complete property revaluations, and said "Surveys of this nature to be validly useful must be continuous."⁹

Tax Study Commission, 1959. In 1957 the legislature authorized a Tax Study Commission to report in 1959. The six members were to be chosen, two by the Governor, two by the president pro tempore of the senate, and two by the speaker of the house of representatives, and selected for "their experience and knowledge in the field of taxation." The commission members were all nationally known tax specialists, including some from nearby States as well as Connecticut. While the commission had authority for a broad tax study, it decided the most pressing need was a study of the property tax and it concentrated on this area, producing in its discussion and recommendations one of the most interesting and useful of the recent tax studies.

The commission report presented clear-cut conclusions and recommendations providing a far-reaching and practical guide for strengthening the property tax in Connecticut. Among its conclusions, it said:¹⁰

Now is the time to place the property tax in order so as to be in a position to allocate equitably the growing demands upon it and to facilitate such future adjustments as may become necessary in the interests of continuing equity.

There were 36 specific recommendations, including: place first priority on accomplishing greater uniformity of property reassessment throughout the State; retain as the standard for valuation of real property the true and actual or fair market value; establish by law the requirement that real property be assessed uniformly at 65 percent of its fair market value, with this requirement applying uniformly to all classes of real property in every jurisdiction; establish a zone of tolerance in estimating fair market value under a uniform system of assessment, with no basis for appeals against assessments where they fall within this tolerance zone; provide that assessment appeals will not be sustained when the assessment is within 10 percent of the statutory 65 percent standard of assessment (58.5 to 71.5 percent of fair market value).

The commission recommended regular revaluation at 5-year intervals, with no change between revaluations except to reflect new construction, etc., and with the local units required to appropriate annually to a reserve fund to finance the reassessment at 5-year intervals. In addition, the commission proposed that the State Tax Commissioner,

in any year, should order a reassessment in any town where he finds a lack of uniformity of assessment and that the commissioner be able to enforce such an order.

As to personal property, the commission advocated continuing the taxation of tangible business property, with a separate statutory basis for assessment—65 percent of adjusted book value—with returns filed by business enterprises and with personal property information schedules to be included with the State corporation income tax returns. For motor vehicles, assessments should be made under uniform schedules of value provided by the State Tax Commissioner.

A major recommendation involved the creation of a local property tax unit in the Tax Commissioner's office. Recognizing that adoption of assessment standards and procedures was only one step and that there was also needed "an adequate system of state guidance in their application and methods for measuring results obtained," the commission recommended that—

Connecticut establish within the office of the State Tax Commissioner, a local property tax unit properly staffed and equipped to interpret statutory assessment requirements, to assist local assessors in the application of such requirements, and to compile, regularly, statistical information sufficient to measure assessment results obtained within each local taxing jurisdiction.

Specific duties of such a unit should include: prepare and keep up to date an assessors' manual and instruct assessors in its use; maintain a staff competent for consultation and assistance to local assessors including aid in assessing special properties; encourage towns too small to maintain adequate staffs to consolidate with other towns for assessing or to arrange with the State unit to assess for them on a cost or fee basis; review exemptions; compile and publish annually a table showing average ratios of assessed to market values for samples of taxable property of all classes in each local taxing jurisdiction; enforce local compliance with State laws and regulations on assessing property. The commission stressed the importance of a carefully prepared equalization table, saying:¹¹

... Even the limited tabulation prepared by the commission in the course of its study, has been of invaluable assistance in throwing light upon the darkness of hunch and impression with which Connecticut assessment results are traditionally appraised. A more carefully prepared table, available on an annual basis, would represent one of the strongest forces for improved assessment equality which Connecticut could hope to develop at this time.

To aid in providing the necessary data, the commission proposed a realty transfer tax and required reporting by town clerks to the Tax Commissioner of all real property transfers.

⁹ *Certificate of the Tax Commissioner pursuant to S.A. 368 of 1961 to the Interim Committee on Education and the Legislative Council, 1962, p. 9.*

¹⁰ *Property Taxes in Connecticut, op. cit., p. 22.*

¹¹ *Ibid., p. 76.*

DELAWARE

The State of Delaware has no part in the administration of the property tax. The tax is used for local purposes only and assessment of property is handled by the three counties. The State Tax Department reports that there have been no proposals for the State "to interfere with the counties' pro-

cedures." It might be noted, however, that in "A Fiscal Survey of the Public School System of Delaware" made by Paul R. Mort for the Delaware School Study Council in 1960, some recommendations involved the use of equalized value of taxable property.

FLORIDA

The property tax has received a great deal of attention in Florida since the mid-1950's and constructive steps toward improvement have been taken. Particularly notable have been detailed study and analysis of the tax as part of the overall tax system and legislative concern with the tax base, improved State aid to local assessors, encouragement of revaluation, and marked increases in many counties in the ratio of assessed to full value.

Organization for assessing. Primary assessing is the function of the county assessor, a constitutional official elected for a 4-year term in each of the 67 counties. The county assessor values real and tangible personal property for local taxation, and intangible property for State taxation. An exception is that railroad and telegraph property is assessed by the State. Incorporated cities and towns are also required by the constitution to maintain an office for the assessment of property. In some counties municipal offices have been consolidated with the county offices, in others the municipalities use the county figures directly or indirectly, but in a large number of counties there is duplication of assessment organization.

County assessing is financed by a "commission" allocated to the assessor's office on the basis of a percentage of the assessed valuation of real and tangible personal property and a percentage of the State tax collected on intangible property. The county assessor receives as his compensation the difference between the total commissions allocated and budgeted expenses, but under general law not in excess of \$7,500 annually. Many counties have special acts fixing a different salary or maximum salary and the State Comptroller's *Report of County Finances* for the year ending September 30, 1961, shows compensation allowed county tax assessors ranging from \$2,575 to \$14,600, with 52 of the 67 at \$7,500 or more, 44 over \$7,500, and 21 at \$10,000 or more. Over half the counties had "excess fees" above total expenses and compensation allowed to revert to the county general fund. Four county assessors were on a straight salary basis in 1961-62.

The State Comptroller has general supervision of the assessment and valuation of property under the supervision of the State Budget Commission. The law requires that he prescribe and furnish forms for use in assessment work, and that he promulgate standard measures of value for use in assessing property. The State Railroad Assessment Board assesses railroad and telegraph property, which is certified by the board and placed on county and municipal rolls. Other utilities are assessed locally.

Recommendations of Study Commissions

Citizens Tax Council. Early in 1955 the Governor appointed a five-member Tax Equalization Committee to study property taxation, but after a review of the problem the committee recommended that the legislature set up an agency to carry on continuous research on ad valorem taxation. The legislature established the Florida Citizens Tax Council of 16 members to make a broad study of the tax structure of Florida. While the council was not set up as a continuing agency, it was given wide latitude in its work, including local as well as State taxes, and it was given an appropriation which provided for professional staff work.

A substantial part of the council's work was directed to the property tax. A series of informative studies were made in this field and recommendations resulting constituted a notable part of the council's conclusions. One of the projects was a ratio study, limited in the number of areas covered but detailed in character, which disclosed "variation and discrimination instead of uniformity and equity."¹

The council's conclusions included, first, the statement that "The need is urgent for the equalization of county assessments" and then a series of recommendations. Recommendations included creation of a State-local Board of Property Assessments—to include the Governor, State Comptroller, Superintendent of Public Instruction, and Attorney General, and five county assessors to be named by the Governor—this board to be responsible for general supervision over administration of the property tax, including: promulgation of rules

¹ *Summary of Studies of the Florida Citizens Tax Council 1956-1957*, Bureau of Governmental Research and Service, School of Public Administration, Florida State University, Tallahassee, 1958, p. 50. In addition to this excellent summary, several of the studies of special pertinence are: Ernest E. Means and W. M. Martin, *County Property Tax Assessment in Florida*, 1957; William M. Griffin, *State Supervision of Local Assessments*, 1957; William P. Dillingham and William M. Griffin, *Taxation of Intangible Personal Property in Florida*, 1956; Merrill J. Roberts, *Taxation of Railroad and Other State-Assessed Companies in Florida*, 1957; all published by the Bureau of Governmental Research and Service at FSU. Other significant publications resulting from the council's work were: *Report and Recommendations of the Florida Citizens Tax Council*; LeRoy Qualls and Wylie Kilpatrick, *Fact Book of Taxation in Florida*; Wylie Kilpatrick, *Financing State and Local Governments in Florida*. These three published by the Florida Citizens Tax Council, State Capitol Building, Tallahassee, in 1957.

and orders for the guidance of local assessors; conduct of continuous investigation and analysis of levels of assessment in each of the counties in each class of property; issuance of equalization orders based on the objective results of the ratio studies; publication of statistics showing average level of assessment for each class of property and for the county as a whole; ordering complete reassessment if deemed necessary; provision of all possible technical assistance to local assessors with the intent of upgrading the quality of assessment throughout the State. The council also recommended continuation of the existing statutory requirement that property be assessed at full cash or market value (but in the process of reaching full value, control of tax rates to protect the taxpayer against a sharp rise in taxes resulting from administrative action in raising levels of assessment), and consolidation of county and municipal assessing functions to end duplication. Without recommendation, the council described Florida's homestead exemption of the first \$5,000 of assessed value, applicable to all local levies, as follows:

... the homestead exemption, has been unfortunate and inequitable in effect. The exemption seriously aggravates discriminations that result from imperfections in the assessing process. This result, combined with the effect of widely varying levels of assessment among counties, causes radical dislocations in the distribution of the ad valorem property tax burden among the various segments of the population and among counties.³

The council recommendations followed rather closely those of the staff, but the staff recommendations included: a State board without local representation to have the power and duties indicated above; the appointment of county assessors by boards of county commissioners for 4-year terms from lists of qualified persons certified by the State board on the basis of examinations; assumption by the new board of duties exercised by the Railroad Assessment Board; arrangements under which the board might handle all local assessing if desired by a county; provision for periodic, independent, professional review of the statistical work carried on by the staff of the State board; and repeal of the homestead exemption provision of the constitution. Both staff and council recommended continuing tax study and research.

The 1957 legislature, faced with various major problems, made use of some of the Tax Council's revenue recommendations, but took no direct action on its property tax proposals. It did, however appropriate \$125,000 to the Railroad Assessment Board to conduct county assessment ratio studies and instructed the board to equalize State assessed railroad property with locally assessed property on

the basis of the ratio studies.⁴ As the following sections indicate, the recommendations made by the council in 1957 have continued to affect property tax development.

Joint Legislative Interim Committee. The 1959 legislature revived the tax study idea, providing a Legislative Interim Committee on Finance and Taxation. This group, reporting to the 1961 legislature,⁵ also made notable recommendations on the property tax.

In contrast to the Tax Council recommendation for retention of full cash value as a basis for assessing, the Interim Committee recommended adoption of "just value" for real and personal property. The meaning of the prescription of "full cash value" has been seriously questioned in the absence of statutory definition and judicial interpretation. To many, full cash value has been taken as the equivalent of market value, which provides an objective standard in ascertaining cash value. The Interim Committee's proposed legislation specified that in arriving at a "just valuation," the assessor should take into consideration the following factors: present cash value, highest and best use but also present use, location, quantity or size, cost and replacement value of improvements, condition, income from the property, and such other factors as may be applicable and which affect the value of the property. Contributing to the defeat of this proposal was the reaction that the very multiplicity of factors, coupled with the vague meaning of "such other factors," would undermine objective valuation standards instead of strengthening them.

The committee renewed the recommendation for a State-local advisory board, but with a membership, under chairmanship of the State Comptroller, including the attorney general, a senator, a member of the house, and five assessors appointed by the Governor. Unlike the council's proposal for the annual and plenary State equalization of county assessments, the principal duties of the proposed board would be the continuous conduct of ratio studies and assistance to assessors in revaluation, reassessment, and equalization. The report noted: "The current law provides that the Comptroller shall have many of the duties suggested for the State-local board. It is felt that the increased interest generated by a board having widespread membership will further effectuate the purpose sought to be accomplished under the existing law."⁶

The committee recommended a tightening of exemption provisions, to remove exemptions on real

³ *Ibid.*, p. 98. The report noted that (previous to 1957) "Complete statewide information on assessment ratios has never been available before in Florida. Nor have railroad property assessments been equalized with other property assessments."

⁴ *Report and Recommendations of the Joint Legislative Committee on Finance and Taxation, 1959-61.*

⁵ *Ibid.*, p. 35.

⁶ *Summary of Studies of the Florida Citizens Tax Council, 1956-1957, op. cit.*, p. 54.

and personal property used for profitmaking, to limit the educational exemption to institutions offering general educational programs, etc. Also recommended, and approved by legislative enactment, was repeal of a 1.2-mill tax on wholesalers from which retailers were exempt.

A proposal was made that for the tangible personal property tax on stock in trade, inventories be returned, under oath, at average annual cost value, and assessed for tax purposes at 25 percent of such value. Such a measure was enacted by the 1961 legislature, but was declared unconstitutional by the Florida Supreme Court on June 27, 1962.⁶

For the intangible tax the proposal was a reduction in rate on class B (stocks and bonds) from 2 mills to 1 mill per dollar, provision that foreign and domestic corporations register their stockholders with the State Comptroller annually, and an increase in penalty from 10 to 25 percent for failure to return intangibles. The 1961 legislature, though substantially accepting the committee's recommendation, staggered the intangible tax rate reduction for class B from 2 mills prior to January 1, 1962, to 1½ mills in 1962 and 1963, and to 1 mill on and after January 1, 1964.

Changes in assessment, the committee proposed, should be reported. Written notice of increase should be given the affected taxpayer to give him time to appeal if desired. A list of real estate assessment reductions should be filed with the clerk of the circuit court and open to public inspection—as a deterrent to gradual reduction in assessments after countywide reassessment projects.

The committee also recommended continuing study of tax problems to avoid patchwork changes and to preclude the creation in one area of the problem sought to be corrected in another area.

Some Indications of Progress

Level of assessment. Under legislation enacted in 1941, property is required to be assessed at full cash value. The Tax Council staff ratio study showed that for the seven counties studied, none "conformed, even substantially, to the statutory requirement . . ." While the council recommendation for continuing ratio studies to provide full details on assessment levels was not enacted, the 1957 legislature appropriated funds to the Railroad Assessment Board for a sales ratio study—primarily as an aid in equalizing railroad and locally assessed property. This study, done for the board by a private research agency, disclosed that in 1958 only one of the 67 counties was assessing at full value and that the assessment levels for the others ranged

from 26 percent to 85 percent, with the assessment levels for only nine counties exceeding 60 percent.

No official statewide ratio study has been done since, but the State Comptroller has reported county ratios through 1961 that are based on special studies made by him in some counties and on complete reappraisals made in a number of others. These data indicate an increase in assessment level in about one-half the counties and a very material increase in about one-third of the counties, with 23 counties showing ratios of over 60 percent in 1961. That 35 of the 67 counties, according to the Comptroller, had revaluations in 1957-61, would appear to account largely for this upward trend in assessment level.

While the substantial number of recent revaluations is probably due primarily to the pressure for additional local revenues, another probable factor in the trend toward higher ratios is the strong support given this policy by Governor Collins during his term of office. At the annual assessors' meeting in the fall of 1957, Governor Collins, concerned with the full value requirement, warned that he was obligated to enforce the laws. Opposition was very strong and in 1959 legislation to change the full value requirement was introduced but failed of passage. In the fall of 1959 Governor Collins suspended one of the assessors "who not only failed to comply with the State's 61-year-old statutory requirement that real property be assessed at 'full cash value' but also refused to give the Governor assurances that henceforth a 'competent' tax roll would be prepared for the county."⁷ The same assessor was back in office in 1961, it may be noted, but in 1959 there was a revaluation and the new valuation was almost three times that of 1958.

The problems of revaluation and raising the level of assessments are especially difficult in a State where homestead exemption is based on assessed valuation. A telling illustration is Dade County, as described by Prof. Thomas J. Wood of the University of Miami.⁸ The new Dade County Metropolitan Commission charter had provided for a re-assessment of all real property by 1961, a provision probably designed to afford a broader tax base and "to bring about some equalization of tax burden between commercial and residential properties." But—

The opening of the new tax rolls . . . precipitated a storm which nearly wrecked Metro and which has made future assessment adjustments much more difficult. . . .

⁷ Paul J. Piccard, "Florida's Tax Assessment Battle Continues," *National Civic Review*, November 1959, pp. 540-541. For a very interesting series of short pieces on the Florida developments in this field in the 1957-59 period, see *National Municipal Review*, April 1958, p. 187, December 1958, p. 578; and *National Civic Review*, April 1959, p. 207, November 1959, p. 540.

⁸ Thomas J. Wood, "Metro's Financial Squeeze," address before the 20th Annual Short Course for Municipal Clerks and Finance Officers, University of Florida, Mar. 11-14, 1962.

⁶ *Franks v. Davis*, 145 so. 2d 228. The law was held to violate the constitutional uniformity provision that all property except intangibles be taxed at a uniform and equal rate.

There was no across-the-board increase; increase and equalization went hand in hand, a process which involved increasing the assessments on most residences more drastically than the assessments on commercial properties and the largest homes. The most revolutionary element in this reassessment was the tax suddenly imposed upon some 42,000 families whose residences to this time had been assessed below \$5,000 and were accordingly tax free.

At a referendum, repeal of the charter section on reassessment was approved by a heavy vote—especially heavy in precincts where the assessed valuations of homes were lowest. It was subsequently reported that the assessor had devised a plan for equalization, but Professor Wood indicates that this is likely to be a matter of leveling down rather than up—with a start in this direction resulting from the success of several Miami Beach hotels which brought suit for lower assessments.

Aid to assessors. The Tax Council recommended a State-local board with a staff to supervise and aid county assessors and to equalize county assessments. A bill to create such an agency was introduced in 1957 but died in committee. A proposal by the Interim Committee in 1961 for an advisory State-local board received considerable support, including that of the Assessors' Association, but failed of enactment. There has now been established, however, in the Office of the Comptroller, a new Assessment Standards Division, providing some of the services recommended by the two study groups.

The Assessment Standards Division has been operating with a small staff and a "minimal" budget on an experimental basis, but its operations have apparently received good support and it was an-

anticipated that its budget would be increased to permit expansion of services. The division has the responsibility of furnishing technical assistance to county assessors, upon their request, on specific problems and it aids in the appraisal of difficult or unusual properties. There have been steadily increasing demands for such help.

Other aids to assessors have been provided in recent years. A new *Manual for Assessors* was published in 1959, the first since 1945. In 1961 the manual was supplemented by a guide which furnishes schedules for valuation of certain special types of property as well as a consolidation of laws governing taxation of real and personal property and interpretations by the Attorney General's office. It is planned to keep the material up to date with revisions when necessary. The Assessment Standards Division is working on a revision of the manual to provide representative replacement costs of various types of structures to improve uniformity throughout the State.

A monthly newsletter, "Tax Assessor's News," was initiated in 1961. This carries articles of general interest, plans for meetings, discussion of various aspects of assessing, information on revaluation projects, and personal news notes.

The State Comptroller's Office, through the Assessment Standards Division, cooperates with the Assessors' Association in planning and administering an annual seminar. This meeting, of about 3 days, is planned to cover problems of special current interest to the assessors. The State also holds a special quadrennial conference for new assessors soon after they have taken the oath of office.

GEORGIA

Georgia's current contribution to strengthening the property tax consists mainly of encouraging counties to initiate revaluation programs and raise the generally low level of assessments through State loans for this purpose. In 1961 the legislature appropriated \$1 million to be loaned to the counties to finance a property revaluation and equalization program, and in 1962 the appropriation was increased to \$3 million. Under this program a county engages a private appraisal firm to do the revaluation under contract, borrowing the necessary funds interest free from the State, and repays to the State the amount of the loan in five annual installments.

The State, operating through the Property Tax Division of the Department of Revenue, developed a series of regulations governing the loans. A sample contract was worked out, including specifications for the work to be done, qualifications of staff to be employed, and other details including special services (public relations work for example) to be given by the firm. The State maintains a list of approved firms.

The recommended contract includes provision for: mapping and indexing all real property; appraisal and valuation of all taxable real property and appraisal of personal property of all industrial, commercial, and professional firms, etc., but excluding household personal property and intangible personalty; provision of an appropriate appraisal manual; instruction and training of designated county employees to enable them to maintain the records and conduct appraisals after completion of the contract, etc. All contracts must be approved by the State Revenue Department and payments to the contracting firms are made directly by the State.

A standard agreement between the State Department of Revenue and the counties receiving the loans has also been prepared. It provides among

other things that if the county does not repay the loan as scheduled, the State Revenue Commissioner may direct the State Treasurer to pay to him amounts due the county for road aid until the loan is paid. The agreement also provides that on completion of the evaluation and equalization program, the county will adopt and use a county tax equalization rate of not less than 30 percent nor more than 40 percent of the appraised values until such tax equalization rate level is further adjusted by the State Revenue Commissioner.

The 1962 legislature, besides increasing the appropriation, provided that repayments by the counties should be placed in a revolving fund to permit continuation of the program. The legislature also approved a proposed constitutional amendment which would permit the counties to borrow from private lending institutions with loans to be repaid in up to 7 years, provided such loans were approved by the State and the work supervised by the State. This amendment was approved by the voters in November 1962.

Within approximately 1 year from the time the program began in August 1961, 27 of the 159 counties in the State had come into the equalization program and applications from 6 more were on file, a rate of acceptance far greater than had been anticipated. The cost of the program ranges from \$23,000 to \$100,000, with an average of \$65,000 per county. With costs at this level and the evident interest of the counties in the program, it was clear that appropriations would have to be increased very substantially or some other means of financing found. The constitutional amendment on borrowing from private institutions was advocated as a solution, and by early in 1963 one county had applied to the banks for funds to aid in its tax equalization program.

HAWAII

The State of Hawaii is blessed with a deficiency in some of the institutions and appurtenances that complicate State-local government finance on the mainland. It has no overlapping local governments, its one metropolitan area has a single government and a nonexpandable boundary, it has no ad valorem tax on personal property, and it lacks the jumble of ineffective machinery for property tax administration that is cherished by so many States. The tax on real property is used exclusively by the local governments, but it is administered exclusively by the State government.

The property tax is a long-established institution in Hawaii, with continuity as a major source of revenue for over 100 years under the governments of the Kingdom, the Republic, the Territory, and the State. The tax developed as a centrally administered tax, and although it has been dedicated to the financing of local government since 1911, its administration has been continued under the central government. The local governments are free to determine their own property tax rates, subject to limits imposed by the State legislature, but the State is responsible for the assessment of property and collection of the tax.

Local government in Hawaii means the State's four counties—Hawaii, Kauai, Maui, and city and county of Honolulu. There are no underlying political subdivisions with taxing power; the counties are responsible for all local government functions and these functions are less extensive than in most States because the State government conducts and largely finances such functions as public education, health and welfare, and administration of the public schools and instructional program. The local property tax structure is as simple as the governmental structure—with single county tax rates instead of the usual composite local rates; but the State's geography and economy do create complex problems of assessment administration. The four counties include eight principal islands. Most of the urban development and population are centered in the city and county of Honolulu, which covers the island of Oahu, while the other three counties, embracing one, two, and four islands, are primarily rural in character; but in each county there is some representation of all classes of taxable property, ranging from commercial and industrial through various types of residential development and various kinds of agricultural land to areas of wasteland of negligible value.

Prior to the 1930's depression, property taxes supplied a major portion of Hawaii's total tax revenue;

but with the Territory's adoption of a gross income or general excise tax, motor fuel tax, and other new taxes, the relative importance of the property tax declined markedly and in 1961 this tax accounted for only 12.6 percent of all State-local tax revenue. In that year Hawaii's property tax revenue was the third lowest among the States on a per capita basis and lowest in relation to personal income. Although the real property tax is used exclusively by the counties, its contribution to county revenues is overshadowed by county sharing of the State's major taxes. In 1959 it accounted for 36 percent of the revenues of the city and county of Honolulu, but for only 16–18 percent of the revenues of the other three counties.¹

Nature of the Present Property Tax

For many years the property tax in Hawaii was levied broadly on realty and personalty, but by 1938 the tax on personalty had been narrowed to cover little more than industrial equipment and business inventories, and in 1948 this remainder was repealed.² One reason cited for this final step was its removal of a possible deterrent to the steady maintenance of stores and supplies sufficient to safeguard an area heavily dependent on outside sources against possible interruptions in transportation. The State also follows a narrow concept of taxable real property. The statutory definition specifically excludes "all machinery and other mechanical or allied equipment and the foundations thereof"—a class of property which at least in part is taxed as real property in a number of States.

The tax law also undertakes to minimize for administration the borderline questions of what property is taxable that are inevitable when some classes are exempt. It does this by defining real property as "all land and appurtenances thereof and the buildings, structures, fences and improvements erected on or affixed to the same," and then including in the definition a lengthy list of items declared not to be real property. The Public Administration Service, in its survey of real property assessment in Hawaii in 1958, declared that "The effect has been to force the assessor to interpret an ambiguous law in the light of what he believes public

¹ The data are derived from U.S. Bureau of the Census, *Governmental Finances in 1961*, tables 14, 19 and 21, and Tax Foundation of Hawaii, *Government in Hawaii, 1961*, pp. 14–15.

² For an interesting summary of the history of the property tax in Hawaii, see Y. S. Leong and Robert M. Kamins, "Property Taxation in the 50th State," *National Tax Journal*, March 1961.

policy to be."³ The assessment authorities have been able to do this without undue controversy by following the distinctions that existed between real and personal property before repeal of the tax on the latter.

The level of assessment. A widespread policy among the States is to permit assessors to arrogate to themselves legislative powers by setting the level of assessed valuations that determines the magnitude of statutory and constitutional tax rate limits, debt limits, homestead and veterans' tax exemptions, and the like. In Hawaii, however, the assessor is accorded these legislative powers, with the exception that the legislature has attempted, by an unusual device, to safeguard the intent of the tax rate limits which it imposes on the counties.

The tax law undertakes to gear the tax rate limit to the assessment level, thus the two must be considered together. The law requires that all taxable real property shall be subject to a tax upon its fair market value, but permits the State Director of Taxation (who administers the property tax) to use as the tax base a percentage of fair market value. He is required, however, to certify to the county authorities each year the percentage that he uses, and the tax rate limit is then adjusted for this percentage so that a county's taxing power is no more and no less than the relation to fair market value determined by the legislature. The law assumes a certified percentage of 70 percent in specifying rates of \$16 per \$1,000 (plus \$2 for urban redevelopment) for the city and county of Honolulu and \$18 per \$1,000 for the other three counties. These amounts must be adjusted proportionately for certifications of assessment level above or below 70 percent to keep the effective limit consistently at what amounts to 1.12 percent of full value (plus the redevelopment tax) for Honolulu and 1.26 percent for the other counties. There is no appeal from the director's certification.⁴

³Public Administration Service, *Real Property Assessment in Hawaii*, Chicago, 1958, p. 61. This agency suggested that the title of this section of the law be changed from "Property defined" to "Taxable property"; the text shortened to read, "Property subject to tax under this chapter means and includes all land and the appurtenances thereof and the buildings, structures and improvements erected on or affixed to the same and any fixtures expressly required by law to be assessed and taxed as personal property"; and the list of exclusions rephrased as exemptions, to make it clear that the legislature has power to tax any property it chooses and to make all exceptions and exclusions more specifically definable.

⁴Adopted in 1957, this plan is too new for an evaluation of its effectiveness. However, the Public Administration Service determined that assessments averaged about 50 percent of full value in 1957 (apparently the level had been much lower in early postwar years), and a complete reassessment in 1959-60 increased the assessed valuation 58 percent, some of the increase representing increases in the value of existing properties and addition of new properties.

Even if the Director of Taxation makes his certification with all of the precision that the vagaries of the assessing function permit, he still can decide legislative and constitutional policy by determining, through his power to set the level of assessment, the value of tax exemption to a homestead owner and the amount of long-term debt that the State and the counties may incur under the prevailing constitutional limitations based on percentages of assessed valuation. The legislature could regain its authority, and also simplify regulatory procedure, by requiring that property be appraised at full value, specifying the percentage of this figure—100 percent or less—to be used as the tax base, and then relating tax limits and other items controlled by the assessment level to this specified base. Neither the present method nor this possible alternative for determination of the assessment level is self-enforcing. The significant point is that in Hawaii these instructions go to a responsible department of the State government, not to a host of often untrained and unsupervised local assessors.

Real property tax exemptions. Hawaii's property tax base is limited not only by its restriction to real property rather narrowly defined but by an unusually large amount of tax-exempt realty. The law requires that the value of tax-exempt real property shall be determined and assessed "for informative and statistical purposes," and of a reported assessed valuation of \$3.2 billion in 1960, \$1.3 billion, or 41 percent, comprised exempt property. The actual exemption may have been considerably larger. Of the reported total, the extensive property holdings of the U.S. Government accounted for over 44 percent and the properties of the State and county governments for 30 percent, leaving only one-fourth of the total to be accounted for by legislative exemption of private property.

These statutory exemptions include public utilities, which are subject to a more productive special tax on their gross operating revenues. Otherwise they represent a long accretion of mainly familiar types of exemptions that continue to expand as in other States. The main classes are: property used by religious, educational, and charitable institutions and various nonprofit organizations; homesteads and the homes of blind persons, sufferers from Hansen's disease, and totally disabled veterans; privately owned land dedicated for a period of years to public use in State forest and water reserves; temporary exemptions, usually for 5 years, for property used in the manufacture of specific products; and temporary exemptions for urban renewal purposes.

Homestead exemptions, which represent more than one-half of all statutory exemptions, are a long-established institution. Owner-occupied dwellings are completely exempt on that portion of their assessed valuations up to \$1,500 and partially exempt according to a schedule on that por-

tion between \$1,500 and \$5,000 permitting a maximum exemption of \$3,250. With the sharp rise in the level of assessment in recent years, the value of this exemption has been subject to substantial administrative erosion. The grant of temporary tax exemption to encourage new industry has been limited to property used in the production of a few kinds of products, such as the manufacture of pulp and paper from bagasse fiber. This incentive apparently has offered little attraction, as there have been very few applications for industrial development exemption in recent years.

While the legislative trend has been for more, rather than less, exemption, the legislature became increasingly aware in recent years that exemptions needed more orderly development and more systematic supervision. By 1960, for example, one section of the law provided exemptions for some 50 specifically named institutions and organizations. In that year the House of Representatives requested the Legislative Reference Bureau to study the situation, and the bureau recommended in its report, among other things: that the legislature, instead of its piecemeal granting of specific exemptions, provide general exemptions for desirable categories of institutional uses that would promote uniform treatment, discourage pressure, and improve exemption administration; eliminate exemptions for government property that is being put to private use; and give statutory authority to the Director of Taxation to formulate administrative regulations to supplement the statutory provisions.⁵ Legislation enacted in 1961 went far in adopting these recommendations, but failed to provide for taxing public property in private use and broadened further the exemptions for nonprofit organizations by including the property of labor unions and associations of government employees.

Central Administration of the Real Property Tax

Administration of Hawaii's real property tax, including all of its components of appraisal, assessment, collection, enforcement of tax liens, and technical research, comprises one of the main functions of the Department of Taxation, which is responsible for administering the bulk of the State's taxes. One of the State's 18 major administrative departments, it is headed by a Director of Taxation appointed by the Governor with the consent of the Senate for a 4-year term. Supplementing this organization for tax administration are county boards of review and a tax appeal court, the members of which are appointed by the Governor.

The department itself is organized both on a functional and a geographical basis. In addition

to the central office in Honolulu, with its staff and line agencies, district offices are maintained, directly under the supervision of the Director of Taxation, in the three outlying island counties. These district offices, each organized under a county tax administrator, represent the department in administering within their respective districts the taxes for which the department is responsible. The city and county of Honolulu (island of Oahu) contains four-fifths of the State's population, but only 604 of the 6,435 square miles of the 8 principal islands.

Within this general structure the organization for property tax administration has certain features that give it an appearance of complexity but actually contribute to its effectiveness. In the first place, it follows the geographical basis of the department. In the second place, because of the availability of the services of the department's staff agencies and the ability to integrate certain procedures common to all taxes administered by the department, it is not an entirely self-contained organization.

Organization for assessment administration. One of the department's line agencies is a Real Property Assessment Division, headed by a real property tax director. This division, according to the department's program and organization manual, "Plans and administers a comprehensive system of appraisal and assessment of all real property in the state. . . ."⁶ This division includes an appraisal branch, a tax maps branch, and a technical services unit. The appraisal branch is responsible for all appraisal and assessment in the city and county of Honolulu, which accounts for over four-fifths of the State's taxable valuation. The tax maps branch performs a statewide function in preparing and maintaining maps of all parcels of property throughout the State for the use of assessors, and also duplicates maps for other public and private uses. The technical services unit, a quite recent addition, has the responsibility for developing and maintaining uniform methods, procedures, and techniques to be used in real property assessment throughout the State. Its work includes valuation research, providing a classification system for appraising land and improvements, preparing appraisal manuals and guides, recommending values for agricultural lands, helping to appraise complex structures and difficult rural areas, and conducting staff training programs.

Property in the counties of Hawaii, Kauai, and Maui is assessed by the real property tax branches in the department's self-contained district tax offices that serve these counties, subject to the standards and supervision provided by the central office. A collection branch in each district office handles the

⁵ Tom Dinell, *Real Property Tax Exemption in Hawaii*, Legislative Reference Bureau, University of Hawaii, Report No. 3, 1961, pp. 23-29.

⁶ This 40-page manual, as of September 1961, covers with text and charts the organization, programs, and functions of the department's staff and line agencies and district offices.

collection of all taxes, including property taxes, under the district's jurisdiction.

Other features of property tax administration. In making administration of the property tax one of the functions of the State's comprehensive Department of Taxation, it has been possible to use certain general facilities and services of the department, thus avoiding duplication and minimizing overhead. The Collection Division, which is in charge of all of the department's collections and accounting, provides electronic data processing for the department that includes, for property tax administration, preparation of assessment lists and notices and tax rolls and bills, etc., for all islands, and programing and processing cards for statistical and research projects. The real property tax collection record shows current collections in recent years of 98.5 percent or more of the annual levies, with a negligible accumulation of delinquent taxes. The services of the department's staff agencies also play some part in the conduct of property tax administration, namely, the personnel, technical, and administrative services offices, the last of which is concerned with budgeting, study of operations and management methods and procedures, and tax and economic research and analysis.

The Quality of Assessment Administration

The law requires that all property shall be valued by appropriate systematic methods selected and applied to obtain, as far as possible, uniform and equalized assessment throughout the State, and that all land shall be assessed in accordance with its highest and best use regardless of whether the land concerned is put to such use or not. Meeting these requirements depends not only on satisfactory administrative organization but on the competence of the staff and its utilization, and the quality of the appraisal standards and procedures and their application.

The general lines of the present organization date from 1932, when the Territory drastically amended its property tax law following a professional survey of the tax and its administration and a complete reassessment. Incorporated in the law, apparently to assure permanence for the most approved assessment methods of that time, was a veritable assessor's manual of procedures. In subsequent years assessment administration adhered routinely to the methods established in 1932, but with the postwar land and building boom, assessment problems began to get out of hand. In Oahu much rural land was shifting to urban use or influence and there were spectacular increases in land values, while efforts by tax commissioners and conference committees of taxpayers were only partially solving the problems of rural land valuation.

The legislature authorized a special study of the situation, and the Territorial tax commissioner re-

tained the Public Administration Service in 1957 to survey real property assessment practices. Submitting its report in December 1958, the Public Administration Service observed that writing detailed technical methods into the law in 1932 had not proved entirely successful—that it had “tended to arrest the development of assessment administration at the 1932 level when surely Hawaii must have had one of the world's best systems. In the meantime, however, assessing theory and practice have been moving rapidly forward.”⁷

The survey staff made a thorough technical analysis of the law, organization, personnel, methods and procedures for assessment, and where it found substandard policy or performance it recommended specific remedies. The staff findings were, in brief: Simplification and clarification of the law would facilitate high-standard assessing. The organization was basically sound, but could be made more effective by certain internal adjustments and the addition of a technical division to carry on research and develop standards for the guidance of assessors. The personnel, bogged down in routine work and including some persons who had advanced in rank mainly on the basis of seniority, needed better utilization and professionalization. No major change was required in the size of the staff except for additional technicians. While some progress was being made in methods and procedures and a sales ratio study by the survey staff disclosed that “Generally speaking, the data reflect credit upon the assessing operation, particularly in the relatively low degree of dispersion that exists,” an adequate property classification system was lacking and there was inadequate valuation research.⁸ To develop these two basic procedures, which, it was pointed out, would facilitate equitable mass appraisal by a relatively small staff of trained people, the report presented comprehensive recommendations.

The Department of Taxation adopted the findings as a guide to strengthening assessment administration and took steps to effectuate a number of the recommendations. While some of them involved long-range programs, the department made substantial progress in their development in the first 3 years following the submission of the report. While there was some difficulty in recruiting qualified people, a newly created technical services section had been staffed with its quota of five specialists

⁷ *Real Property Assessment in Hawaii, op. cit.*, p. 4.

⁸ In emphasizing the need for better classification as an aid to the assessment of rural land, a basic factor in Hawaii's economy, the Public Administration Service commented in its report (p. 42): “It is no doubt more than a coincidence that the two American jurisdictions that take rural land assessment most seriously are also the only two that have centralized assessment organizations, almost the only two where there are no elected assessors, and perhaps the only two where ‘city limits’ mean nothing for tax purposes. These jurisdictions are Hawaii and Puerto Rico.”

by June 1959. A revaluation of real property throughout the State, started in 1959 and completed in 1960, raised net taxable value by 58 percent.

With the aid of a technical staff that could concentrate continuously on scientific classification of property, valuation research, and training of assessors, and also undertake specialized appraisal work, the Real Property Assessment Division has been enhancing the professional quality of its work. A review of the division's programs early in 1962 disclosed that the classification of improvements had been refined, unit values assigned to the several groups, and the system applied to mass appraisal of 125,000 buildings in Oahu. A comprehensive though still tentative land use classification had been developed under 7 major categories and 20 subcategories, with identifying definitions, while more detailed classification within categories was under way.⁹

The valuation analysis required to make classification an effective tool of assessment has been and is being carried on along a number of lines, among them developing cost factors related to the building classification, improving the formula for computing depreciation, analysis of various kinds of leases as a means of appraising the large leaseholds that are so prevalent in Hawaii, and determining standards, in compliance with the requirement that land be assessed in accordance with its highest and best use, for assessing undeveloped or underdeveloped land classified as urban. Aiding in the solution of this last, and very difficult, problem is the recent "greenbelt" provision under statewide zoning that permits the dedication of land for specified use for 10-year periods, subject to retroactive taxation if land is withdrawn for higher use during this period. Sales ratio studies are made regularly for checking purposes, but with due regard for speculative price distortions.¹⁰

As more systematic methods of assessment evolve from classification and valuation research, the technical services staff has the responsibility for educating assessors in their use. This is done by preparing reports, memoranda, manuals, etc., for instruction and guidance, holding briefing sessions on how to apply new criteria, and checking on performance to determine possible need for further instruction.

⁹For example, cropland is one of five categories of agricultural land and it, in turn, is subdivided into pineapple, sugarcane, and diversified cropland. Under further subclassification that permits equitable refinements of valuation, pineapple land is placed in five classes ranging from class A, prime land for pineapple culture, to class E, submarginal land that is used for this purpose. Identifying characteristics have been specified for each class, based mainly on soil, topographic, climatic, and utility characteristics.

¹⁰For example, the mail-order sales prices of lots in subdivided lava beds on outlying islands may range upward of \$1,500, although the division can find a nominal value of no more than \$100.

With appropriations available to pay part of the tuition cost, encouragement is given to assessors to take special courses in appraisal. Communication with district offices has been improved to some extent, but is a continuing problem. Valuation schedules for pineapple, sugar, and ranch land are prepared by the technical services staff and sent to the districts for use in assessment; district assessors come to the central office one or more times a year for conferences; members of the central staff make frequent visits to the districts, sometimes upon request; and professional libraries are being developed in the district offices.

Personnel, Salaries, Overall Costs

The staff for assessment administration is under the State's civil service system, classified as to function and responsibility and with provision for regular salary increments and opportunity for advancement. It constitutes a professional working organization with no political or sinecure jobs. A total of 81 persons was employed in September 1961, including, in addition to the real property tax director, 52 persons in professional and technical positions and 28 in clerical and minor technical positions. The former group included 5 research and appraisal specialists, 34 appraisers (18 in the Honolulu office and 16 in the 3 outlying district offices), and 13 tax maps recorders and draftsmen (this branch including 7 other employees).

For the 52 professional and technical positions, salaries range upward through 11 grades, and within each grade there is provision for 7 incremental steps and 3 additional longevity steps.¹¹ For example, there are four grades for building appraisers, with salaries in 1962 ranging from a starting figure of \$5,076 for grade I to a top figure of \$9,096

¹¹The following table shows for this group, position titles, number of employees, and salary range in 1962. The maximum figures indicated may be increased about 14 percent by longevity increases.

Salary range	Position and number of employees
\$10,032-\$13,440.....	Real property tax director.
\$9,096-\$12,192.....	Real property valuation engineer (1)
\$8,256-\$11,064.....	Supervisory real property appraiser (1); tax maps recorder (1).
\$7,488-\$10,032.....	Agricultural land valuation specialist (1); county real property appraiser II (2).
\$6,792-\$9,096.....	Improvement valuation specialist (1); County real property appraiser I (1); building appraiser IV (1); land appraiser III (1).
\$6,156-\$8,256.....	Building appraiser III (7); land appraiser II (8); assistant tax maps recorder (1).
\$5,592-\$7,488.....	Building appraiser II (3); land appraiser I (4).
\$5,328-\$7,128.....	Research analyst II (1).
\$5,076-\$6,792.....	Building appraiser I (6); tax maps draftsman II (4).
\$4,836-\$6,468.....	Research analyst I (1).
\$4,392-\$5,868.....	Tax maps draftsman I (7).

(\$10,392 including longevity steps) for grade IV. In addition to the maximum for the director, \$13,440 (\$15,348) and for the head of the technical services unit, \$12,192 (\$13,920), there are five other supervisory or research positions that pay maximums of over \$10,000. Department officials state that they have had no serious problem of turnover in personnel. (According to some observers, there tends to be a problem of inbreeding and longevity.)

The cost of property tax administration is borne entirely by the State; no charge is made to the counties for this service. The overall expense is higher in relation to taxes collected than for other taxes administered by the State. In the biennium ended in 1959 the budgeted cost of assessment (including boards of review) was \$740,000, approximately 2.1 percent of property taxes collected, while this cost plus the estimated allocable expense of department administration, collection services, etc., and the tax appeal court, \$1,117,000, approximated 3.3 percent of taxes collected.¹² These percentages are influenced, it should be emphasized, by Hawaii's relatively modest use of the property tax (\$31.51 per capita in 1961, compared with an average of \$98.35 for the United States). A more nearly average use of the property tax would reduce them markedly, since the cost of administration is not greatly influenced by the size of the tax rate.

Provision for Review of Assessments

The assessment process must include, in addition to the original assessment, some provision for administrative or judicial review and it frequently includes provision for interarea equalization. In Hawaii reasonable intercounty equalization is a by-product of centralized assessing that follows uniform methods and standards throughout the State. To preserve for the taxpayers their right to an opportunity to be heard, the State has established special agencies.

In each of the four county tax divisions there is a board of review composed of five residents appointed by the Governor for overlapping 4-year terms. There is also a tax appeal court, with statewide original and appellate jurisdiction, that consists of three members appointed by the Governor for overlapping 4-year terms, one of whom must be a lawyer and be designated as judge of the court. A distinguishing feature of the review boards and the court is that their jurisdiction extends to appeals from all State administered taxes. A taxpayer may appeal his assessment to the board of review in the tax division in which his property is located, or directly to the tax appeal court. Both

the taxpayer and the assessor may appeal from decisions of the board of review to the tax appeal court, and either may carry an appeal to the State supreme court. The procedure for boards of review is primarily that of appeal rather than review; but they are required to submit annual reports to the Governor covering features of their work that they believe pertinent to good assessing and noting additionally any instances in which in their opinion there have been assessing errors on properties not brought before them on appeal.

This plan is superior to the familiar *ex officio* review board in many States and to the cumbersome pyramidal machinery that some States have evolved, but it has been subject to some criticism. Under the law, for example, the level of assessment, of itself, does not appear to provide a ground for appeal unless it exceeds 100 percent of full value. There is, additionally, the problem of finding five citizens in each county, willing to serve for a small per diem compensation, who are well versed not only in property valuation but in all of the State administered taxes. It has been said, also, that by their power to change individual assessments, boards of review can distort the systematic work of the central assessing agency. That agency, however, has the right to appeal review board decisions.

A few proposals have been made for modification of the plan. One has been to give the counties authority to appeal the level of assessment, apparently indicating distrust of the present method of assuring them their full statutory taxing power.¹³ The Public Administration Service suggested replacement of the present boards of review by county-controlled boards of equalization, with powers restricted largely to referring assessed valuations of individual properties or classes of property to assessors for further study. As an alternative to diffusion of administrative responsibility, it might be more fruitful to reinforce the central agency's facilities for reviewing its own work and to require that the agency make regularly available an adequate statistical evaluation of its assessment performance.

Centralization vs. Decentralization

Since central administration of the property tax is traditional procedure in Hawaii, the State's citizens probably are not so fully aware of its advantages, actual and potential, as they would be if the system were a new product of progressive civic effort. These advantages become obvious, however, when comparison is made with the various arrangements in the other States.

¹³ A bill empowering the counties to appeal State assessments was passed by the last session of the Territorial Legislature in May 1959, but was vetoed by the Governor. It was reintroduced in the first session of the State legislature, later in that year, but failed to pass.

¹² These figures are derived by relating budget amounts computed and estimated by Public Administration Service (see Report, p. 9) to tax collections (adjusted for delayed collections) of \$34,218,000 in the biennium.

Under Hawaii's system of State assessment, a reasonable degree of statewide equity among classes and within classes of property is being worked for through a professional assessing staff following uniform methods and procedures under central supervision, reinforced by the valuation research work of a central technical staff. These professional and technical resources are just as available to rural areas as to urban areas. Decentralization of assessment would require an expensive duplication of some of these facilities, or their downgrading in rural counties that might find it difficult to meet the expense. This system also can obtain intercounty equalization without the creation of a special State organization for this purpose. Not to be overlooked are the economies and efficiencies resulting from the availability of the resources of a large central tax department, among them electronic data processing facilities for preparation of assessment rolls, tax bills, etc., recordkeeping, accounting, and statistical research.

As a support for a well-integrated State-local revenue system, as an aid to unified State economic development, and as a useful factor in maintaining an uncomplicated government structure, the importance of a sound system of central assessment can hardly be overemphasized. It removes local fiscal capacity from obscurity, avoids the economic and fiscal weaknesses of competitive underassessment, and obviates the need for the complex and costly regulatory organization and machinery to which other States are turning in order to salvage the property tax.

That there should be some sentiment in Hawaii for transferring property tax administration to the

county governments is not surprising. The tax is used entirely for local purposes, it is in large part locally administered in the other States, the local administrative organizations would be expanded and have more jobs available, the impersonal, professional character of State assessing could be replaced by a more flexible local approach, and it might seem to mark progress toward more fiscal autonomy. Actually, if the counties are interested in more fiscal autonomy, their concern must be with policy matters such as the relaxing of tax rate and debt limits and restrictions on what they can spend money for. The assessment of property and collection of taxes are properly matters of fiscal administration, and so long as the State provides these administrative services efficiently and in accordance with statutory requirements, it does not interfere with county determination of fiscal policy within the range permitted by law.

If the advantages of central administration were being vitiated by failure of the legislature to appropriate the money necessary to maintain good-quality administration, or by a lack of competence and zeal on the part of the Department of Taxation to do a good administrative job, or by department assessing policies that were shortchanging the taxing and borrowing powers of the counties, there might be strong grounds for considering decentralization. In practice, however, the legislature has been making fairly adequate appropriations, the quality of assessment administration has been improving under a well-defined and constructive program. It would appear, in fact, that the 50th State already has, or is close to having, what the others might like to have if they knew how to get it.

IDAHO

Idaho is approaching the end of a reappraisal program undertaken cooperatively by the State and the counties. The statutes required that the program be commenced in all counties by 1961. In December of that year work was begun in the last of the 44 counties and it is anticipated that it will be some time in 1964 before the entire project is completed. The work of appraisal was divided, with part to be done by the State, part by the counties under State supervision. The State Tax Commission staff appraises all commercial buildings and, jointly with the county assessors, urban land. For appraisal of rural land, buildings, and residences, a special staff of about 12 appraisers was employed by the State to train and instruct personnel hired by the county commissioners and the assessors. When appraisal is finished, the records and information become county records.

After completion of the appraisal the State Tax Commission exercises continuing supervision over appraisal of new commercial structures, additions and improvements and appraisals in urban and lakeshore areas which are subject to rapid change.

The Tax Commission also continues its full responsibility for assessing railroad, electric transmission, telephone, telegraph, and pipeline companies as it had in the past.

When the appraisal project was undertaken it was anticipated that on its completion in all counties, assessments would be at 100 percent of the appraised value. It is now anticipated that when the entire project is complete, assessments will be set at a uniform level, below 100 percent, but at a ratio adequate to provide for the poorest county.

Property taxes in Idaho are levied on real and tangible personal property. A relatively minor but not insignificant change in the base was made recently with the removal of household furnishings. The Tax Structure Committee, reporting in 1956, said: "The tax on household furnishings is not levied in all counties, and does not produce significant revenue."¹ The committee, the State Tax Commission, and the assessors all joined in securing removal of this tax.

¹ *Report of the Tax Structure Committee, Boise, Idaho, 1956, pp. 7-8.*

ILLINOIS

With the adoption of its full valuation act in 1945, Illinois initiated systematic intercounty equalization of assessments. In 1949 the legislature enacted a county assessment supervisor law, designed to improve the quality of assessing produced by the State's antiquated township assessor system. This law promptly was declared unconstitutional, but under permissive legislation passed in 1953 and 1957 some progress has been made in strengthening the local organization for assessment administration. Repeated attempts to amend the broad and confusing uniformity provisions in the State constitution have failed, however.

Under the strict uniformity provisions of the Illinois constitution of 1870, the general property tax is commonly regarded as applying uniformly to all classes of property, real and personal, unless specifically exempted in accordance with the enumerated exemptions permitted by the constitution (public property, property used for religious, charitable, and educational purposes, etc.). The statutes call for the assessment of all taxable property at fair cash value and its taxation at a uniform rate in any taxing district. In practice, a de facto classified general property tax has developed, with variations for different classes in the level of assessment. This policy has led to endless litigation, with the result, as one commentator has said, "that one is often faced with a developing hodgepodge of conflicting interpretations of an already confusing constitutional limitation."¹

Organization for Assessment Administration

Property taxes in Illinois produce about \$1.4 billion per year as the primary source of revenue for over 5,400 local taxing units, a figure as large as the aggregate of all other State taxes. While the State has made only negligible use of the property tax for its own purposes for many years, it is, of course, responsible for determining the form of the tax, such ceilings on the use of the tax as it deems necessary, and the method of administering the tax. Under the organization which the State has created, responsibility for the function of assessment administration is shared by a large number of township assessment districts, various county officers and agencies, and the State Department of Revenue. Some understanding of the general features of this organization is needed to evaluate the State's recent efforts to improve it.²

¹ Wade J. Newhouse, Jr., *Constitutional Uniformity and Equality in State Taxation*, University of Michigan, 1959, p. 166.

² For fuller discussion of the organization, see Robert H. Pealy, *A Comparative Study of Property Tax Administration in Illinois and Michigan*, Institute of Public Administration, University of Michigan, 1956, pp. 34-87.

Local assessment organization. As the result of permissive legislation in 1953 and 1957, the local machinery for assessment administration is experiencing a gradual transition. Prior to 1953 it was substantially as follows. Of the State's 102 counties, 17 in the southern part of the State are so-called commission counties having no township organization. In these counties the elective county treasurer was ex officio the assessor. In 83 of the other 85 counties, all of which have township organization, the primary assessment district was the township, with an assessor elected for a 4-year term.³ St. Clair County had an elective county board of assessors and Cook County had an elective assessor, but there also were elective township assessors in these two counties except in the eight townships of Chicago and Belleville and East St. Louis in St. Clair County. The total of primary assessment districts in the State was close to 1,500. In the township counties (except Cook and St. Clair) the county treasurer was ex officio supervisor of assessments. In all counties there were, and are, county boards of review or their equivalent.

A proposal was considered in the 1945 legislature, but defeated, to establish the office of county assessment supervisor in all counties except Cook and St. Clair Counties and require the use of modern appraisal methods in assessment. In 1949 a similar proposal was adopted. Full-time county assessment supervisors were to be appointed for 4-year terms by county governing boards from names chosen and certified by the State Department of Revenue from lists of persons submitted by the county boards. Elective township assessors were to become deputy assessors and the supervisors would be, in effect, the assessors. The courts quickly found this notably progressive step unconstitutional.

The legislature tried again in 1953, for counties with populations under 150,000, by authorizing commission counties to change to appointive assessors, and authorizing board-of-supervisor counties to change to appointive supervisors of assessments. In 1957 the legislature extended these authorizations to all of the larger counties except Cook and St. Clair, which already had special arrangements for county assessing. A county board may adopt this plan by resolution; but by petition signed by 5 percent of the registered voters, a referendum can be required on such action or on the question of requiring the board to take such action. The plan also can be abandoned by referendum; but in 1961 the legislature raised the petition-signature requirement to 10 percent to discourage the activities of

³ With no municipal assessors, each municipality depends for its assessment on the township districts that lie within or overlap it.

small pressure groups. Forty counties have changed to appointive county assessment supervisors or appointive assessors.

In appointing such officers, the county boards are required to choose, on the basis of competitive examination, persons of experience and training in property appraisal and property tax administration or in work of an "equivalent nature." Appointment is for a 4-year term. The legislature has set minimum annual salaries for such officers, ranging from \$3,600 in counties with populations under 10,000 to \$7,200 in counties with populations of 150,000 or more. It has provided, also, that maximum salaries may not exceed these minima by more than \$2,400. In 1959 the legislature authorized the State to reimburse counties for 50 percent of the salaries of such officers.

An appointive county supervisor of assessments is, for practical purposes, a county assessor. While the elective township assessors continue, they are, in effect, deputy assessors. He is required to instruct them in methods designed to produce uniform assessing in the county and there are penalties for willful violation of instructions. He has the same authority as the township assessor to assess property and make changes in assessments, can make changes in the latter's valuations, and is clerk of the county board of review. He is required, also, to set up in his office, in accordance with specifications by the State Department of Revenue, tax maps, property record cards, etc., for all real estate in the county, with the qualification that he may maintain copies of, but not duplicate, the work of full-time township assessors that meets the specified standards. The 1957 legislature also required the installation and maintenance of property record systems in all counties except Cook and St. Clair.

Boards of review are all at the county level. In commission counties the three county commissioners comprise the board. In board-of-supervisor counties the board consists of the chairman of the board of supervisors as ex-officio chairman⁴ and two members appointed by the county judge. (Cook and St. Clair Counties have special provisions.) These boards are responsible for intra-county equalization and adjustments of individual assessments on complaint or on their own motion. Appeals from the county review boards are to the State courts.

State organization. The State Department of Revenue, headed by a director appointed by the Governor with the advice and consent of the senate for a 2-year term, has as its major responsibilities the collection of about three-fourths of the revenue from State taxes and fees, and the conduct of the State's share of property tax administration, the latter mainly through its Property Tax Division.

⁴The county board may designate a member other than the chairman to serve if the chairman so wishes.

Created in 1943, this department succeeded a three-member State Tax Commission which had been responsible, among other things, for property tax administration and which had, in turn, replaced in 1919 a State Board of Equalization established in 1867. The State has had nearly a hundred years of experience, therefore, in joint administration of the property tax.

The Department of Revenue has three major duties respecting the property tax. (1) It is required to assess all railroad property except non-carrier real estate, the capital stock of certain classes of companies organized under the laws of Illinois,⁵ and the operating personalty of private car line companies doing business within the State. (2) It is required to direct and supervise the assessment for taxation of all real and personal property in the State; advise and assist local assessing officers; prescribe general rules and regulations for assessing, which shall be binding on local assessment officers; prescribe or approve forms, files, and records authorized or required for the use of local assessment officers; and review exemptions of property approved by local boards of review or the board of appeals. (3) It is required to equalize the assessment of property among the counties of the State.

To carry out these duties the department has been given extensive powers, among them powers of fact-finding and investigation, the right to require from local officers all needed information, and the right to order in any year, in any county or assessment district, a reassessment of all real and personal property, or real or personal property, or any class of personal property, to be made by the local assessment officers, and cause it to be substituted for the original assessment.

The Property Tax Division, which is responsible for most of the property tax work of the department, operates, as do the department's other major line divisions, through two offices, one in Springfield and one in Chicago. The supervisors of these offices are career specialists in property tax administration. The technical appraisal staff engaged in central assessment is concentrated almost entirely in the Chicago office. While the duties of the department respecting the property tax have a vital relation to the efficient and equitable administration of this major source of tax revenue in the State, only about 5 percent of the budget appropriation of the department goes to support the Property Tax Division. Some observers attribute the seeming shortchanging of this function to its inclusion in a department whose chief concern is State tax yields.⁶

⁵The capital stock of the following kinds of companies is locally assessed: manufacturing and mercantile, mining and selling of coal, printing, newspaper publishing, for improving and breeding of stock, banking, mutual building, loan and homestead associations.

⁶See, for example, Pealy, *op. cit.*, pp. 63-64, 72.

Equalization of Assessments

In 1945 the legislature enacted a law designed to produce intercounty equalization of assessments at full value, the purpose being to remove inequities arising from the varying levels of underassessment that prevailed throughout the State. These inequities included lack of uniformity in the application of debt and tax rate limits, distortion in the distribution of equalizing State grants, and nonuniformity of taxation in intercounty taxing districts and of State assessed property.

This law, effective in 1946, requires the Department of Revenue, through analysis of property transfers, property appraisals, and such other means as it deems proper and reasonable, to determine for each county the ratio of the assessed valuation as revised by the county board of review to the estimated full, fair cash value, and then to certify to each county clerk the percentage to be added to or deducted from the assessed valuation to bring it to full value. The department uses a "multiplier" to make these adjustments. The law called originally for annual equalization, but in 1959 this was changed to equalization only in quadrennial assessment years, with the same equalization factor to be used in the 3 succeeding years. The equalized assessments are the basis for taxes, tax rate limits, debt limits, and formulas for distributing State aid.

The program has not accomplished its purpose of equalization at full value, but has produced a reasonable degree of intercounty uniformity in the average level of assessment. The immediate effect was to raise the equalized value of assessed property in the State from \$9.14 billion in 1945 to \$20.76 billion in 1946. The latter figure was fairly close to full value, but the ratio declined in subsequent years to around 50 percent in the mid-1950's and currently is close to this level. According to the Department of Revenue in 1962, "the current equalization factors of the department result in equalized assessed values that would approximate 50 percent of the value indicated by the average of the adjusted weighted average real estate sales assessment ratios for the three most current years for which such studies are available."⁷

Accounting largely for the department's failure to equalize assessments at full value was the same distrust of postwar market values that influenced the policies of assessors throughout the country. Use as the equalization factor of the average assessment ratio determined for each county by a ratio study based on recent property transfers would have raised the county assessments to approximate market value; but in view of the prevailing inflation the department in its judgment discounted the market value. Consequently, by means of averaging for-

mulas employing the ratios of several past years and the application of various "deflationary factors," the department was able to produce equalization factors that tended to discount what was believed to be temporary inflation. There appears to have been a tendency for these devices to lessen the degree of intercounty uniformity that was obtained.⁸

The Illinois Legislative Council, reviewing in 1957 the accomplishments of the program, found it moderately successful in accomplishing intercounty equalization, but noted that the level was only about 50 percent of full value and that fairly substantial variations still existed among the counties.⁹ The Census Bureau's assessment-sales ratio study of 1956, however, found a relatively high degree of intercounty assessment uniformity in Illinois. The assessment ratios of two-thirds of the counties in the sample were in the 40-49.9 percent bracket, with the remainder in adjoining brackets.

Another factor that influenced department policy respecting equalization at full value was the effect of the assessment level on taxes under existing statutory tax rate limits, debt limits, and formulas for distributing State aid that were related to assessed values. In conjunction with adoption of the "full valuation act" in 1945, the legislature undertook a compensatory adjustment of these measurement formulas over a transitional period through 1950, later extended to 1952. Numerous changes in tax rate limits have been enacted since. According to the Department of Revenue, "The tax-rate limitation legislation since 1945 makes it difficult to determine the exact rate limitation for any particular fund or district."¹⁰ Instead of carrying out the statutory mandate to equalize assessments at full value and leaving to the legislature the function of adjusting its measurement formulas to the base it had mandated, the department, by interposing its interpretation (influenced by public, economic, and political considerations) of the equalization base, appears to have assumed some of this legislative responsibility.

While the Department of Revenue now equalizes assessments only in years of quadrennial assessment, it conducts assessment ratio studies in each county for each year. The general property tax applies to tangible and intangible property as well as to real property, but the real estate ratio studies are the primary basis for equalization. Cited in support of this procedure are the difficulty and expense of covering personal property and the fact that real

⁷ For a good analysis of these procedures and their effect, see Rolf A. Weil, "Property Tax Equalization in Illinois," in *National Tax Journal*, June 1953, pp. 157-167.

⁸ Illinois Legislative Council, *Equalization of Property Tax Assessments*, Springfield, June 1957. (Bulletin 3-018.)

⁹ Department of Revenue, *Preface to July 1959 edition of the Revenue Act of 1939*, p. VI.

¹⁰ Department of Revenue Equalization 1962 (Department bulletin).

property represents 70 percent to 80 percent of the assessed valuation. The studies are based mostly on sales, all usable, bona fide sales being used, except in Cook County, where a sample is used. Although it may be questioned that sold properties constitute a satisfactory sample of all real estate, the department lacks the financial resources to do much supplementing of sales data with sample appraisals. The department stratifies its sales sample both geographically and by classes of property to the extent that this is feasible. In Cook County the assessment records permit the use of 17 classes of property, but in other counties the classification is limited mainly to rural and urban property. Policy respecting publication of assessment ratio study data has varied in the past but was liberalized by 1961 legislation. The department now publishes not only the equalization factors and multipliers for the several counties, but also has available, by counties, median assessment ratios, measures of dispersion, and frequency distributions.

Intracounty equalization. Since the State equalization program is intercounty in its application, it affects intracounty equalization only indirectly. The Legislative Council commented in 1957 that "among the townships within any county there has been no effective equalization system and no known attempt on any considerable scale to measure recent variations in assessment levels."¹¹ In its session of 1957, however, the legislature made it mandatory on county boards of review in township counties to equalize assessments among township districts annually. The county judges were directed, in making appointments to boards of review, to choose persons of experience and training in property appraisal, and boards in counties not having appointive supervisors of assessments were required in counties over 25,000 population (authorized in smaller counties) to appoint a clerk to aid in gathering and analyzing sales and appraisal data needed to determine the level of assessments in each assessment district. Each board is required to report the results of its work annually to the Department of Revenue. If a board fails to report, or its report shows failure to make an adequate equalization, the department is required to "direct, determine, and supervise" the local assessment.

State Supervision of Local Assessment

The State has recognized the importance of supervising local assessment administration by making this function one of the chief responsibilities of a major division of the Department of Revenue, the Property Tax Division, and giving this division broad supervisory duties and powers. Because of the inclusive character of the general property tax and the large number of township assessment districts, adequate supervision has been a monumental

problem; but legislation over the past several years, previously described, has been making the problem potentially more manageable.

The Property Tax Division's opportunities for effective supervision have been increased materially by the knowledge of local assessment performance obtained through annual assessment ratio studies designed primarily for intercounty equalization, by the conversion in two-fifths of the counties to appointive county assessors or county supervisors of assessments, by requirements for local installation of tax maps and record systems in conformity with standards set by the division, and by the intracounty equalization work now required of the county boards of review and subject to division approval. The division lacks an adequate supervisory staff, however, to take proper advantage of these opportunities. With the division's limited resources absorbed mainly in the central assessment of property and in the conduct of the intercounty equalization program, the financial support for which appears to be inadequate, there is little leeway for developing a program of field supervision to effectuate the measures taken by the legislature to improve primary assessing. As Pealy observed in his study of the situation, "The most glaring fiscal need is for additional funds for advice and service functions."

The supervisory work of the Property Tax Division, however, has been of very considerable value in such ways as the publication of manuals and guides, provision of numerous schedules and forms, holding of conferences, answering inquiries and giving advice on all kinds of assessing problems, and furnishing technical aid within the range of staff resources. Among the important publications are periodic editions of the property tax laws and the rules and regulations of the Department of Revenue relating to the property tax; the *Illinois Assessors' Manual*, a clear, comprehensive textbook for assessors; a standard real property assessment manual, compiled with the aid of outside appraisal specialists and revised periodically, most recently in 1958; and various supplementary manuals and price schedules. A personal property assessment manual is in the process of compilation. For many years annual conferences have been held for assessors and members of boards of review.

Over the past 15 years Illinois has made considerable progress in improving assessment administration. The intercounty equalization program has minimized many previously existing inequities, and recent legislation provides a good opportunity for raising the quality of primary assessing, particularly if the Department of Revenue is given the resources to develop adequate supervision. Civic leaders in the State, however, recognize the need for further simplification and professionalization of the local assessment organization and for amendment of the uniformity provisions of the State constitution to make the property tax more administrable.

¹¹ Illinois Legislative Council, *op. cit.*

INDIANA

In 1959 Indiana enacted notable property tax legislation which has had significant results. Important legislation was enacted in 1961, also, but some of this has been declared unconstitutional. The 1959 legislation, described as "a milestone in the improvement of Indiana's property tax structure,"¹ provided that all real property be reassessed in 1961 and every 8 years after 1961; that a personal property manual be prepared as a guide for assessors; and that real and personal property be taxed at one-third of true cash value. In 1961 the general assembly sought to change the personal property tax base by providing that household goods be assessed uniformly at 5 percent of the value of the improvement in which the goods were maintained and that motor vehicles be subject to an excise tax in lieu of a property tax, but both these measures were declared unconstitutional. Also, in 1961 it was provided that the laws governing assessment be codified as an aid to officials and to taxpayers.

Organization for assessment administration. The primary unit for general property assessment in Indiana is the township, of which there are 1,009 in the State. For townships of more than 5,000 population, an assessor is elected for a 4-year term; for smaller townships, assessing is one of the functions of the township trustee. There is also a county assessor, elected for a 4-year term in each of the 92 counties, who has all the rights and powers given to assessors for the examination of persons and property, the discovery and assessment of property, and making lists and returns. While the county assessors have no direct supervision over the township assessors, in most counties the local assessing officials look to the county assessor for assistance and guidance. The township assessors receive their State prescribed forms, etc., from the county auditor and they file their completed rolls with the same official.

Each county has a county board of review consisting of the county assessor as president, the county auditor as secretary, the county treasurer, and two freeholders of opposite political parties to be appointed by the judge of the circuit court. The county auditor submits to the board the assessment list as returned by the assessors and added to and returned by the county assessor, and the county assessor makes recommendations for corrections and changes. The board shall, on its own motion or on

sufficient cause being shown by any person, "reduce or increase the assessment of any particular property in order to attain a just and equal basis of assessment as between the taxpayers of the county." (Property Assessment Law of 1961, ch. 319, sec. 905.)

The State Board of Tax Commissioners is the State agency responsible for administration of the property tax. This responsibility includes supervision of local assessing, equalization, and the hearing of appeals. The board is also responsible for the assessment of railroad and other utility property. The three members of the board are appointed by the Governor. The board has a bipartisan staff of 30 field representatives, including 2 assigned to utilities, etc., 1 a supervisor of the Division of Tax Review, 2 field supervisors, and 25 general field representatives serving the counties.

Reassessment. The real property reassessment directed by the 1959 general assembly has been completed. It became effective March 1, 1962, as the base for 1962 taxes payable in 1963. This was the first general reassessment since that of 1949-50 which became effective March 1, 1950, but the law now requires reassessment every 8 years. The reassessment was completed in all counties as scheduled, but many appeals were still pending early in 1963.

The work was carried out by local officials for the most part, but 17 of the 92 counties employed professional appraisal firms. Assessments were required to be made in accordance with "Real Estate Assessment Guide No. 2" which was adopted by the State Board of Tax Commissioners. The board and its field staff assisted local officials.

Manuals. A real estate manual has been in use for some time and this was revised and brought up to date for use in the recent reassessment. Instructions for assessing personal property have been incorporated in a new personal property manual prepared at the direction of the 1959 legislature. This replaced various bulletins, instruction sheets, and other data which had formerly been distributed as a guide for assessors.

Level of assessment. A significant part of the 1959 legislation, applying to both reassessment of real property and assessment of personal property under the new manual, was the provision that all taxable property, both real estate and personal, be assessed at one-third of its true cash value effective January 1, 1962. While the 33 1/3-percent level had been the official basis for real estate since the reassessment of 1949-50, personal property had been legally assessed at true cash value.

¹ *Current Studies of Indiana Tax Policy*, Indiana Commission on State Tax and Financing Policy, 1961, Indianapolis, 1961, p. 39.

In addition to using 33⅓ percent as a basis for all locally assessed real and personal property, the State uses this ratio for State assessed utility property. Mr. Richard Worley, chairman, State Board of Tax Commissioners, says "Utility and railroad assessments were equalized as of March 1, 1962, to the assessment ratio of one-third of true cash value. Therefore, all property in the State of Indiana is now assessed on that ratio."²

Ratio studies. Indiana has been making real estate assessment-sales ratio studies since 1947. The law requires such studies to be made quadrennially under the auspices of the State Board of Tax Commissioners, as an aid in the distribution of State school funds. A sales ratio study was in progress early in 1963, scheduled for completion during the year.

The two most recently completed studies show a State ratio of 25.62 for 1955 and 23.17 for 1959. The range of county ratios was 19.27 to 31.34 for 1955, and 17.21 to 28.94 for 1959. The State ratio at 23 for 1959 compares with 33 ten years earlier, an example of "creeping underassessment" suggesting the need of steps "to prevent further rela-

tive decline of the property tax base."³ The current ratio study, following closely after the reassessment, should show a State ratio of close to 33, but students of the Indiana property tax will probably be more concerned about the ratio in 1967.

Dr. James Kessler, after referring to the 1959 legislation as a milestone in the improvement of the property tax structure, noted: "Legislation alone cannot guarantee uniformity of taxation," and said:

The Board of Tax Commissioners does not have the staff nor the funds with which to supervise assessing in 1,009 townships, and at the same time to review the budget of every unit of local government in Indiana, serve at the apex of the State's property tax appellate system, assess one-eighth of the total property tax valuation in Indiana, and perform the chores associated with these responsibilities.⁴

² Howard L. Hoag, "Indiana's Property Tax," in *Staff Reports to the Indiana Commission on State Tax and Financing Policy*, Indianapolis, 1959, p. 92. This study has an interesting analysis of the sales ratio studies, based on both intercounty and intracounty data.

³ James B. Kessler, "Aspects of Indiana's Local Tax Structure" in *Current Studies of Indiana Tax Policy*, *op. cit.*, p. 39.

⁴ In a letter dated Mar. 14, 1963.

IOWA

Under its county assessor act of 1947 and subsequent legislation, Iowa has reduced the number of its local assessing districts from around 2,500 to 120; replaced its elective, largely part-time local assessors with appointive full-time assessors selected on the basis of qualifying examinations; improved its system of assessment review and appeal; and increased the power of the State Tax Commission to supervise local assessment administration. While, for various reasons, these forthright innovations have not produced the full professionalization of the assessment function and uniformly high quality of assessment administration that were originally anticipated, they appear to have improved materially the quality of local assessing and to offer marked opportunities for further progress if the State wishes to take advantage of them.

One obstacle to progress is the complexity of the State's property tax system. Taxes are levied at the full ad valorem rate on realty and virtually all classes of tangible personalty, but with many exemptions and partial exemptions. Some of the partial exemptions for personal property, which have been accumulating for over a century, the State Tax Commission has branded at one time or another as "ridiculous" or "vague and indefinite of determination." Special property taxes are levied on moneys and credits, also with partial exemptions, at a fixed rate of 6 mills on actual value, with the exception that shares of building and loan associations are taxed at 2 mills. There are special exemptions, designated "tax credits," for homesteads, military service, and agricultural lands, the last applying in school districts when the general school fund tax rate rises above 15 mills. Under the tax credit device, most of the cost of these exemptions, instead of being imposed on the local property taxpayers, is paid by the State from State revenues. While property taxes supply a higher percentage of State-local tax revenues in Iowa than in the average State, their use for State purposes for a number of years has been limited to the payment of debt service on veterans' bonus bonds.

Provisions of the Assessment and Assessor Law

Iowa's assessment and assessor law, as revised and consolidated in 1959, creates the office of assessor in each of the State's 99 counties and in each city of more than 125,000 population (Des Moines only), and makes it optional for other cities of 10,000 population and more to provide by ordinance for

assessors. It centers the responsibility for appointing assessors and for certain related functions in *ex officio* conference boards, one in each county and in each city having an assessor, and assigns important participation in the procedure to the State Tax Commission. Each board's responsibilities include, in addition to appointment of the assessor, appointment of an examining board to screen applicants, appointment of a local board of review, determination of the personnel and facility requirements of the assessor's office, setting the compensation of the assessor, his staff, and the board of review, employment of special appraisers as needed, and planning and adoption of inclusive annual budgets for the entire local operation.¹

The conference board device permits representation in decisions by all local governments in a single assessing jurisdiction. A county board consists of the mayors of all incorporated cities and towns in the county whose property is assessed by the county assessor, members of the county board of education and members of the county board of supervisors; a city board, of the members of the city council, board of education, and board of supervisors. In actions taken by the board, voting is by group units, each of the three governmental groups having one vote. Decisions of each group are by majority vote of the members present; decisions of the board, by at least two unit votes. In the establishment of the examining board—a key adjunct of each conference board—each voting unit appoints one "qualified" person. The three members serve, without compensation, for 6-year terms; but a voting unit may remove its member after filing specific charges and, at the member's request, holding a public hearing.

Procedure for appointment of assessors and deputies. Applicants for the office of assessor must first pass a written examination given by the State Tax

¹ Budgeting authority of conference boards is restricted financially by tax rate limits: 1½ mills in assessing areas where the taxable valuation does not exceed \$25 million, 1¼ mills in areas where the valuation is in the \$25-\$30 million range, and 1 mill in areas where the valuation exceeds \$30 million. The revenues received must be kept in a separate "assessment expense fund." Also, a board may levy annually up to 1½ mills to establish a fund for the employment of special appraisers (to be used only for that purpose except that the board may transfer unexpended balances to the assessment expense fund). Many conference boards use this authorization to finance the employment of outside appraisers to conduct the quadrennial reassessment of real property required by law. The taxing power under these limitations appears to be ample.

Commission at the request of an examining board. This examination must cover the laws pertaining to property assessment and tax exemption, fundamental principles and practices of real estate appraisal and valuation, assessment of personal property and moneys and credits, and the duties of an assessor. Only qualified electors of the county or city in which the appointment is to be made are eligible to take an examination, but passing of the examination establishes eligibility for appointment for a period of 2 years. After applicants have been certified by the State Tax Commission, the examining board is required to "conduct such further examination, either written or oral, necessary to determine the executive ability, experience, general reputation, and physical fitness of each applicant" and make a written report to the conference board. The board may appoint an assessor from the eligible list or, if it finds none of the approved applicants satisfactory, may require the holding of another examination.

All assessors are appointed for 6-year terms on a full-time basis. The conference board may reappoint an assessor without reexamination, but also may remove him by majority vote for "misconduct, nonfeasance, malfeasance, or misfeasance," subject to substantiation at a public hearing if demanded by the assessor. To emphasize further the professional and nonpolitical character of the job, the law prohibits for the assessor or any employee of his office all political activity, "except to cast his vote, or express his personal opinion," with any violation punishable as a misdemeanor and by immediate dismissal from office.

For the qualification of deputy assessors, similar examination and certification procedure is required, but the examining board must indicate to the State Tax Commission whether the examination to be given shall relate to the assessment of real property, personal property, or both. The assessor appoints from the list certified by the examining board such deputy assessors as have been authorized by the conference board. He has power to suspend or discharge any deputy upon written charges, but the employee has a right of appeal to the examining board.

Review and appeal. As a further means of assuring equitable assessment, the law replaced the old system of review of assessments by township trustees and county boards of supervisors with a specially constituted board of review for each county and for each city having its own assessor, defined conditions for appeal to the courts, and constituted the State Tax Commission as a State board of review. Each conference board has as one of its functions the appointment of a board of review of three or five members, including a licensed real estate broker, a registered architect or experienced builder and, in county jurisdictions, a farmer. The members serve for overlapping 6-year terms, but

any member may be removed by the conference board, subject to public hearing on specified charges if he so requests. The well-defined powers of these boards include not only hearing protests of assessments but equalizing assessments by raising or lowering individual assessments of all classes of taxable property. Protests may be filed with a board, on specified grounds and by specified means, by local officials and taxpayers on behalf of the public as well as by aggrieved individual property owners. The assessor is required, at the time of making an assessment, to inform the person assessed, in writing, of the valuation placed on his property and of his right, if he feels aggrieved, to appear before the board of review and show why the assessment should be changed.

Obstacles to full success. The ingenious mechanism evolved in Iowa to obtain high-standard local assessment administration recognizes (1) that this function must be professional and nonpolitical, and (2) that it needs central coordination and supervision. Supporting the first essential are the qualifying examinations that are prerequisite for appointment as assessors and deputies, 6-year terms for assessors, upgrading of provisions for assessment review, and integration of the entire local operation under autonomous boards with full budgeting authority. Supporting the second essential are the broad powers given the State Tax Commission to equalize assessments and supervise the assessment process. Nevertheless, the overall quality of assessing in Iowa has not yet achieved the distinction that the drastic innovations in the assessment system would seem to promise. Equalization of assessment among the 120 assessment jurisdictions and among classes of property has been inadequate, and the sales ratio study made in connection with the 1957 Census of Governments gave evidence that equality in the assessment of at least one large class of property, nonfarm houses, was still below average for the Nation in a majority of the 29 Iowa assessing districts included in the survey.⁷ The three main deterrents to greater progress have been the residence requirement for assessor examinations, the insufficient size of some assessing units to cope with the complex tax structure, and inadequate State supervision of assessing. Efforts have been and continue to be made to remove them.

Because of the residence requirement, Iowa's plan for professionalizing the assessment function has not been as successful on a statewide basis as it might have been in attracting and holding qualified personnel. Removal of this requirement would open the examinations to a wider group of qualified applicants and permit assessors to progress to larger and better paying posts according to their abilities

⁷ *Taxable Property Values in the United States, op. cit.*, table 19, p. 88. The 1962 Census indicates substantial improvement, however. *Taxable Property Values (1962 Census of Governments, vol. II)*, table 19.

in the same manner as such other professional public officers as engineers and school superintendents. The many low-salaried positions hold little attraction for trained, career-minded persons unless they include opportunity for professional advancement. Assessors' salaries range up to \$11,000 in Iowa, but many are less than half this amount and some fall below \$4,000.³ A Taxation Study Committee established by the legislature, reporting in 1956, declared that the residence requirements for county and city assessor examinations "have worked against attracting highly qualified candidates" and recommended their repeal,⁴ and the State Tax Commission has stressed the need for this change.

When the property tax, as in Iowa, still covers a broad range of locally assessed tangible and intangible personal property and includes a highly complex system of exemptions, the staff of each assessing district needs several kinds of appraisal, accounting, and auditing specialists. Placing the assessment function largely on a countywide basis has eliminated the part-time assessor and produced distinguished advances in some counties; but many of the counties in this predominantly rural State are too small to justify the versatile assessing staffs that the tax system calls for. While there has been little consideration of further consolidation of assessing districts or joint employment of assessment specialists by groups of districts, the State Tax Commission has given some professional assistance to local assessors and there has been strong advocacy by study committees, the Legislative Council, and the State Tax Commission of a more manageable personal property tax structure.

Role of the State Tax Commission

The Iowa State Tax Commission is composed of three members appointed by the Governor with the consent of two-thirds of the Senate for overlapping 6-year terms. The commission administers all State taxes except highway taxes and has broad responsibilities in the administration of property taxes. The latter, which are handled for the most part by a Property Tax Division headed by a di-

rector, include: (1) central assessment of railroad and public utility property; (2) conduct of examinations for and certification of applicants for the positions of county and city assessor and deputy assessor; (3) supervision of local assessing; (4) review and equalization of assessments; (5) administration of the homestead credit and military service tax credit laws; (6) compilation and publication of statistics on property assessment and taxes.

The supervisory authority of the commission was expanded by the legislature, in conjunction with its drastic revamping of the local organization for assessment administration in 1947, in order to assure a well-integrated system that could develop high assessment standards on a uniform basis throughout the State. The law requires that the commission "supervise the activity of all assessors and boards of review" and "cooperate with them in bringing about a uniform and legal assessment of property as prescribed by law." It is not explicit as to tactics, except that it directs the commission "to prepare and certify to each assessor such instructions as to a uniform method of making up the assessment rolls as it thinks necessary to secure compliance with the law and uniform returns," and to make field investigations of the work of local officers as needed.

The commission is given far-reaching powers and duties of equalization. It must determine the degree of uniformity of valuation among the State's assessing districts and is authorized "to employ competent personnel" for this purpose. It can reconvene boards of review to make revisions and adjustments of assessed valuations; can order the reassessment of all or part of the property in any taxing district in any year; and can at any time raise an individual assessment, but cannot reduce individual assessments except upon recommendation of a local board of review. Sitting as a State board of review, it—

... shall adjust the valuation of property in the several counties adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter. . . . It shall also adjust the valuations as between each kind or class of property in any city assessed by a city assessor and each kind or class of property in the same county assessed by the county assessor.

The law requires of assessors that "All property subject to taxation shall be valued at its actual value which shall be entered opposite each item, and shall be assessed at 60 percent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property upon which the levy shall be made." Before the State Board of Review adds to the valuation of any class of property it must hold a hearing at which officers of the county involved may present their objections.

The State Tax Commission has been continuously mindful of its responsibilities for assessment supervision and equalization, and has made substantial contributions to the improvement of assessment

³The average salaries of assessors in 1960-61 in counties and cities grouped according to population were as follows. (The data are from *An Outline of the County and City Assessor System in Iowa*, a report prepared by Ballard B. Tipton, Director, Property Tax Division, State Tax Commission.)

<i>Counties (population)</i>	
Under 50,000 (90)	\$4, 929
50,000-100,000 (4)	6, 425
100,000-200,000 (4)	7, 240
Polk County	8, 000
<i>Cities (population)</i>	
10,000-20,000 (9)	5, 600
21,000-50,000 (7)	7, 100
65,000-100,000 (4)	8, 200
Des Moines	11, 000

⁴*Report of Iowa Taxation Study Committee, Part II, 1956, p. 25.*

administration; but it has been baffled by the State's almost unmanageable property tax system, somewhat uncertain as to the precise scope of its authority, and handicapped by inadequate resources.

In attempting to cope with its increased responsibilities, the commission was limited from the start by the lack of a steady and adequate flow of analyzed data relevant to property valuation, and of a staff with technical knowledge and skill in the specialized problems of property assessment. In its early efforts to strengthen the assessment of personal property, the commission emphasized in its reports the need for more information on this obscure area—and for removal of the obstacles presented by what it called "ridiculous exemptions." By 1956, after 8 years of operation of the county assessor law, the commission declared in its annual report that the way "to insure the continued progress and development" of the system, and "to enable the State of Iowa to regain the position it occupied in the opinion of assessment administration officials all over the United States" at the time the system was adopted, was: to establish appraisal standards; provide assessors with technical advice, direct field assistance on special appraisal problems, manuals and other professional aids, and greater educational facilities; provide assistance to the director of the Property Tax Division and the commission in evolving a suitable formula for statewide equalization of assessments; and carry on statistical research "into economic influences affecting property tax values," previously neglected because of "the lack of qualified personnel."

"The accomplishment of these aims," the commission stated, "will be in direct proportion to the assistance and cooperation provided by the General Assembly"; and then went on to say:

Present budget allocations to the tax commission are inadequate to effectively carry out these services. The financial restrictions placed upon the commission in competing with private industry for the services of the technicians required to successfully staff the assessment standards department severely hamper commission efforts to provide specialized assistance to assessors.

In 1955 the commission was able to provide the Property Tax Division with two "appraisal engineers" for field supervision and since then has added another; thus there is 1 professional adviser for every 40 assessing agencies, boards of review, and conference boards. Through use of up to a half-dozen field auditors in the past few years, the Division has helped local assessors add to the assessment rolls substantial amounts of moneys and credits—over \$106 million in one large county and over \$75 million in another—and has been able to discover and disallow many invalid claims for homestead and military tax exemptions. After several years' consideration of the project, the commission was able in 1959 to publish and distribute a real property appraisal manual drafted for it by

a consulting firm. The Property Tax Division, in addition to its demanding routine duties, has cooperated with a committee of the State Assessors Association in compiling a personal property price guide, prepares and distributes to assessors pamphlets and memoranda on laws, legal opinions, etc., and does a limited amount of statistical research.

The operating expenses of the Property Tax Division increased from \$75,677 in fiscal 1956 to \$135,654 in fiscal 1960—up from 4.7 percent to 6.4 percent of the commission's annual operating expenses.² Even this increased total did not allow very much for supervision of local assessing and the research and statistical analysis that adequate supervision requires, since it had to cover also the cost of such other major functions of the division as central assessment of over 2,300 railroad and other public utility companies of a dozen classifications, auditing and paying to the counties the homestead and military tax credits covering a host of individual tax exemptions, and auditing and compiling detailed property assessment, tax rate, and tax levy statistics that fill hundreds of pages in the commission's annual reports.

In Iowa, as in many other States, interarea equalization of assessments is a necessity because of the collateral uses of local assessed valuations in distribution of State aid, determination of the value of partial tax exemptions, etc. The State Tax Commission, as has been noted, is required to effect statewide equalization at the statutory assessment level of 60 percent of actual value. This responsibility impinges on the commission with particular force at each quadrennial reassessment of real property—required by law for the local assessing districts. The 60 percent basis had been set by the legislature in 1941 in conformity with the opinion of the State Tax Commission that it represented the prevailing level of assessment.

² A breakdown of these figures, taken from the annual reports of the State Tax Commission, follows:

Annual Operating Expenses, Property Tax Division

Item	Fiscal year ending—	
	June 30, 1956	June 30, 1960
Salaries:		
Administration.....	\$8,528	\$18,850
Field force.....	19,271	37,869
General office.....	30,150	41,348
Travel expense.....	12,208	18,986
Printing.....	2,135	12,165
Other.....	3,385	6,436
Total, Property Tax Division.....	75,677	135,654
Total expenses, State Tax Commission.....	\$1,610,406	\$2,134,870

The commission complied with its responsibility in the instance of the 1949 reassessment by using the 1939-43 level of actual valuations as representing actual value in 1949; but when it met as a board of equalization for the reassessment of 1953, it determined, on the basis of studies, that were "by no means as comprehensive as necessary," that the great majority of real property assessments were not in excess of 35 percent of actual value and decided against strict compliance with the law, under which "it would have been necessary . . . to have increased the assessed valuation of all real and personal property in the State by slightly more than 70 percent."⁶ The commission pointed out that while, theoretically, this increase could be compensated for by a corresponding reduction in the tax rate and "no damage would be done to the taxpayers," actually it would be financially disruptive because there were mandatory tax rates for numerous purposes, local borrowing power under constitutional limitations would be increased abruptly, and the State would have to make a substantial increase in homestead credit payments.

Legislation was proposed repeatedly by the commission in the 1950's that would give it authority to equalize assessments at a level that would avoid such abrupt changes; i.e., legalize the policy that it had already adopted. Although the legislature did not act on the proposal, the commission has continued its policy of trying to equalize assessed valuations at what appears to be the generally prevailing level.⁷ Sitting as the State Board of Review on the reassessment of 1961, the commission found that its problem of equalization continued to be complicated by variations in local assessing policy,

including variations in instructions to outside appraisers employed for the reassessment concerning the basis to be used for their appraisals. When the commission's proposed adjustments in 48 counties produced 42 requests for hearings, and protraction of the hearings threatened to delay the local tax collection schedules, the commission permitted use of the questioned valuations for the pending tax levies; but early in 1962 it ordered reappraisals of all or part of the real property in 33 assessing districts.

Needful as interarea equalization may be, it is vastly less important for Iowa's property taxpayers than the setting and enforcement of assessing standards, by such means as those advocated from time to time in the State Tax Commission's reports, that will assure equality of treatment among classes of property and within classes of property. This calls for more forthright supervision than local officers are accustomed to, which probably explains the commission's recent requests to the legislature to spell out more precisely the powers and duties that it already appears to have. This requires, in turn, the systematic gathering and analysis of far more data on property values and on assessing standards and performance than the commission has had at its disposal in the past. Meeting this need, the commission has indicated to the legislature, involves increased State expenditures; but not a burdensome increase if the function is made a co-operative undertaking with the local assessing districts.⁸ The overall situation appears well summarized in the words of a member of the commission that "We have made wonderful progress, but still have a long way to go."

⁶ *Annual Report of the Iowa State Tax Commission, 1954*, p. 13.

⁷ The commission does not make regular and comprehensive sales ratio studies or sampling appraisals and has not had the resources to do so; but its Property Tax Division makes use of a wide range of available economic data such as the soil maps of the U.S. Department of Agriculture and soil productivity studies of the Iowa Agricultural Experiment Station, and has at its disposal sales ratio studies made by public utility organizations. In 1956 the commission determined the average level of assessment to be approximately 26 percent, a figure close to the U.S. Census Bureau's determination of 23 percent for locally assessed real property on the basis of measurable sales in a 6-month period of that year.

⁸ Legislative changes proposed by the State Tax Commission in its 1960 report included:

The duties and procedure of the State Board of Review should be more clearly defined.

The powers and duties of the State Tax Commission as they relate to the assessment of real and personal property and to assessors and boards of review should be made more certain and definite.

The commission should be given the power and duty to make annually 99 county sales ratio studies (with funds to be provided), or be authorized to require all city and county assessors to make separate studies for their respective jurisdictions and make them available to the commission—the studies under either arrangement to be made available to all Iowa taxpayers.

KANSAS

In 1955 and 1957 Kansas made notable changes in its property tax administration. These changes, as well as more recent action, are still in process of implementation, but the State appears to have initiated the basis for continuing improvement.

Organization for assessing. Prior to 1955 local assessment had been the responsibility of some 3,000 elected township and city assessors, supervised by the county assessors, with personal property valued annually and real estate quadrennially. Under 1955 legislation, emphasis was placed on the county assessor, with this officer given responsibility for making the assessments, and with all property to be valued annually. The county assessors' deputies, however, remained the officers who had formerly done the assessing, principally township trustees. The 1955 law provided that county assessors would continue to be elected unless counties chose to make the office appointive, and thus far 2 of the 105 counties have adopted the appointive plan (one of them since 1959). In 6 other counties the assessor is elected to a separate full-time office, while in 97 counties the office of assessor is combined with that of clerk. It is estimated that the assessor-clerks spend about three-fourths of their time on assessing duties and one-fourth on clerical duties. The two appointive county assessors serve at the pleasure of the county commissioners; the elected assessors and assessor-clerks serve 2-year terms.

Deputy assessors are appointed by the county assessor each year to serve for 3 months—January, February, and March. The township trustees must be appointed as deputies unless they decline to serve, except in counties of under 7,000 population where, under 1961 legislation, any qualified elector of the assessment district may be appointed. It is estimated that approximately 5,800 deputy assessors have been appointed for the tax year 1963, from 20 in the smaller counties up to several hundred, "as many as are needed to do the job of assessing in 90 days."¹ The law provides that deputy assessors may be paid not more than \$10 per day of actual assessing.

In 1957 the State administration for property taxes was reorganized. From 1939 through 1956, State taxes were administered by a Commission of Revenue and Taxation which included an Ad Valorem Tax Division and divisions for sales, income, motor fuel and other taxes. The commission had general supervisory powers over local assessing, was

responsible for direct assessment of railroads, except nonoperating property, and various other utilities, and also served as the State Board of Equalization. Under 1957 legislation, the commission was abolished and its functions transferred to three new agencies: a Department of Property Valuation which was given most of the property tax duties and powers of the former commission, a separate State Board of Tax Appeals, and a Department of Revenue. The Department of Property Valuation was specifically directed to devise and prescribe uniform assessment forms and records, to devise and prescribe personal property manuals, to render all assistance possible toward uniform assessments, to assist county assessors with technical knowledge, to compile sales assessment ratio data, etc. According to Dr. Leonard, "The 1957 reform appears to lay the statutory basis for the establishment of a highly competent State assessment organization."²

Aid to local assessors. Since the legislation of 1955 and 1957, the State has markedly strengthened its aid to local assessing. Among the programs developed have been a series of forms and manuals, training classes and schools, and help on special problems and in revaluation projects.

Forms and manuals include a personal property assessment schedule (developed in cooperation with the County Clerks Association) listing values for motor vehicles, farm machinery and equipment, contracting machinery and equipment, boats, house trailers, bowling alleys, vending machines, etc.; personal property assessment statements involving about 16 different forms; new real estate appraisal and assessment forms for residential, commercial, industrial, and rural properties, the forms including the appraised value and the percentage used for assessment. A real estate manual is in preparation, with the residential section completed and in use.

The training schools range from annual statewide sessions to regional discussion meetings. Each election year a meeting is held in January to explain to the county assessor-clerks their duties, functions, and office operations. In the alternate years a school is held for the assessors (mostly assessor-clerks) and local boards of equalization to deal with assessment and taxation problems, equalization, and any new laws pertinent to their work. The extension department of the university holds a school each February for county clerks, with part of the program concentrating on assessment and taxation. The State Property Valuation Depart-

¹ Francis R. Roberts, "State and Provincial Supervision and Assistance Programs," *Assessment Administration, 1959*, National Association of Assessing Officers, Chicago, 1960.

² Lawrence A. Leonard, "Property Taxation in Kansas, an Historical Analysis," *National Tax Journal*, September 1958, p. 233.

ment, in cooperation with the State Professional Appraisers Association and the State Real Estate Board, holds area schools for county assessors, deputy assessors, and appraisers on scientific appraisal of all types of real estate. In 1962 the department started a series of seven area training projects to work with county assessors and deputies toward improved equalization of assessments.

A staff of six members was available at the start of 1963 to work directly with the counties on these projects and on advice and assistance on special problems. Among such special problems are revaluation projects.

Revaluation. Since 1956 six counties have been completely reappraised and 16 had reappraisal projects underway at the close of 1962. Eleven others have been discussing with State representatives plans for reappraisals in the near future. Of the 16 counties with such programs in progress, 6 are using professional out-of-state companies and 10 are using local people. Where the decision is to use outside firms, the State recommends appropriate contract forms and supplies a list of acceptable firms. Where the work is done locally, the State may aid in setting up procedures, advising the supervisor, providing spot checks as the work progresses, etc. In 1958, it may be noted, the legislature authorized the counties to finance a revaluation program by spreading the cost over 5 years and some counties have used this provision.

State Board of Tax Appeals. In the 1957 reorganization the legislature established the State Board of Tax Appeals as an agency independent of the assessing agencies. In 1958 it was provided that this board constitute the State Board of Equalization. Any taxpayer who has appealed to a county board of equalization and is aggrieved by its decision may appeal to the State board within 15 days of the date of the county board decision. Any person, company, or corporation which is assessed by the Property Valuation Department may also appeal to the Board of Tax Appeals.

In addition to hearing appeals, the board has authority to equalize assessed valuations between classes of property, on complaint or on its own motion. Under 1959 legislation the board was specifically authorized to order reappraisals of all or any part of the taxable property in any county, and through 1962 four counties had been ordered to reappraise under this law.

Ratio study. Under 1949 legislation, the State, through the Property Valuation Department, makes an annual real estate assessment ratio study. The law provides that all basic information covering the sales price and the assessed value shall be furnished by the county registers of deeds and submitted monthly to the State for processing. The county clerk-assessors assist the State in "establishing bona fide sales and factual data for accurate use in the study."

The 1961 study³ shows for each county and for the State the median ratios for rural and urban real estate and also gives for each county a frequency distribution table showing for rural and urban sales the number in each interval. For the overall "median" for each county and for the State, as shown in the report, the figure used is weighted according to the proportion of rural and urban real estate valuations.⁴ For the 1961 study the State medians were: rural, 22; urban, 19; State, 21. The corresponding ranges for the 105 counties were: rural, 10-47; urban, 11-30; total, 11-38.

Trend data provide interesting features of the Kansas ratio studies. The studies were carried back to 1933 and the long-term record thus available shows very clearly the widening gap between assessed valuation and sales prices. The study uses a striking graph, with the sales value curve rising from a little over \$2 billion in 1933 to about \$12 billion in 1961, while the assessed valuation curve rises from about \$1.75 to \$2.5 billion. The trend is also evidenced by the statewide sales ratios, shown below for selected years:

1933.....	86	1950.....	90
1937.....	73	1955.....	22
1940.....	80	1960.....	21
1945.....	50	1961.....	21

Another significant graph in the study compares the State medians for rural and urban property over the 1933-61 period. It shows the rural ratio 16 points higher than the urban in 1933, 8 or 9 points higher in 1935-38, 21 points higher in 1940. Since then the gap has been growing generally smaller and for 1960 and 1961 the difference was only 3 points (22 rural and 19 urban) in each year.

The ratio study is published annually "for the use and information of the legislature, the Kansas

³ *Report of Real Estate Assessment Ratio Study of Kansas for the Calendar Year 1961*, Property Valuation Department, Topeka, 1962.

⁴ "After establishing the median ratio for rural real estate and the median ratio for urban real estate in each county, 'The county ratio is then determined by weighting the rural and urban median ratios according to the proportion of the total county assessed valuation for the rural real estate and the urban real estate; the total assessed value of all rural real estate in the county, and of all urban real estate in the county was divided by the median ratio of each of these classes of property, thus computing an estimate of total value of the rural real estate, and an estimate of total value of urban real estate. This estimate of total value of each of these classes of property was added together and divided into the total actual assessed value of all rural and urban real estate in the county to arrive at the county ratio. This is the method used in the study to obtain the completed county ratio of assessed valuation for each county."

"The State ratio is likewise produced by dividing the total estimate of all value of all rural and urban real estate in the State into the total actual assessed value of all rural and urban real estate in the State to arrive at the State ratio." *Ibid.*, p. 3.

legislative council, public officials, taxpayers, and other interested parties." In practice the studies are used primarily in connection with State aid programs, but they are one of the factors considered in interarea and intra-area assessment equalization.

Assessment Study Commission. In 1952 several citizen organizations formed the Kansas Joint Committee on Assessment Problems. By the fall of that year, the committee, expanded to represent some 18 organizations covering a wide range of interest groups concerned with the subject, proposed that the 1953 legislature establish an official interim study commission. With this broad citizen support, the legislature provided for a commission of 22 members, including 4 legislators and 18 others representing different economic, governmental, and geographical interests. This commission, after extensive hearings and with the aid of local committees in most counties, reported at the close of 1954. The commission report described inequalities, their causes and results, concluding, "Thus for every class of property, real, tangible personalty and intangibles; and for both State and local levels, a condition of inequality has been found that does not warrant an attitude of complacency."³

The commission recommendations, based on the belief "that the county is the ideal district for assessment purposes," involved numerous changes from existing practice. Some of the more significant are noted briefly here. It was proposed that assessing be made a county responsibility in all counties, with counties over 15,000 population having a full-time, appointed county assessor and those under 15,000 permitted to adopt the same system but otherwise having the county clerk act as supervisor of assessments. The recommendations detailed selection of deputies, duties, techniques, and the use of a system of continuous appraisal, with real property as well as personal to be valued annually. As a county board of equalization it was proposed that the county commission of three members be supplemented by two members elected by the township trustees, one elected by the mayors of all the cities in the county and one elected by representatives of the school districts to provide "diversity of interests and attitudes." The commission proposed important changes in organization at the State level, too, suggesting that a separate Property Valuation Department be created, apart from the Commission on Revenue and Taxation, to take over property assessment functions except for final equalization and final determination of value for State assessed properties; the commission would retain its equalizing functions and act as the board of appeals. The duties and powers of the proposed Property Valuation Department were detailed as

to aids to county units, including the devising and prescribing of basic tools for assessing. In view of the prospective costs of acquiring necessary maps, record cards, drafting and reappraisal, it was recommended that counties be permitted to finance the cost over 5 years.

The Commission pointed out that—

The law presently requires that all taxable property be placed on the assessment rolls at full market value—100 percent. In practice—according to the ratio studies—real property, on the average, is assessed at 23 percent of its selling price. Some of the counties are as low as 12, others as high as 49. State-assessed properties are at other percentages of full value depending upon the particular class under consideration.⁴

This situation produced "a shocking maldistribution of school aid and other state-collected funds distributed on the basis of population and assessed valuation." The commission proposed that assessments be set at 50 percent of market value.

Also recommended were constitutional changes to permit taxation of motor vehicles by an excise tax in lieu of ad valorem taxes and to exempt household goods and personal effects from taxation. Elimination of the tax on household goods (for which there was an exemption of \$200) was described as "the one practical solution to an otherwise impossible problem."

Since presentation of the commission report in 1955, some of its recommendations have been adopted, others partially adopted, as noted in previous sections. The legislature's continuing concern is indicated by its direction, in 1961, that the Legislative Council make studies on equalizing property valuations.

While not a part of the Citizens' Committee recommendations, several pertinent suggestions resulting from it should be noted. In 1956, Professor Garwood, commenting on the report,⁵ proposed that the State grant aid to the counties to pay county assessors "as the only method of compensation which will assure a payment of salaries high enough to attract competent personnel." He also proposed that qualified assessors be appointed by a seven-man board consisting of county commissioners and elected representatives from cities, school districts, and farming areas, in consultation with the State Property Valuation Department, and that such appointees have permanent civil service status. In Dr. Leonard's analysis of the property tax in Kansas, in 1958, he proposed regional assessment districts, including in some areas as many as 6 to 10 counties, to assure units large enough to provide competent assessing and operational efficiency.⁶

³ *Ibid.*, p. 73.

⁴ John D. Garwood, "The Kansas Citizens Examine Their Property Tax," *National Tax Journal*, September 1956, pp. 266-267.

⁵ Lawrence A. Leonard, *op. cit.*, p. 237.

⁶ *Report of the Kansas Citizens Commission on Assessment Equalization*, submitted to the Governor and the 1955 legislature, Topeka, 1954, p. 39.

KENTUCKY

Since it was organized in 1936 to take over the administration of the State revenue laws and also the State's share of administering the property tax, the Kentucky Department of Revenue, as it stated in its 25th annual report, "has waged a constant battle against the generally poor administration of this tax, particularly in the assessment field." The department does competent assessment of public utility and other centrally assessed property, and is well advanced on a long-range program to improve the quality of local assessment administration. In approaching the latter responsibility, the department faced such obstacles to rapid progress as laws that needed modernizing; a local primary assessment system of 120 counties, most of them small and without professionally trained assessors; and a strongly established regard for local administrative traditions, including a legal presumption that the taxpayer's declaration of value was correct.

Immediately following its organization, the new Department of Revenue found itself involved in setting up the administration of such newly enacted major State revenue measures as individual and corporation income taxes, and during the war period it operated with a depleted staff; but it gave all feasible attention to its property tax responsibilities and began laying the groundwork for a program that would concentrate on improving primary local assessing, rather than limiting its concern to the functioning of review and appeal machinery on which major dependence had been placed in the past.

In 1945, the department began publicizing the specific features of its new program, and a Tax Revision Commission, in its report of that year, recommended their adoption. The commission identified the weaknesses of the assessment process in the State as gross inequality of assessment among individual taxpayers and classes of property, undervaluation in violation of the constitution, and wholesale omission of property from the tax rolls. Among the means of improving the situation which the commission and the department advocated were the creation of a technical staff in the central office of the department to define valuation standards and aid in solving special assessing problems, establishment of a system of field supervisors under central direction, preparation of a manual for assessors, development of tax maps and record systems for all counties, and the requirement of full value assessment.¹

¹The origins of this program and the status of State supervision in the 1940's are well described by Beulah Lea Pardue in *State Supervision of the Property Tax Assessments in Kentucky*, University of Kentucky, Bulletin No. 15 of the Bureau of Business Research, 1948.

The department proceeded with the program under limited resources and authority, but in 1949 a special session of the legislature, called partly to consider the problem of local assessment, corrected some of the statutory hindrances and authorized development of a program of assistance to assessors.

The Property Tax System

A description of Kentucky's continuing program for improving assessment administration needs as explanatory background a summary of the State's property tax system and the organization for its administration.

The Tax Base

Kentucky has a broadly based, classified property tax system, with much tangible personalty taxed at lower rates than realty and intangibles taxed at various special low rates. Entirely exempt from taxation, in addition to public property used for public purposes, and religious, charitable, and non-profit educational institutions, are only two classes of tangible personal property, household goods and crops grown in the calendar year in which the assessment is made and in the hands of the producer. The State taxes more classes of property than do the local governments; but the authorized State tax rates are low and the State obtains less than 6 percent of its tax revenue from property taxes compared with heavy dependence on this source prior to 1935.²

Taxable by the State are ordinary real property; all property of public utilities; the following classes of tangible personalty—automobiles and trucks, tobacco and other farm products in storage, farm products in the hands of producer or agent, livestock and poultry, manufacturing and agricultural machinery, other, such as inventories; and the following classes of intangible personalty—annuities, bank shares, brokers' accounts receivable, bank deposits, building and loan association capital stock, marginal accounts, and other intangibles (an inclusive item accounting for nearly one-half the valuation of intangibles).

²Taxes are constitutionally required on all classes of property not specifically exempt. Tangible personal property not specially classified is taxed by the State at a higher rate than realty (\$0.50 compared with \$0.05 per \$100) but is taxed at the same rates locally as realty. The authorized State rates on the several classes of intangibles, most of which are taxed exclusively by the State, are in the \$0.50-\$0.05 per \$100 range except for a nominal \$0.001 on bank deposits. (For State and local tax rates under the State's intricate classified system, see *Kentucky Property Tax Rates, 1962*, Commonwealth Department of Revenue, Frankfort.)

Of these State taxed classes of property, the following are exempt from local taxation: farm products in the hands of producer or agent, livestock and poultry, raw materials and goods in process of manufacturing, manufacturing machinery, agricultural machinery, car lines and irregular route common carriers, and all classes of intangibles except bank shares which are subject to limited local rates.

The Assessing Authority

The Department of Revenue assesses all property of railroads and other public utilities, bank deposits, building and loan association stock, marginal accounts, and distilled spirits in bonded warehouses. Since the records involved in Federal supervision of the warehouses are available to the department, the complete assessment of this class of personalty offers no problem. The payment of the State and local taxes is on a deferred basis, becoming due, with interest from the delinquent date, when the spirits are withdrawn from bond or shipped out of State in bond. In the 16 counties benefiting from this tax (not including Bourbon County), it represents 66 percent of the assessed valuation taxable at the full rate in 1 county and one-third or more in 4 others.

All other property is assessed locally. This apportionment of assessing duties makes the county assessors responsible for assessing several classes of property taxed only by the State, namely, farm products in the hands of producer or agent, livestock and poultry, raw materials and goods in process of manufacturing, manufacturing and agricultural machinery, annuities, brokers' accounts receivable, and "other" intangible personalty, representing nearly one-half of the total of intangibles. Of the total assessed valuation of all property, about 65 percent is locally assessed and 35 percent State assessed. The Department of Revenue also values tobacco in storage, oil production rights and bank shares and recommends their assessed valuations to the counties, which virtually always accept them.

Local Assessment Administration

Postwar years have brought important improvements in the local setup for assessment administration in Kentucky. While the territorial organization and method of choosing assessors remain basically unchanged, the office of assessor has been upgraded by better pay and working facilities and assessors have had an opportunity to benefit from skilled central supervision and services.

Territorial Organization

The primary assessment district is the county, of which Kentucky has 120, third largest number among the States. The great majority of the counties are small, 33 under 10,000 population and another 51 between 10,000 and 20,000 population;

thus many primary assessment districts are not large enough to sustain the minimum technical staff required for the assessment of both real and personal property. Somewhat offsetting this limitation is the State's payment of the compensation of assessors and their deputies.

There are, additionally, numerous overlapping assessment districts, including many small cities and a few school districts. It is estimated, however, that over one-half the cities and 85 to 90 percent of the school districts use the county assessments. While little consideration has been given to forcing the abandonment of these redundant and financially wasteful districts, the laws give encouragement to use of the county assessments. Cities may use them by paying only \$150 per \$1 million of assessed valuation, their use may be adopted by ordinance, and a law of 1962 permits the legislative body of any city to change its tax calendar and fiscal year to facilitate adoption of county assessment. School districts pay nothing for use of county assessments.

The Department of Revenue has no supervisory jurisdiction over these overlapping districts, thus information regarding them is limited. Apparently some feel the financial need for a higher assessed valuation than that provided by the county's assessment at a small fraction of full value, some like a lower valuation in order to shift more of the tax to the State assessed utilities, some may distrust the quality of the county's assessment, and others merely carry the extra expense to satisfy home rule traditions.

Assessment Personnel

The county tax commissioners, elected for 4-year terms, are the county assessors. To be a candidate for the office, a person must "hold a certificate issued by the Department of Revenue, showing that he has been examined by it and that he is qualified for the office." At one time a certificate was good for life; but now they expire 1 year from the date of issuance, although a candidate for reelection does not require a new certificate. The examinations must be both written and oral, and be formulated to test fairly the ability and fitness of the applicant to serve as county tax commissioner. The Court of Appeals has held that county tax commissioners are State officers.

The policy of requiring candidates for election as assessors to pass examinations dates back to 1921; but for many years the office was so generally a part-time, low-paying job that it was unattractive to people of ability and examinations of more than rudimentary character would have left many counties without candidates. In 1949, however, the legislation referred to above gave the county tax commissioner's office a better status, increased the compensation, improved the tax calendar, made some provision for equipment, and wrote provi-

sion for technical assistance into the law. Since then examinations have been made more demanding. They are given every 4 years to 400-500 persons, of whom about two-thirds pass and about one-third fail. In each recent election there has been a turnover of about one-fourth of the commissioners. According to well-informed observers, the position now attracts better qualified people in many counties and numerous present commissioners were former deputies.

Compensation. The State sets and pays the compensation of county tax commissioners and has increased it periodically in recent years, the average annual compensation having risen from \$3,112 in 1948 to \$5,035 in 1961. While compensation is on a fee basis—10 cents per \$100 of assessed valuation for the first \$3 million and 2 cents per \$100 for the excess—the law provides for a minimum of \$3,000 and a maximum of \$7,200 annually. About one-third of the commissioners now receive the maximum. Any "excess compensation" under the fee formula is applicable to other authorized purposes. State tax officials are making a special study of this compensation system, which they consider unsatisfactory.

Deputy assessors. Each county tax commissioner may appoint any persons approved by the Department of Revenue to assist him in his duties. He sets the salaries of deputies, again subject to approval by the department; but no deputy can be paid more than \$3,600 annually without having qualified by examination prepared and given by the Department of Revenue in accordance with standards of the State Department of Personnel.

County Tax Commissioner's Budget

Recent years have brought a notable transformation in the county tax commissioner's office. The commissioner is better paid, he has a fair allowance for such deputies, other assistance, equipment, and other operating expenses as he needs, and he may have been able to acquire tax maps or even a complete revaluation. For most of this the State pays—90 percent or more of the cost of the entire operation; but the legislature also provides for strong budget control of the commissioner's office, through statutory regulations and vesting specific controlling authority in the Department of Revenue. The commissioners and their deputies also are eligible for retirement under the state retirement system which has been in operation since 1956.

The amount of operating revenues available to each office is not left to the county government, but is determined by statutory formulas related to the size of the locally assessed valuation. How this device is used to provide the tax commissioner's compensation has already been described. Additionally, on the amount of assessed valuation in excess of \$4 million (reduced recently from \$8 million) the State pays 2 cents per \$100 applicable to com-

ensation for deputies, other authorized personnel, and other authorized expenditures, with a general limit of \$20,000 and higher limits for counties containing first- and second-class cities. Each county also must pay annually to the tax commissioner's office, toward authorized expenses, an amount related to the assessed valuation and having similar top limits. Also, any "excess compensation" under the operation of the fee formula noted above may be used to purchase maps, equipment, and supplies or to help defray the cost of a reappraisal project.

That these revenues may be spent only for authorized purposes, means actually that each tax commissioner's budget must be approved by the Department of Revenue. No State funds available to any commissioner's office as compensation for deputies and other authorized personnel or for other authorized purposes are paid without authorization of the department in advance of such expenditures. Personnel, salaries, purchase of equipment and supplies, and the planning of other budget requirements are subject to department approval.

Quadrennial Revaluation Law

The machinery for obtaining intra-area uniformity of assessment, discovery of omitted property, etc., includes a preliminary review by the Department of Revenue of a recapitulation of the assessment roll, including a list of intangibles; review by a county board of supervisors comprising "reputable property owners" appointed annually by the county judge, which may review and change any assessment upon the written petition of any aggrieved taxpayer and upon the written recommendation of the tax commissioner, Department of Revenue, county judge, chief finance officer of any city using the county assessment or the superintendent of any school district in which the property is located; appeal to the State Tax Commission or the State courts; comprehensive reappraisal programs; and "emergency assessments" that may be ordered by the Department of Revenue.

Prior to 1960 there had been no legal provision for systematic revaluation of assessments, but in that year the legislature provided that all locally assessed real property should be revalued during the second year of each term of office by the county tax commissioner (i.e., every 4 years), in accordance with standards prescribed by the Department of Revenue. The legislature appropriated no additional funds for this purpose.

State-Level Administration

The Kentucky Department of Revenue, in which the State centralizes its tax administration, is responsible for the State's share of property tax administration. The appointive directors of this strong, widely distinguished department, beginning with its first commissioner of revenue, Prof. James

KENTUCKY

W. Martin, in 1936, have always recognized the importance to the State of sound property tax administration, irrespective of the small contribution of the tax to State revenues, and have worked persistently toward such administration. With good cooperation between the department and the legislature, the State has been able to overcome numerous obstacles to strengthening the property tax.

Organization and Personnel

The Department of Revenue has four line divisions dealing with major taxes—Income Tax Division, Sales Tax Division, Motor Vehicle Tax Division, and Property and Inheritance Tax Division, the combination of the two taxes in this division being mutually advantageous for administration. Serving all line divisions are the legal staff, records division, a new data processing division, and program and research staff, which does property tax research supplementing that done by the Property Tax Division.

The Property and Inheritance Tax Division, headed by a director appointed by the commissioner of revenue with approval by the Governor, operates through three sections—State Assessment Section, Local Property Tax Section, and Inheritance and Estate Tax Section. The primary function of each section is indicated by its title, the first responsible for central property assessment and also for "omitted" intangibles, and the second for supervision of and technical assistance to county tax commissioners and other county tax officers.

In addition to its central technical staff, the Local Property Tax Section has a field staff, developed in recent years, operating in 12 multicounty districts. This field contingent of qualified appraisers confer with county tax commissioners; help them with assessing problems; instruct in assessment methods, and use of equipment, manuals, and guides; do some special appraisal, such as factories in rural areas; and aid county clerks and sheriffs in tax billing and collecting. Also, they do real estate appraisal for inheritance tax purposes and for State purchase of property for other than highway purposes.

The Department of Revenue always has sought well-qualified career personnel and this policy was strengthened in 1961 by the State's initiation of a comprehensive merit system for all State personnel except "policymaking" officials. The department emphasizes inservice training for its staff, and in line with this policy the Property Tax Division requires all of the first-year members of its central and field staffs, with all expenses paid by the State, to take a basic course in real estate appraisal given by the American Institute of Real Estate Appraisers.

Kentucky Tax Commission. When the Department of Revenue was organized in 1936 the Kentucky Tax Commission, with appellate and equalizing functions, became a part of the department. The commissioner of revenue served as

chairman and two associate members appointed by the Governor also were associate commissioners of revenue. In 1960 the legislature made the Tax Commission a separate agency, but continued the commissioner of revenue as chairman. The main functions of the Kentucky Tax Commission are to hear appeals from findings of the Department of Revenue and from rulings of county boards of supervisors on local assessments, and to equalize assessments among counties. If the intent was to separate administrative and appellate functions, the method was not entirely successful. Furthermore, the commission has failed to exercise its equalizing authority since 1954.

Powers and Duties

The powers of the department respecting local property tax administration, some of which have been noted in the foregoing summary of local assessment administration, place the department in a strategic position to influence a constant upgrading in the quality of local assessing, subject only to the practical limitation of how fast and how far it can go without being thwarted by political and popular hostility. Through its examining power it can assure that assessors and deputies have some degree of professional competence, and through its substantial power of budget control of the county tax commissioner's office and its knowledge, through its field staff, of the needs of the various offices, it is able to help plan each office's effective use of more or less limited financial resources. The department's 1960-61 annual report, for example, noted that "excess fees" of that year had been used to purchase accounting machines for 4 offices, Addressograph equipment for 1 office, and small office machines for 13 other offices.

The department's general powers and duties include advising, directing, and supervising local tax officials; investigating local governmental units and officers "when it seems reasonably necessary"; prescribing, providing, and enforcing the use of assessment and tax forms and records; arranging annual conferences of county tax commissioners; and providing personnel and other assistance in mapping and reappraisal projects petitioned for by counties and cities.

The department has no authority to enforce inter-county equalization of assessment levels, this is a responsibility of the now separate Kentucky Tax Commission; but it does have power, beyond the professional aid noted above, to eliminate serious intracounty deviations from uniformity of assessment. The legislature has authorized the department to order an emergency assessment of all or any part of the taxable property in any taxing district to be made by persons appointed for that purpose by the department, upon complaint by the taxpayer if the deviation is not less than 10 percent in value or

property in the district or when investigation of the department discloses that the assessment "is so grossly inequitable or fiscally infeasible that an emergency exists." The department has used this power in a few counties in recent years when there was a supporting local demand.

Technical Aid Program

The department has as its primary objective uniformity of assessment within each county, and with rudimentary assessing in many counties at the start of the program it has had a long way to go. The technical aid program that has been promoted actively since 1949 has included provision of instruction in the use of assessing tools, holding of conferences, conduct of mapping and reappraisal projects, and the continuous supervision, professional assistance, and informal inservice training made possible by the permanent field staff.

Manuals and guides provided for the use of assessors include an administrative manual dealing with assessment laws and procedures, a real property appraisal manual, annual personal property assessment guides, and various statistical reports and bulletins. The department published a new and expanded appraisal manual in 1962 to replace the one issued in 1952. Prepared by E. D. Ballard, Chief Appraiser (and since 1962 Director) of the Property and Inheritance Tax Division, with the collaboration of other staff members and with helpful suggestions from officers of the County Tax Commissioners Association, it provides, as Prof. James W. Martin says in his introductory review, a "remarkably superior aid to county tax commissioners and other appraisers."

The department, in conjunction with the University of Kentucky Bureau of Business Research, in 1946 held at the university its first annual school for assessors. This annual 5-day school has been continued and the legislature has made attendance compulsory for county tax commissioners. Any officer willfully failing to attend is subject to removal from office by the circuit court of his county; while, on the other hand, his full expenses are paid, one-half by the State and one-half by the county, if he attends all sessions. These schools include orientation courses for new tax commissioners, of whom there were 28 in 1961, the last election year, and advanced work in appraisal problems for experienced commissioners. In 1961, for example, special attention was given to detailed assessment ratio analysis of a typical county. District conferences for commissioners are held periodically, usually to deal with particular issues of general concern.

the two such conferences in fiscal 1962, one conducted the means of administering the new revaluation and the other was for review of the new annual.

Continuing reappraisal and mapping programs have been carried on by the department since 1949. The first five countywide reappraisals were done on a contract basis, but since then the department has preferred to carry on the program with its own staff, working in conjunction with the local assessment staffs. Reappraisal and mapping projects are undertaken at local request and under contractual agreement, with the State bearing the major share of the cost. Since the department budget for these purposes is limited, there is always a waiting list of applications, with priority given to urgency of need. In the years 1951-62, some 21 counties with over half the State's real estate assessment were reappraised and comprehensive mapping programs had been carried out in a dozen other counties, with applications from 15 more awaiting attention. How to provide adequate maintenance for the growing number of completed projects is a problem for which the department is seeking a solution.

Assessment Ratio Studies

Annual assessment-sales ratio studies covering real property have been made by the department since 1938. For some years they were used in a futile effort to increase the level of assessment; they play an important part in determining the apportionment of equalizing school aid;³ and presently they are serving as a useful tool for measuring uniformity of real property assessment within individual assessment districts and appraising the degree of progress made under the technical aid program.

The department's field staff secures information on real estate sales. In most counties the sales data are copied directly from the deed book, although in a very few cases copies of the county clerk's record of transfers may be used. The last assessments made before the sale are then secured directly from the tax commissioner's records. Only sales for which a comparable assessment can be ascertained are used. The completed data, covering 15,000-18,000 sales annually, are analyzed by the department's program and research staff. A careful verification of sales prices (buyer-seller check) in 10 counties in 1961 disclosed, among other things, that Federal stamps were not providing fully reliable information.⁴ Efforts to obtain legislation for a recording fee that would produce more accurate data have not been successful.

³ As a basis for determining the required local tax effort for schools, the estimated full value of taxable property for each school district is computed by adjusting the assessed valuations of the various classes of property on the basis of their assessment ratios determined for the major classes of real property by sales ratios and for other classes by other means.

⁴ See E. D. Ballard and Samuel H. Gray, *Assessment Ratio Analysis of a Kentucky County*, Kentucky Department of Revenue, 1962, p. 5.

Each year the Program and Research Staff publishes the median assessment ratio for each county and taxing district and in some years has published the range of the middle half of the array of individual ratios. Assessors are being schooled in the analysis of sales ratios as a guide to greater uniformity of real property assessment. In a demonstration presented by the department at the annual conference of county tax commissioners in 1961, a county for which sales data had been verified was selected for study. Ratios for several major classes of property were portrayed on maps by identifying the middle halves with green tacks, and the upper and lower quartiles with yellow and red tacks, respectively. The presentation was used as a basis for considering such factors as inequalities within and among classes of property and among different areas of the county, and the maximum permissible range of tolerance in assessing.⁵

The department goes beyond the routine use of ratio studies for determination of average assessment levels not only to evaluate the quality of local assessing but to try to determine the amount of progress resulting from the State's supervisory and technical aid programs. Studies undertaken by William G. Herzel, director of the Program and Research Staff, which will be expedited by the department's new electronic data-processing facilities, are not yet sufficiently conclusive for publication, but are providing useful guidelines for department policy and action.

Assessment of Intangibles

In the assessment of tangible personalty, there has been a noticeable improvement in uniformity and compliance in recent years, according to the Department of Revenue, which has aided assessors with various guides and with lists of taxpayers compiled from license and income tax records. Particularly noteworthy, however, is the State's demonstrated ability to administer a property tax on intangibles.

Intangible personalty, as noted earlier, is for the most part taxed exclusively by the State and for the most part assessed locally. In fiscal 1961-62 about 89 percent of the tax from intangibles was from locally assessed property. The assessment of intangibles is effective because the Department of Revenue aids the county tax commissioners in the primary assessment of such property, has authority to list "omitted" or undeclared property and obtain the payment of taxes due, with substantial penalties, and uses the full resources of the department to discover such property. Information for this purpose is derived from individual and corporation income tax returns, inheritance tax data, and other similar sources, and is developed both by combined audits

⁵ See Ballard and Gray, *op. cit.*

and specially directed audits. The department's 1960-61 annual report noted that: "An intensive back-tax program has yielded an average of more than \$500,000 each year, with a resulting increase in the recurring tax base in many instances."

Full Value Versus Fractional Assessment

As in many other States, the local assessors in Kentucky are self-constituted budget officers, maintaining fractional assessment levels that determine the taxing power of local governments under the State established tax rate limits. The constitution directs that all property shall be assessed for taxation at its fair cash value and provides that any assessor guilty of willful noncompliance shall forfeit his office; but any assessor who undertook to comply with the law would be abdicating, in the popular view, his responsibility for protecting the taxpayers, who tend to be more appreciative of low assessments than of equitable assessments. The constitution requires uniformity as well as full value, however, and the Court of Appeals has held that uniformity takes precedence over full value assessment.

According to the Department of Revenue's assessment ratio studies, the average level of real property assessment in the State declined from 75 percent in 1938 to 47 percent in 1946 and 30 percent in 1953, increased to 32 percent in 1954, and then declined gradually to 28 percent in 1961, with a range among the counties of from 15 percent to 40 percent. For years the Kentucky Tax Commission intermittently ordered large numbers of "blanket raises" of county assessments in an effort to reverse the trend and produce intercounty uniformity; but when, after an interval of several years in which it was hoped that the new technical aid program would bring the situation under control, the commission issued such orders in 1954 to 71 counties for equalization purposes, the wrath of the public was unbounded and in 1955 all gubernatorial candidates denounced the program.

Since 1954 there have been no blanket raises, although the Department of Revenue has responded on occasion to hardship appeals for emergency increases. So sensitive is the public to the assessment level issue that State-county agreements for reassessment projects include provisions for downward adjustments of local tax rates to compensate in the first year for any resulting increase in the assessment. As in numerous other States, this situation tends to create inequity and obscurity, and calls for some kind of constructive reconciliation of law and policy.⁶

⁶ For an account of the long controversy over assessment-level policy and proposals for resolving the conflict, see F. John Shannon, *The Conflict Between Law and Administrative Practice in Valuation of Property for Taxation in Kentucky*, University of Kentucky, Bureau of Business Research, 1957.

THE ROLE OF THE STATES IN STRENGTHENING THE PROPERTY TAX

Central assessment of utilities. When local assessing follows varied levels that are remote from the legal standard, a problem arises as to the level at which centrally assessed property should be assessed. In its central assessment of railroad and other public utility property, the Department of Revenue employs competent specialists in utility valuation and has a record of highly respected performance; but the central assessment level failed to keep pace with the postwar downward plunge of the local level. The resulting inequality was attacked in the courts and in two gas transmission line cases in 1960 the court of appeals held that State assessed public utility property had to be assessed at the same level as locally assessed property.⁷

As a result of these decisions the department has reduced assessments of operating property of public utilities generally. The immediate scope of the change was reflected in the Tax Commission's certifications of estimated full value for school foundation aid purposes. In 1959 the average assessment ratios were 50.9 percent for utility property and 31.1 percent for locally assessed real estate; in 1961 the ratios were 43.9 percent and 30.5 percent.⁸ This reflects a gradual approach to equalization, a policy which, apparently, the companies are willing to go along with. Since in 15 counties public utility property in 1960 represented over 40 percent, and on a statewide basis 18 percent of the assessed valuation taxed locally at full rates, this compromise policy avoided financial disaster for some local governments.

Cost of Property Tax Administration

The overall governmental cost of property tax administration in Kentucky, including assessment, billing, collection, review and supervision, is estimated by the Program and Research Staff of the Department of Revenue to have been roundly \$5.6 million in 1961, or a little over 4 percent of between \$125 million and \$130 million of total State and local property tax receipts. Because three levels of government share the administration of the tax and much of the work is done by local officers who give only part of their time to it, the figure is necessarily an estimate, but it is useful in showing approximately how the financial responsibility is distributed.

⁷ *Lockett v. Tennessee Gas Transmission Co.*, 331 S.W. 2d 879, and *Lockett v. Texas Eastern Transmission Corp.*, 336 S.W. 2d 567.

⁸ The local ratios are slightly higher than those noted earlier for county assessments as they include 20 higher level city assessments for school purposes.

Estimated Costs, 1961: State-Local Property Tax Administration

Paid by the State:	
County tax commissioners' offices.....	\$1,516,000
County boards of equalization.....	13,000
County clerks' fees.....	180,000
County sheriffs' fees (collection).....	533,000
State assessment and local supervision...	250,000
Reappraisals, etc.....	75,000
Miscellaneous functions.....	100,000
Total State.....	2,667,000
Paid by counties:	
County tax commissioners.....	133,000
Clerks.....	160,000
Paid by school districts: Sheriffs and collectors (estimated by Department of Education).....	
	2,000,000
Paid by cities not using county assessment except school district collections.....	
	600,000
Total.....	5,560,000

The State's concern for the good administration of the tax, although it receives only a small fraction of the proceeds, is evidenced by its payment of nearly one-half of the overall cost and 92 percent of the cost of primary assessing by the county tax commissioners. Some of the local items suggest that there is opportunity for saving through elimination of duplication of work; but the amount spent by the State itself in assessing, supervision, technical aid, and valuation research is surprisingly small in view of the value and quality of the undertakings of the Department of Revenue described in the foregoing summary.

The success of a basic program for strengthening the property tax, such as that initiated so auspiciously in Kentucky after World War II, depends on continuity of effort, which must depend heavily, in turn, on executive leadership and legislative cooperation. Since the middle 1950's such leadership appears to have been lacking and State appropriations for technical assistance have been cut severely. As a result of the decision at the highest executive level, in 1955, to halt equalization by the Tax Commission, and the inadequacy of appropriations for the revaluation program and other technical assistance, the State's program to rehabilitate the property tax has lost much of its momentum. It may be, however, that this setback is only temporary. The present commissioner of the Department of Revenue, James V. Marcum, recognizing the implications of the slowing down of the Department's activity in this field, in 1963 has asked the director of the department's program and research staff to make a detailed analysis and evaluation of the situation, for the guidance of the new Governor, who takes office in December 1963, and the legislature, which convenes in January 1964.

LOUISIANA

Louisiana retains its State property tax, a constitutional 5¾ mills specifically allocated for various purposes, and the State thus has a direct interest in the administration of this tax. Even more important from the viewpoint of revenue involved, however, is the homestead exemption, since taxes lost to local units through this provision are reimbursed by the State from a property tax relief fund which receives revenue from nonproperty tax sources.

State Tax Commission. The property tax is under the supervision of the State Tax Commission, with other major State revenues the responsibility of a separate Revenue Department. The Tax Commission consists of three members appointed by the Governor for 6-year overlapping terms. The commission is responsible directly for assessment of utility property and for supervision of local assessing and equalization. Local assessing is the function of parish assessors, 1 in each of 63 parishes and 7 district assessors making up a board of assessors in Orleans Parish. Assessors are elected for 4-year terms and receive salaries under a schedule fixed by the State legislature—such schedule set in 1960 providing for salaries ranging from \$5,400 to \$15,000.

The Tax Commission issues a biennial report, which in addition to extensive tables on valuations, tax levies, etc., has an interesting introductory section summarizing constitutional and statutory provisions on property taxes and gives "Assessment Suggestions." The suggestions include values for such major items as oil and gas well equipment as well as coin machines and watercraft. The 1958-59 and 1960-61 reports had a special section recommending that all parishes secure accurate maps for assessment work and noting that the experience of some assessors who had installed aerial survey maps indicated that the cost would be repaid by additional revenue produced by property discovered through use of the maps.

The Tax Commission has final responsibility for fixing valuations. As the Legislative Council puts it:¹

On the local level, the assessor examines and appraises real and personal property for tax purposes for all units of government every year. Assessed valuations must be approved by the commission, and it is authorized to reduce or increase valuations. The law requires that the valuation for State purposes be at 100 percent of

actual cash value, but parishes may, in their discretion, fix valuations at less than actual cash value for other than State purposes, provided the valuation does not fall below 25 percent of the actual cash value determined by the commission for State purposes.

Supplementing this statement, the secretary of the Tax Commission comments: "The Tax Commission is required by law to set the values for assessment purposes, but the local authorities can go down to 25 percent of this value, but they usually use the values approved by this commission."

Special tax study. In the fall of 1960 the Public Affairs Research Council of Louisiana, Inc., a privately financed governmental research agency, published *Louisiana Property Tax*.² This study, 2 years in preparation, and made with the cooperation of almost all the parish assessors, the State Tax Commission and other official and private agencies, discusses property tax practice in the State as a whole and in each parish, and shows the results of a sales ratio study based on 1958 sales. Findings indicate "wide differences in the policies, practices, techniques, and results in the parishes."³ As to maps, the study found 12 parishes had "basically adequate sets of maps for all urban and rural areas and 5 more had sets which were nearly complete and up to date" (in early 1960). As to the level of assessment, parish ratios ranged from 7.2 to 31.5 and the State average was 18.0 (for properties used in the study).

The study recommendations, grouped under four headings, "Equity," "Homestead Exemptions," "Criteria for Assessments," and "Aids to Assessors," included the following:⁴

1. Equity. The research council gave this subject high priority. In the language of the study: "Efforts should be made by local assessors and the Louisiana Tax Commission to develop greater equity in the property tax. The first responsibility for achieving such equity rests with the local assessors. State law gives the tax commission major responsibilities also in this field. The tax commission, through its failure to perform its duty to carry out a continuous program of assessment equalization as directed in the statutes, has permitted great inequity."

¹ *Louisiana Property Tax*, Public Affairs Research Council of Louisiana, Inc., Baton Rouge, 1960. This report is in three volumes: *Summary and Recommendations*; Vol. I, *General Findings*; Vol. II, *Parish Operations*.

² *Ibid.*, *Summary and Recommendations*, p. 24.

³ *Ibid.*, pp. 28-31, and vol. I, pp. 13-16.

¹ *The Government of Louisiana*, prepared by Louisiana Legislative Council, April 1959, Research Study No. 13, Baton Rouge, 1959, p. 310.

The State should carry out a statewide assessment ratio study annually, and use the results to improve equity in utility property taxes, to make "compensating adjustments" which would equalize the burden of the State property tax and of taxes in multiparish districts, and to emphasize the need for intraparish improvement both interclass and intraclass.

2. Homestead exemptions. "The homestead exemption program should be substantially revised" by placing a limit on the value of the exemption at about \$100, or 50 mills. Subsequently the limit might be changed further by the legislature as needed.

3. Criteria for assessments. "The Tax Commission should develop clear-cut criteria for assessors in determining 'actual cash value' of property. . . . Since the requirement to assess at 100 percent of this 'actual cash value' is nowhere applied in practice," a percentage of such value might be specified as the tax base to bring the designated level to approximately the existing statewide practice and an attempt made "to bring about equity at this level."

4. Aids to assessors. Such aids should be developed, including a standardized guide or manual with recommended procedures for recordkeeping, determination of values, revaluation, equalization, etc.; annual seminars conducted by specialists; and complete up-to-date maps for all areas, with enforcement of the State law requiring filing of plat maps for new subdivisions.

Exemptions. Louisiana exemptions for homesteads and for new industries are an inescapable part of the consideration of the property tax in the State.⁵

The homestead exemption in Louisiana (for which review is recommended in the PAR study) provides exemption for homestead property as defined "to the value of" \$2,000, for taxes for State, parish, and special taxes, with special provisions for Orleans Parish. Veterans have a supplementary exemption to a combined value of \$5,000 for 5 years, but with a time limit to 1964, except that veterans who served in both World War II and the Korean war have an exemption for 10 years, but not later than 1969. The taxes represented by the exemption are reimbursed to the taxing unit from a State property tax relief fund, and homesteads may not be exempt from taxes to an amount greater than that available in this fund to make the reimbursement. The property tax relief fund receives its revenue from State taxes on income, public utilities, and alcoholic beverages, and thus far the available funds have been sufficient to meet the taxes represented by the exempt property.

⁵ See vol. I, ch. 8.

While the property tax relief fund has been able to cover reimbursements, the continuing sharp rise in homestead applications, and in taxes involved, has been causing concern. Over the past few years alone, as shown by Tax Commission reports, the number of applications for homestead exemption increased from 469,359 in 1957 to 538,164 in 1961, the taxes extended on the amount of the exemptions from \$27,900,935 to \$35,533,153. The volume of taxes is affected not only by the number of applications and the value represented but by the local millage rates involved.⁶

The PAR study made some interesting computations on the relationship of the reimbursements to total property taxes. It found that the State fund supplied 37.8 percent of all taxes due on locally assessed real estate in 1958; in 14 parishes the fund paid over half the revenue due on the tax from such property and in 2 parishes it paid over 70 percent. These ratios are for locally assessed real property, thus excluding utility property assessed by the State. In one parish, where 71.6 percent of the taxes due on locally assessed real estate was paid from the property tax relief fund in 1958, 53 percent of the listed taxpayers had their property assessed valuation entirely covered by homestead exemptions; in another, 58 percent of the taxpayers listed were so covered.⁷

The industrial exemption provides that the State Board of Commerce and Industry may contract with the owner of any new manufacturing establishment or of any addition, for the exemption of such establishment or addition from property taxation for 5 years, with renewal for another 5 years, subject to various restrictions and regulations. In 1956 the Tax Commission and the Department of

⁶ As early as 1946 there was concern for the volume of the reimbursements and it was suggested that it might be necessary to place a ceiling on the total "at or near the present level of \$6,700,000." It was pointed out at that time that the average amount of reimbursement per home ranged from \$7.93 to \$50.17 (in 1943) in the several parishes, and that while economic conditions and tax rates influenced the variations, "we are convinced that much of the disparity is due to improper assessments of homesteads." The same report said: "We have been told that in many instances assessors have arbitrarily raised the assessed valuation of a dwelling worth, say \$500, to about \$1,990, or just under the \$2,000 exemption. The result of such a practice is a raid on the State treasury at no cost to the homeowner." (*Preliminary Report of the Louisiana Revenue Code Commission, 1946*, quoted in *Homestead Tax Exemptions in Louisiana and in Other States*, Louisiana Legislative Council, 1954.) In 1952 the disparity per home or per applicant was still wide, ranging from an average of \$17.52 in one parish to \$104.19 in another, according to the Legislative Council report, and the total payments from the property tax relief fund for homestead exemptions had increased from \$6,747,379 in 1944-45 to \$19,892,208 in 1952-53.

⁷ *The Property Tax*, vol. II, *op. cit.*, pp. 75-76.

LOUISIANA

Commerce and Industry inaugurated a plan under which the industries agreed to go on the tax roll at the end of the 10-year exemption period at not less than 40 percent of the original investment,⁸ but this provision is no longer being used. The Tax Commission reports "Approved Values of Manu-

facturing Plants Under Active 10-Year Contracts as of December 31, 1961" at \$2,024,063,618, with the note that the figures represent estimated values.

The Louisiana constitution provides that all real estate, exempt as well as taxable, shall be valued at actual cash value, listed on the assessment rolls and submitted to the Louisiana Tax Commission. Only the homestead and industrial exemption figures are published in the commission's biennial reports.

⁸ *Ninth Biennial Report, Louisiana Tax Commission, 1959, p. 77.*

MAINE

"The most serious tax problem in the State of Maine today is that of administration of the municipal property tax. This problem is not new; but each year it becomes more pressing," said the State Tax Assessor in the 1958 Report of the Bureau of Taxation. Over the years the Maine Legislature has given some recognition to the importance of the problem by enacting constructive legislation, but it has not provided the funds necessary to make the legislation fully effective.

The Bureau of Taxation, headed by the State Tax Assessor, has four divisions: Excise, Property, Sales, and Inheritance. The Property Tax Division had had a staff of 12 for some years prior to 1961, 6 field and 6 office workers. The total was increased by two in 1961 for special training as noted later. The State Property Tax Division assesses real and personal property and administers property and poll taxes in the unorganized areas, supervises local assessing officials, provides data for the Board of Equalization which fixes a State valuation, and compiles extensive assessment data. Supervision of local assessing includes provision of a manual, training classes, and other educational material, prescription of forms, aid in assessing, etc. Material for equalization is provided by sales ratio and related studies, special appraisals, etc., and the State valuation figures are used for State and county property taxes (the former levied in unorganized areas only), computing school aid and some highway aid.

The unorganized territories referred to above represent some 42 percent of the total State area, almost entirely forest land; this State assessed property, however, accounted for only about 4 percent of the total State valuation in 1960. In that year there were 493 local assessing units, over half of which had valuations of less than \$1 million each. There were only four units with valuations in excess of \$50 million each, and the combined total valuation for these units (the cities of Portland, Bangor, Lewiston, and South Portland) accounted for about 21 percent of the total State valuation in 1960.

Bureau of Taxation Report, 1958. The 1958 report, after noting the continuing pressure for improving the property tax, described "three general problems which must be overcome . . .":

First, the organization of local assessing must be brought up-to-date. . . . Our laws should be revised to provide for sound assessing units, for adequate pay, for full-time assessors, for the choice of assessors in a manner that will insure competent personnel, for tenure in office, and for uniformity in assessing practices throughout the State. At the same time, our laws relating to review or appeal

should be revised to insure the same technical competence in the reviewing body that is necessary in the assessors themselves, and to insure uniformity of treatment throughout the State.

Second, some provision should be made so that qualified personnel will be available to fill assessing positions. It would be desirable if the University of Maine could initiate a training course for assessors comparable to the management course which it now offers. . . .

. . . if assessment organization is modernized to the point where technically qualified assessors are required, obviously there must be some source from which such persons can be recruited. As a step in this direction, we have proposed the initiation of a limited training program within the bureau for personnel who might be expected to remain with the bureau for 1 or 2 years and who thereafter might be available to fill vacancies in the local assessing field. . . .

The third problem which must eventually be faced concerns the subject matter of the property tax. . . . No one will question the fact that steps should be taken at once to eliminate intangibles from the tax base. . . . Beyond this serious consideration should be given to the possible elimination of the greater part of what is now taxable personal property. . . .

The Bureau noted that in preparation for putting such improvements into effect, funds should be provided for the State Tax Assessor to make a study of property taxation in Maine. Such a study would be designed to provide the basis for making specific and detailed plans for putting into effect the general recommendations indicated above.

The 1959 legislature made two notable contributions to the situation. It improved the tax base by eliminating household property except for television sets. While it did not authorize the special study sought by the Bureau of Taxation, it did authorize the Legislative Research Committee to study and review the State and municipal tax structure including a separate study of the property tax.

Legislative Research Committee Report. The committee engaged Dr. John F. Sly, director, Princeton Surveys, to make the study. In the report on *The General Property Tax in Maine*, published in November 1960, Dr. Sly reviewed prior special tax studies, noted recent progress, and made recommendations for further action. In commenting on recent progress, Dr. Sly noted the centralization in the office of the State Tax Assessor of assessment of property in the unorganized territories; strengthening of State supervision of local assessors—but a general grant of power without equipment, personnel, or funds to do what the law proposes; programs for training of assessors; preparation of an assessors' manual, first issued in 1947; increase in field advisory services; reappraisal pro-

grams by a number of municipalities; and steps taken to maintain the valuations.¹

Not included in the specific list above but certainly a genuine contribution to property tax administration was the revision of all property tax laws. Under 1953 legislation the State Tax Assessor was directed to review all property tax laws, and provide a revision which would eliminate contradictory and outmoded provisions without making substantive changes. The 1955 legislature adopted the proposed revision—described as “a greatly improved statement of the general property tax.”²

The Sly report recommended³ that the legislature, by joint resolution: Reaffirm the principle and acknowledge the need for creation of larger local assessment districts; declare the approach to more effective assessment areas mandatory on approval of the legislature; accept the principle of full-time, qualified assessors for supervisory work with adequate compensation and working facilities provided by the State; define “qualified supervisory assessors” as assessors subject to selection by the State Tax Assessor under usual provisions for professional recruitment; declare that supervisory assessors give counsel, direction, and guidance to local assessors, and have such corrective duties as the statutes may provide; approve establishment of experimental assessment districts pending development of a full program.

The report also recommended that prior to the establishment of supervisory districts, the State Tax Assessor be authorized to conduct a study to determine: (1) the size, location, and composition of the districts; (2) procedure for their formation; (3) method of selecting supervisory personnel; (4) selection and authority of local assessing officers; (5) relation of supervisors to local assessors; (6) amount and distribution of costs. The study should be presented to the legislature with proposed legislation to put the recommendations into effect.

It was further recommended that the supervisory functions of the Bureau of Taxation be immediately

¹ John F. Sly, *The General Property Tax in Maine*, Second Report to the Legislative Research Committee, Augusta, Maine, 1960, p. 26.

² *Ibid.*, p. 11.

³ The recommendations in this paragraph and the two following are summarized from those in the report, pp. 30-31.

strengthened. The report noted at this point that the personnel consisted of six men engaged not only in supervising and assisting local assessing officials but giving a large part of their time to developing data for equalizing purposes. “This is merely a token performance. As usual, the statutes give authority . . . far beyond the facilities of the Bureau of Taxation.”

The report points out that existing laws give the State broad authority over assessing. The State Tax Assessor may establish property assessment districts not to exceed six in number; he may appoint a supervisor for each such district; and he shall have general supervision over the assessment and taxation laws of the State “to the end that all property shall be assessed at the just value thereof in compliance with the laws of the State. . . .” This section of the report concludes, “In other words, these recommendations do no more than to propose that the legislature take steps to motivate the policies that are already established in the statutes of the State.”⁴

In discussing personal property, the report to the Legislative Research Committee recommended that intangibles be exempted from ad valorem taxation. As to remaining personalty—both business and agricultural—the report recognized the difficulty of equitable assessment, but suggested that action in this field should probably await improvement in the assessment process.

1961 legislation. The 1961 legislature took two significant steps on the recommendations of the Bureau of Taxation and the report to the Legislative Research Committee. First, it repealed the application of the property tax to intangible personal property. Second, it provided the Bureau of Taxation with funds to permit employment of four persons to be trained in property tax appraisal work. Two had been employed early in 1962 and employment of the others is being deferred until the bureau has had an opportunity to see how the proposed program develops.

The all-important special study, urged by the bureau and by Dr. Sly, to give the Bureau of Taxation the basis for developing detailed plans for improving assessment organization and supervision—implementing the general principles previously approved—still awaited legislative action at the close of 1962.

⁴ Sly, *op. cit.*, p. 31.

MARYLAND

Maryland probably has made more progress than any other mainland State in coordinating and integrating State-local assessment administration.¹ With the advancement in recent years in professionalizing and centralizing this function, the present setup is only a few steps removed from complete centralization. By its recent creation of a tax court, Maryland is also a leader in providing more usable remedies for aggrieved taxpayers.

The present system of assessment administration has come into being gradually rather than by any one major reorganization, as the legislature has adopted, often with a considerable time lag,² the constructive recommendations of a long series of tax study commissions and, more recently, those of a persevering Committee on Taxation and Fiscal Matters of the Legislative Council. Most of the features of Maryland's present property tax system, in fact, appear in the recommendations of the Baker Commission of 1913; but the most notable modernization of assessment administration on a statewide basis has evolved within the past 20 years, including significant new steps in 1959.

Organization for Assessment Administration

The assessment of property for taxation is administered jointly by the State Department of Assessments and Taxation, which succeeded to the administrative functions of the former State Tax Commission in 1959, and 24 local assessment districts identified with the State's 23 counties and the city of Baltimore, which is not within a county. From the point of view of population and resources, this county-district setup for local assessing comes closer than in most other States to representing efficient local district organization. While about three-fourths of the State's population is in Baltimore and the 4 largest counties, none of the other counties has a population of less than 15,000 or a full-value assessment of less than \$50 million.

¹ Hawaii has complete State administration of the property tax.

² An able member of the Poe Commission of 1898, Prof. Richard T. Ely of Johns Hopkins University, recommended repeal of certain personal property taxes, mainly intangibles, and adoption of a State income tax. As Blair Lee III observed in his study of Maryland's personal property tax, "Fifty years later, the General Assembly adopted Dr. Ely's recommendation." ("Personal Property Taxation in Maryland," in *1957 Report, Maryland Legislative Council Committee on Taxation and Fiscal Matters*, p. 101.)

The State agency has important assessment functions, including mainly the assessing of railroad and other public utility operating property (exclusive of land) and the personal property of corporations. Its powers and duties for supervision of local assessing are unusually broad, making the agency's director the administrative head of a State-local assessment system that is approaching virtually full integration. The State agency appoints the chief assessors (supervisors of assessments) for all local districts, from lists recommended by local officials; certifies all assessors and assistant assessors for local appointment; and has the exclusive authority to remove the incumbents of these positions. The State also sets minimum salary standards for all grades of assessors and reimburses the local governments for 60 percent of this cost.

State-Level Administrative Organization

For many years the State's share of property tax administration was centered in a State Tax Commission; but in 1959 the legislature acted to separate the administrative and appellate functions, vesting the former in a newly created State Department of Assessments and Taxation and the latter in a newly created Maryland Tax Court. The department is headed by a director who is appointed by the Governor, serves as a career officer under the State's merit system, and "shall be a person with executive ability and with experience and training in the field of taxation." Albert W. Ward, the director, had been secretary of the State Tax Commission from 1931.

The main function of the Department of Assessments and Taxation is property tax administration, although it is also the legal custodian of corporate records and administers various special taxes. The department is organized in five sections, including an administrative or central services section. Of the four line sections, three are concerned with the property tax—a supervisory section, a tax map section, and an assessment section. The law requires the director, for supervisory purposes, to appoint a chief supervisor of assessments and two assistant State supervisors of assessments.

Local Organization and Personnel

The State's 23 counties and the city of Baltimore, as has been noted, comprise the local assessment districts. The primary assessment of locally assessed property is the responsibility of the supervisors of assessment in the counties and the Department of Assessments, headed by a director, in Baltimore.

The supervisor of assessments for each county is appointed by the State Department of Assessments and Taxation from a list of five residents submitted by the county commissioners, the county's governing board. If the department finds none of the nominees qualified, it may call for a new list. The department appoints a supervisor of assessments for Baltimore by a similar procedure, the mayor making the nominations.³ Supervisors are removable by the department at any time for incompetency or other cause. The office of supervisor of assessments is a long-established institution, though prior to 1959 the county commissioners were legally the assessors. A supervisor is more a State officer than a local officer, and a 1963 act of the legislature provides that all assessors not previously members of either the State or any city or county pension system shall become members of the State pension system. In times past the qualifications of some supervisors appear to have been more political than professional, but in recent years all supervisors are reported to have moved up from the ranks of assessors.

All county assistant supervisors of assessment and other members of the professional assessing staffs are appointed by the county governing bodies from lists of applicants that have been examined, graded, and certified by the State Department of Assessments and Taxation. They hold their positions during good behavior, subject only to removal by the State department, after hearing, for incompetency or other cause. The assessors in Baltimore are appointed as provided by local law, but lists of candidates must be submitted to the State department for certification. The department has a similar right of removal for these assessors, subject to their right to appeal to the city civil service commission.

State law specifies the grades of assessors, sets minimum salary scales, and requires the State Department of Assessments and Taxation to set the number and grade of positions in the counties and city after consultation with the chief assessors and governing authorities. The classes of positions, with their minimum qualifications, are: (1) assessor's aid; (2) assessor, at least 2 years' service as assessor's aid; (3) senior assessor, at least 5 years' service as assessor; (4) assistant supervisor of assessments, at least 5 years' service as senior assessor. The State department may in its discretion determine equivalent educational or experience qualifications for all or part of the specified qualifications.

The basic annual salary scales adopted by the legislature in 1963 give minimums, maximums, and annual increments for the several classes and grades.

³ In Baltimore, where the director of the Department of Assessments, rather than the supervisor, is in charge of assessing, the latter serves as liaison between the city and State departments, working particularly in conjunction with the personal property assessors to obtain uniformity in State-city standards.

For supervisors of assessments, the scales are in eight classes related to the size of the assessment districts. They range from \$10,620-\$12,745 for the Baltimore director, and \$9,320-\$11,185 for the three largest counties to \$5,970-\$7,464 for the six smallest counties. For assessors' aids (internships) the range is \$4,302-\$4,610; for assessors, \$4,790-\$5,990; and for senior assessors, \$5,350-\$6,688. The position of assistant supervisor is not set up in the smaller counties; the top scale in the other counties is \$8,323-\$9,276.

To encourage professional self-advancement, the legislature provides that any person holding the designation CAE (certified assessment evaluator) is to be paid \$500 above the established scale. The State reimburses the local governments for 60 percent of the salaries paid in accordance with these scales (increased in the late 1950's from 50 percent). The counties and the city are authorized to pay higher salaries, but the State makes no reimbursement for any such payments in excess of the scale.

State Supervision and Technical Aid

The main statutory powers and duties of the State Department of Assessments and Taxation for supervising local assessment include: formulation, publication, and distribution to assessors of instructions and assessment standards; supervision of supervisors of assessments and of assessments, to insure that all taxable property is assessed, and on a uniform basis within and among classes of property; installation in all local offices of tax maps and record systems, prescription of all forms, records, and reports, and supervision to assure their proper use and maintenance; enforcement of a continuous method of assessment review by assessors, and ordering and enforcing reassessment in any county or in Baltimore, after consultation with the county (or city) review and appeal agency, when a lack of uniformity is found; and conducting biennially a statewide assessment ratio survey.

Effective supervision is very practicable in Maryland, because there are only 24 local assessment districts, the local supervisors and assessors constitute a professional staff whose selection and tenure are largely a responsibility of the central agency, and there is good cooperation between the central agency and the local assessor leadership. The State department's three supervisors, all experienced assessors, are constantly in the field, conferring with the State-appointed local supervisors, checking the performance of the local assessors, and aiding with special appraisal problems. The chief supervisor has direct supervision of the Baltimore area and general supervision of the other counties and the work of the two assistant state supervisors, who cover, respectively, the East Shore and West Shore counties.

Providing Tax Maps

In accordance with the legislature's requirement in 1949 that standard tax maps be developed for all assessment districts, the State Tax Commission set up a tax map section to do the work. This program, starting in 1951, was completed over a 10-year period at a cost of about \$1 million, all met by the State. The tax map section maintains the maps for all districts. While the project was undertaken primarily for assessment purposes, it has proved valuable for many governmental and private uses.

The department, through its supervisors, promotes the maintenance of standard record systems but has not yet undertaken to provide central data processing. A few of the large districts, including Baltimore, have their own electronic data-processing equipment and a few others contract with commercial processing centers. For uniformity in assessing methods, the department has prescribed the use of the Boeckh appraisal manual.

Continuous Reassessment

Instead of following the more common policy of periodic reassessment, Maryland has evolved a method of continuous reassessment. For a number of years a reassessment cycle was maintained, first with one-fifth of each district, later one-third of each district, reassessed each year; but since 1954 the law has required that all assessable property shall be thoroughly reviewed at least once each year. Since staff resources are not sufficient for a physical reappraisal of each parcel of property annually, the policy followed is to require local assessors to maintain a continuous check of all sales of real property, use these data to the extent of their availability to indicate areas of changing value that call for prompt reassessment, and systematically inspect every property at least once in 3 years. In the opinion of the department, economic and physical changes in property in general do not justify a physical reappraisal or physical inspection of each and every property every year.

Inservice Training

On-the-job professional training is encouraged by the State department and by the automatic salary increase for recipients of the CAE award. The director of the department likes to point out that Maryland has a higher proportion of CAE's than any other State—30 of its 170 assessors. The department carries on informal inservice training continuously through its supervisors of assessments and distribution of frequent bulletins, and is a cosponsor of an annual training school for assessors.

This school, long established and well conducted, is held for 1 week each year at the University of

Maryland, with its joint sponsors the State Department of Assessments and Taxation, the Maryland Association of Assessing Officers, the International Association of Assessing Officers, the Maryland State Department of Education, and the University. Intensive courses and seminars are conducted throughout the week by a staff of 40 or more comprising outstanding assessors from Maryland and other States, members of the State department and the university faculty, and property tax specialists from several large industrial and commercial firms. Advanced, intermediate, and basic courses are given, the enrollment at the 17th annual school in 1962 having included 87 in senior courses, 45 in intermediate courses, and 40 in basic courses (for attendants at not more than 3 previous schools).

The assessment-sales ratio study conducted by the Census Bureau in conjunction with its 1957 Census of Governments provided notable evidence that Maryland's system of assessment administration was tending to produce a better quality of assessment than that of most States. This study, among other things, measured the degree of uniformity of assessment of nonfarm dwellings in 1,263 selected local assessment districts in the 48 States. While only 20 percent of this national sample showed a good to high degree of assessment uniformity (coefficients of dispersion of less than 20), 61 percent of the Maryland sample (which included three-fourths of the State's districts) were in this classification.⁴

Recent Lines of Progress

Maryland's statutory basis for the assessment of real and personal property is "full cash value," but for real property the law defines this term to mean "current value less an allowance for inflation, if in fact inflation exists."⁵ This nebulous provision was not inserted in the law until 1958, but previously the assessors had been following various versions of full value. An assessment ratio study by the State Tax Commission in 1953 disclosed that the average level of assessment in the 24 assessment districts ranged from 25 percent to 60 percent.

This disclosure disturbed the Legislative Council's Committee on Taxation and Fiscal Matters, particularly because school equalization aid was being based on assessed valuation as the measure of wealth. The committee declared, in its 1955 report:

So long as this situation exists, our State educational program will work inequities by favoring those jurisdic-

⁴ U.S. Bureau of the Census, *Taxable Property Values in the United States* (1957 Census of Governments, vol. V), table 19. See, however, the Census report, *Taxable Property Values* (1962 Census of Governments, vol. II), table 19, suggesting some reduction in Maryland's relative position.

⁵ Tax Laws of Maryland, art. 81, sec. 14(b)(1).

tions which undervalue their property for tax purposes against those which assume their full responsibilities by making fair and reasonable assessments.⁶

The committee's warnings and recommendations helped materially to accelerate the gradual improvement in assessment administration that had been stimulated by abolishing most of the part-time assessors in 1943 and by such subsequent measures as providing for continuity of reassessment. There were four alternative lines of action that might be undertaken, the committee said.⁷

1. The State might adopt a highly centralized system of assessing by making the assessors State employees, requiring them to assess at full cash value for State purposes, and leaving Baltimore and the counties free to adopt for their own purposes whatever percentage of the State assessments they deemed advisable.

2. The State Tax Commission might be empowered to review the local assessments annually. If they were found to be below a fixed percentage, say 50 percent, of full value in any local district, that district, if it failed to remedy the situation upon proper notice, would forfeit State aid in the next fiscal year.

3. The State might create a separate board of equalization solely for the purpose of distributing State funds.

4. The existing basic system could be retained with an administrative change in the supervisory methods. The State Tax Commission could dismiss any assessor who demonstrated a "studied disregard for State policy." No new legislation would be required, all that was needed was administrative action.

The committee decided that the advantages of the existing system had not been fully explored, and suggested, instead of a drastic change, "strong administrative action within the present framework of law in the form of expanded supervision of local assessors by skilled supervisory personnel under the State Tax Commission." The committee's report noted, however, "that there has been consistent failure to handle this matter administratively heretofore," expressed some feeling "that this failure will continue," and indicated an intention to urge adoption of some other method if there was no satisfactory improvement in the situation in the near future. The committee recommended, also, that "The assessment function should be divorced from the judicial function of reviewing the work of the assessing agency."

The committee stayed persistently with the problem, and in its 1957 report reiterated the stand taken in 1955, pointed out that the failure to

achieve interdistrict equalization caused inequities other than the maldistribution of school aid, such as the unequal impact of the State property tax levies, and made a bold new recommendation.⁸ Concluding that one major obstacle to more rapid progress was the conflict of direction to the assessors between the State Tax Commission and the county commissioners, the committee recommended that all supervisors and assessors be placed under State control and be paid fully by the State. They recognized that the county commissioners would still retain final authority for assessments as they were by law the assessors; but doubted that they would flout State policy.

In 1958 the committee decided that the annual assessment-sales ratio studies that the State Tax Commission was using were based on a "necessarily less scientific methodology" than the combined sales and appraisal study of 1953, and recommended that the legislature request the commission to make a survey of real property assessment ratios in 1959 and every 5 years thereafter, "including a comprehensive sampling of all properties through actual appraisal in the field."⁹

In the meantime, the State Tax Commission had responded promptly to the committee's criticism by appointing two assistant State supervisors of assessments, the 1957 legislature had raised the salary scale for assessors and eliminated the last part-time assessors, and early in 1958 the State Tax Commission had undertaken to remedy the absence of "clear-cut policy guidance" for which it had been criticised by issuing instructions to all assessing officials that "in any county or city, district, or ward, where the ratio of all assessments to sales is less than 50 percent, there will be immediately raised the presumption that the assessors are making too great an allowance for inflation and abnormality," and by prescribing other duties and procedures.¹⁰

Undeterred by the increased activity of the State Tax Commission, the 1959 legislature followed recommendations by Governor Tawes and approved a major reorganization of assessment administration; namely, the steps described earlier of creating two separate organizations to take over the administrative and appellate functions of the Tax Commission and making the county supervisors of assessments and the Baltimore department of assessments legally the local assessors. The legislature also ordered a thorough assessment ratio survey, this 1959 survey disclosing that the average statewide assessment ratio had risen to 55 percent from 40 percent in 1953 and the range had narrowed to 40-64 percent.

⁶ 1957 report, *op. cit.*, pp. 61-66.

⁷ 1958 report, p. 19.

⁸ Quoted in full in the 1958 report of the committee, pp. 21-26.

⁹ Maryland Legislative Council, Committee on Taxation and Fiscal Matters, 1955 report, p. 96.

¹⁰ *Ibid.*, pp. 96-98.

1962 Assessment Ratio Survey

In 1961 the legislature provided for periodic assessment ratio surveys, to be conducted in 1962 and at 2-year intervals thereafter. The 1962 survey disclosed that the vigorous efforts of the new State department to enforce the assessment laws and to obtain reasonable interdistrict uniformity of assessment were producing good results. The statewide average assessment ratio for real property, to which the survey was restricted, was shown to be 54.7 percent, with a relatively narrow range of 49.7-60.6 percent for the 24 districts.¹¹

In planning for the 1962 ratio survey, the director of the State Department of Assessments and Taxation took advantage of the option permitted by the legislature to set up a survey committee comprising three members of his staff and three experienced local assessors loaned by Baltimore and Harford and Montgomery Counties and compensated by the State.

The committee based its survey on a random sampling of the three broad use classes of real property—residential, agricultural, and commercial-industrial, employing both sales and appraisals. From the records of recent sales a selection was made to get as good representation as possible of the different use classes in the different sections of each county. All of these sold properties were then visited and examined in order to exclude any sales that were not bona fide and usable, and also any sales in which the assessment had been changed as a result of the sale. The sales were then classified as to use and subclassified as to size or value and age. The committee next selected at random for field appraisal types and sizes of "dormant" property so that the total sample in each district would be "a representative cross section of the properties within the jurisdiction." The sample included 3,550 properties, with those representing sales and appraisals about evenly divided.

The survey was designed for guidance in obtaining intradistrict as well as interdistrict uniformity, though little of the committee's report to the department on the intradistrict situation was included in the published report. A good degree of uniformity was indicated, however, among the major use classes of real property. The statewide average ratios were: total, 54.7 percent; residential, 54.3 percent; agricultural, 50.2 percent; and commercial-industrial, 57.7 percent. Most of the individual districts made a good showing in this respect. Upon completion of the survey the assessing personnel of each district in which there was an indicated need for improvement were called to the department's offices for the purpose of planning a corrective program.

In its report of the 1962 survey, the department listed the reasons for the improvement in the assess-

ment process in recent years, mainly those described in the foregoing summary; stated its belief that there was room for further improvement; and recommended that assessors be made fully State employees on a merit system basis.

Maryland Tax Court

Prior to 1959 the functions of assessment, reviewing assessments, and hearing appeals from assessments rested legally in the same agencies, State and local. In 1959 the administrative and appellate functions were separated—at the local level by making the county supervisors of assessments legally the assessors (in Baltimore the Department of Assessments) and at the State level, as has been noted, by replacing the State Tax Commission with two separate agencies, the Department of Assessments and Taxation and the Maryland Tax Court. In the counties the review and appeal agency continued to be the county commissioners ex officio, except in Baltimore, Harford, Montgomery, and Washington Counties, where advantage had been taken of an optional law to create an appeal tax court. In Baltimore, a board of municipal and zoning appeals served in this capacity.

The Maryland Tax Court, while patterned after the District of Columbia Tax Court and the model State tax court act sponsored by the American Bar Association, is designated an administrative agency for constitutional reasons. The court consists of five judges, appointed by the Governor for overlapping 6-year terms, one judge to be a resident of Baltimore, one of the Eastern Shore, one of the Western Shore counties, and two at-large, with no more than three of the same party and each a taxpayer and qualified voter of the State. At least two judges must be members of the State bar, one of whom the Governor designates as chief judge.¹² The three members of the former Tax Commission were designated as judges for terms corresponding to their unexpired terms as tax commissioners.

The court, a majority of the members constituting a quorum, has its principal office in Baltimore, but is directed to sit for hearings in each of the county seats as necessary. Appeals, which are initiated by written petition, are not permitted until the appellant has exhausted his local remedies. Proceedings before the court are de novo; the court is authorized to adopt its own reasonable rules of procedure; and it is not bound by the technical rules of evidence. Any person may appear and act for himself, for a partnership of which he is a member, or for a corporation of which he is an officer, and attorneys admitted to practice before the Maryland Court of Appeals are authorized to practice before the court. The court "is empowered to assess anew, classify anew, abate, modify, change, or alter any valuation,

¹¹ State Department of Assessments and Taxation, *Report, 1962 Assessment Ratios*, August 1962.

¹² Tax Laws of Maryland, art. 81, secs. 224-231.

assessment, classification, tax, or final order appealed from," Any party to a proceeding may appeal from the court's final order to the circuit court of any county, or the Baltimore City Court, where the property involved is located.

The Tax Court is too new to permit an evaluation of its services. In its first year, 1959-60, there were 279 appeals; 97 assessments were affirmed, 84 were reversed involving a reduction of \$3.5 million in assessments totaling \$22 million, and 98 were pending at the close of the year. Of the affirmed assessments, six were appealed to higher courts by taxpayers, and of the reversed assessments five were appealed to higher courts by the State department.

Recent Trends in Tax Policy

Maryland's progress in coordinating and professionalizing its assessment administration and in providing more usable remedies for the taxpayers has been outstanding; but the State still faces difficult tasks in controlling what a subcommittee of the Legislative Council has called its "dense jungle" of personal property taxes and administering its new preferential assessment of farmland.

Personal Property Taxes

In postwar years Maryland has been whittling away its tangible personal property tax base by piecemeal methods that apparently seek to comply with local property tax policies and interests that vary among the counties and municipalities. There may be considerable virtue in replacing statewide tax uniformity by a flexible and constantly changing system of exemption and classification based on local option and home rule; but administratively the overall effect is to complicate local assessing, State supervision, and the distribution of equalizing State aid based on assessed valuation. The most comprehensive recent study of the State's personal property tax situation concluded that at the very least there was need for better coordination.¹³

The classes of taxable tangible personal property have been narrowed to include mainly machinery, equipment, furniture, fixtures, raw materials, goods in process, finished products, and stock in trade used in the performance of any business, trade, profession, or industry, and farming implements and livestock. These classes, in turn, are subject to local exemptions and classifications that vary among the local governments. Some of the varied local arrangements must be authorized specifically by the legislature, others can be put in force by the governing bodies of the several counties and municipalities. Under the home rule amendment of 1954, cities and towns also may amend their own charters for

purposes of local taxation, and the State tax laws provide that any incorporated town may select as the subjects of taxation such classes of personal property, of land, or improvements on land (assessable under the tax laws) as it may deem wise.

The State, which continues to levy a State property tax for the service of debt, assesses the bulk of tangible personal property. The State Department of Assessments and Taxation assesses the tangible personal property of domestic and foreign corporations, and the local assessors, other tangible personal property.¹⁴ Since most of the exemptions and classifications referred to above apply only to local taxes, the assessed valuation of tangible personal property for State taxation is considerably larger than that for local taxation. The local governments assess some tangible personal property for State purposes which they do not tax themselves. In 1960, for example, the assessed valuations of tangible personal property were as follows (in 000's):

Item	State purposes	County purposes
State assessed.....	\$1, 354, 643	\$885, 456
Locally assessed.....	232, 279	199, 759

Preferential Assessment of Farmland

With the rapidly growing metropolitan areas of Baltimore and Washington, Maryland shares the perplexing assessment problem common to all metropolitan regions of how to deal with potentially changing land use in fringe areas. As urban development moves outward, the speculative interest in the prospective uses of vacant land tends to inflate the price of such land to levels that are not justified by the prevailing agricultural and other low-intensity uses. If the assessor follows the customary legal mandate to appraise land at its market value and at its highest and best use, he is under the necessity of considering the market price and the potential availability for development for such land; but the combination of the assessor's compliance with the law and the upward trend of tax rates that extends into the fringe areas can become unduly burdensome for the farmer who wishes to continue to make a living by operating his farm.

In postwar years the market value, and the assessed value, of fringe area farmland in Maryland rose very rapidly, partly because the land was becoming more valuable for agricultural use but also because it was being purchased as a hedge against inflation and for prospective suburban develop-

¹³ Maryland Legislative Council, Subcommittee on Personal Property Taxation in Maryland, "Personal Property Taxation in Maryland," 1957 Report, pp. 95-150.

¹⁴ Special property taxes are levied on certain intangibles (shares of banks and other domestic financial corporations and capital stock of foreign financial corporations) at a local rate of \$1 per \$100 valuation and the full State rate. This property also is assessed by the State.

ment. In 1956 the legislature enacted a preferential assessment law to reduce the assessed valuation and taxes on this land.¹⁵

The law provided that land devoted actively to farm or agricultural use should be assessed on the basis of such use and should not be assessed as if subdivided or on any other basis. It was defective in failing to define what constituted land used in farming and was amended in 1957 to provide a few distinguishing features and to empower the Tax Commission to establish criteria for identifying an authentic farm. The efforts of the commission left the matter of determining use mainly with the individual assessors.

In 1960 the Maryland Court of Appeals declared the law unconstitutional because it failed to meet the tests of reasonableness and public purpose for valid tax exemption, and on a rehearing held that it violated the constitutional requirement for uniform classification of land.¹⁶ The legislature promptly proposed two constitutional amendments, which were approved in 1960, providing for separate classification of land for taxation and authorizing preferential assessment of farmland, and also enacted a new law emphasizing the public purpose of the policy (to encourage farming in order to maintain a readily available source of food and to encourage preservation of open spaces) and authorizing the State Department of Assessments and Taxation to establish criteria for judging what constituted bona fide farms.¹⁷

To determine the effects of the law, Peter House made a careful study of the five-county area in which the influence of urban expansion was most evident. He found that the effect on assessed value per acre was negligible in the more rural portions of the area, but that in some of the areas nearest urban centers, assessments were held to as little as one-fifteenth of what would have been obtained if they were based on market value as determined by

¹⁵ For a valuable analysis of this situation, including the fiscal and administrative effects of the law, see Peter House, *Preferential Assessment of Farmland in the Rural-Urban Fringe of Maryland*, U.S. Department of Agriculture, Economic Research Service, June 1961.

¹⁶ *State Tax Commission v. Gales*, No. 61157 Atlantic Rep., 2d ser., and *State Tax Commission v. Wakefield*, No. 61157 Atlantic Rep., 2d ser.

¹⁷ *Tax Laws of Maryland*, art. 81, sec. 19(b).

the 1959 assessment ratio study of agricultural land, and that the reduction in assessed value per acre resulting from the operation of the law averaged about 53 percent for the five-county area. He observed, also, that the loss in assessed valuation "may be expected to grow each year as long as farm and nonfarm pressures on the market value of suburban farmland persist."¹⁸

Since preferential assessment of farmland confers very substantial benefits, an accurate determination of eligibility is important. This has proved to be a difficult problem of assessment administration. In 1960 the Department of Assessments and Taxation issued a comprehensive list of 29 criteria; but, as House says, the list itself illustrates the problem confronting the department. Even if it provides detailed specifications for each criterion, the local assessor continues to be plagued by such borderline cases as part-time farms and country estates. "The difficulties of defining agricultural use," House reports, "have led to widespread feeling among farmers, as well as among many tax administrators, that the principal beneficiaries of the law have been speculators and developers, rather than farmers." Proponents of the law contend, however, that it is successful in retarding the erosion of agricultural areas.

With its plan of preferential assessment of farmland, and its statutory authorization in 1960 for State, county, and city acquisition of development rights in land for the preservation of open spaces, Maryland is one of the relatively few States that have taken forthright action in attempting to solve one of the most serious problems of metropolitan growth. Irrespective of the relative merits of the varying devices which these States have adopted and others are considering, new problems of property tax policy and administration are involved, particularly in the departure from the ordinary concept of market value as the basis for assessment. There is clearly a problem of administrative feasibility, but Maryland appears to be better organized administratively than most of the States to find a solution. In 1963 the legislature directed its Committee on Taxation and Fiscal Matters to study the criteria for assessing farmlands under the preferential assessment law.

¹⁸ House, *op. cit.*, pp. 10-13.

MASSACHUSETTS

Since 1955 the Commonwealth has taken an active role in providing assistance to local assessing officers and in encouraging educational activities. Also especially notable in Massachusetts, while much older in origin, is the arrangement for appeals from property tax assessments.

State aid to local assessors. Legislation enacted in 1955 provided for active assistance to local assessing units to produce uniform and equitable assessments, and in 1956 there was created for this purpose a Bureau of Local Assessment in the Department of Corporations and Taxation.

Under the 1955 law any city or town may petition the State for the installation of a State assessment system, and after such installation, the assessor or assessors are to follow the State system (unless the unit votes to withdraw, as it may). The State system, in effect, is a set of principles and practices supported by adequate basic tools to produce a uniform, equitable tax base.

The new bureau developed several major services. It produced a new Assessors' Manual, revising and augmenting material in earlier manuals, and giving suggested forms, records, etc., the new manual incorporating basic principles and procedures for practical use. The bureau sponsored an assessors' school at the University of Massachusetts, discussed below, and provided evening classes for training on local levels. It initiated publication of a regular bulletin, developed a consulting service to aid in various special problems, and provided supervision for local assessors during revaluation projects.

While some of these services were developed for general statewide use for any assessor (and were used to varying extent by a number of them), the services are now primarily for those units which elect to come under the State system. In such cases the bureau staff surveys existing assessment procedures and facilities and makes recommendations. In some cases a sales ratio study is made as a basis for study and recommendations. The bureau frequently proposes complete revaluation, and where this is done, the staff supervises the revaluation, whether done by local personnel or private firms. The bureau also suggests record systems, maps, or other tools, and supervises their preparation and use. In addition, the bureau will appraise various properties and make recommendations to the local assessing authority. Finally, when the system has been installed, the bureau provides continuous supervision and technical assistance.

To meet the cost of installing the State system and followup aid and supervision, the State charges the local unit with a minimum charge based on population and additional fees for special service

as, for example, in revaluation. In connection with costs, it is pertinent to note that legislation was enacted to permit local units to contract to pay for tax maps over a 3-year period.

The State system program has had steady growth since 1955. By the fall of 1958, 9 units had accepted the system; by September 1960, the number was 20, and by mid-December 1962, 58 municipalities had adopted the plan. Since use of the State system involves close and continuous supervision by the experienced State staff, increasing use of the system indicates considerable development of uniformity.

The State Bureau of Local Assessment, which began with a very small staff, had a chief, assistant chief, six fieldmen, and a clerical staff of two at the close of 1962. Qualifications for fieldmen include skill in appraising real estate and experience in appraising industrial and commercial properties is regarded as very important.

Massachusetts has a total of 351 cities and towns, each an assessing unit. For the 39 cities the assessors may be appointed or elected and usually serve full-time. For the towns there are boards of assessors, usually three members elected for part-time service, but a few of the towns have at least one full-time assessor. While the 58 units using the State system still represent a small part of the potential, it is believed that these units, and the State staff, have an influence toward improved assessing which is greater than their numbers would indicate.

The assessors' school which was initiated in 1956 is now an annual school sponsored by the Bureau of Government Research of the University of Massachusetts in cooperation with the Department of Corporations and Taxation and the Association of Massachusetts Assessors. It is now a 4-day school covering discussion of basic assessing problems, with demonstration appraisals of special properties, etc. Instructors are principally members of the staff of the State Department of Corporations and Taxation and assessing officials from the State. Attendance at the school is voluntary. Proceedings are published and provide a useful current textbook.²

² The Proceedings of the Sixth Annual School (1961) includes, in addition to the proceedings, the text of the decision in the *Springfield* case in which "Springfield's ratio system for real estate and personal property assessments has been ruled illegal by the Supreme Judicial Court on the basis of companion taxpayers' suits against the city filed by Alfred W. Betigole and Henry I. Herchovitz and others." *Proceedings of the Sixth Annual School for Massachusetts Assessors*, Bureau of Government Research, University of Massachusetts, Amherst, 1962, pp. 64 ff.

To keep assessors up to date on current material, the bureau distributes a monthly bulletin. Various timely subjects are covered, including legislation, court decisions, construction costs changes, mapping, revaluation programs, etc.

Assessment appeal. One of the notable features of assessment administration in Massachusetts is the provision for review by a special agency—the Appellate Tax Board, usually referred to as a tax court.²

Massachusetts had long had a special appeals board, independent of tax administration, for certain State taxes, and in 1930, a newly created Board of Tax Appeals was empowered to hear also appeals from assessments for property tax purposes. Prior to 1930, appeals from local assessments had been to county commissioners (still one means of appeal) or to the superior court. Congestion of the court docket, complicated procedures, and delays in decisions led to the creation of the new board in 1930. The heavy volume of property assessment appeals in the early 1930's and other factors causing delays revived dissatisfaction with the operation of the board and resulted in creation in 1937 of the present Appellate Tax Board.

The board has five members serving 6-year overlapping terms. They are appointed by the Governor with the advice and consent of his council, with not more than three members to be of the same political party. For cases involving local property tax assessments, the board has concurrent jurisdiction with the county commissioners; appeal from the board is to the Supreme Judicial Court of the Commonwealth.

In addition to the usual formal procedure before the board, arrangements may be made for informal procedure. The latter, developed in 1933, aids the owner of a small property to contest his assessment with minimum delay and expense, but he waives the right of appeal except under certain conditions. He may use counsel or present his own case.

²This section is based primarily on John Dane, Jr., "Appellate Procedures—Are State Courts Necessary? The Experience of Massachusetts," *Revenue Administration 1958*, National Association of Tax Administrators, Chicago, 1958, pp. 37 ff.

The size of the assessment involved in the appeal determines the number of board members needed to make a decision. Where the assessment is \$25,000 or less, one member hears the appeal and makes the decision. For assessments of \$25,000 to \$50,000, the hearing is held by one member and the decision is made by him if the appellant agrees that the appeal need not be referred to the full board. For assessments of \$50,000 or over, the appeal may be heard by one or more members, but it goes to the full board for decision.

In his valuable discussion of the Appellate Tax Board, at the National Association of Tax Administrators meeting in 1958, Mr. John Dane, Jr., Boston attorney and then Associate Commissioner of Corporations and Taxation, said:³

Despite some dissatisfaction on the part of officials of some municipalities whose assessments have been reduced upon litigation, it can be categorically stated without fear of contradiction that the Appellate Tax Board has served and continues to serve a highly useful purpose in the economy of the Commonwealth. Congestion of crowded court dockets by a flood of real estate tax abatement cases has been eliminated and the decisions of tax controversies have been centralized in a single, tax-sophisticated body. Its existence has proved to be a definite economic asset to the Commonwealth. . . .

Among Mr. Dane's conclusions were:

The course of events . . . would indicate, without qualification, the advisability of a tax court separate and distinct from the State tax department. . . .

Such a formal tax-appellate tribunal should be entirely outside of the regular State judicial system. Tax litigation differs so radically from the general run of the mill of court cases that a special expertise to be gained only by concentration on tax questions is essential for speedy and equitable settlement of tax controversies. . . .

Of course, no tax court is any stronger than the men who make it up. Make your statutory requirements for membership as stringent as you will, a Governor or other appointing agency can, by intention or inadvertence, make a mockery of it. One answer, of course, is an active and alert tax bar who will bring the pressure of public opinion to bear to secure the necessary high caliber of tax court judge. The success of the Appellate Tax Board of Massachusetts has been due not to the statutory provisions relating to the qualifications of its members, but rather to the judgment of her Governors and to the energy, ability, and integrity of their appointees.

³John Dane, Jr., *op. cit.*, pp. 40-41.

MICHIGAN

The organization for the assessment of property in Michigan is unusually complicated at both local and State levels. The result is that the tasks of interarea equalization of assessments and of supervision of primary assessing are more difficult than in most States. Over the past several years, however, the State has been making progress along both these lines, with a major factor the development of special tax agencies by some counties. To understand the problems, it is necessary to consider the organization at both State and local levels.¹

State property tax agencies. While Michigan has not levied a general property tax for State purposes since 1933, the State maintains a substantial role in property tax administration through three agencies: the State Board of Equalization, which has final authority for setting the State equalized valuations; the State Board of Assessors, which assesses certain utility property; and the State Tax Commission, which has broad supervision over the administration of the tax at the local level and supplies the data on which the other two agencies make their decisions.

The Tax Commission has three members, appointed by the Governor for 6-year overlapping terms, with not more than two to be members of the same political party. The commissioners shall have had at least 5 years' experience in the assessment or appraisal of real and personal property. The Tax Commission forms the core of the two other boards. The Board of Equalization has seven members, including the Tax Commission and four others appointed by the Governor, with one each to be experienced in rural property values, urban property values, valuation of industrial and commercial properties, and local government finance, respectively. The State Board of Assessors includes the Governor and the three members of the Tax Commission. The Tax Commission is the only one of the three agencies which has a permanent staff and it actually performs most of the administrative duties at the State level. These State agencies are now entirely separate from the State Department of Revenue, as a law enacted in 1960 removed the commissioner of revenue from membership on the Tax Commission and provided for a full-time chair-

man to be appointed by the Governor. (From 1945 to 1960 the commissioner of revenue, appointed by the civil service commission, had been an ex officio member of the Tax Commission.)

Assessing. The State Board of Assessors is responsible for assessing the operating property of railroads, telephone and telegraph companies, union stations, pullman, car loaning and other railroad properties. The basic work for these assessments is performed by Tax Commission staff, specifically the director of assessment of centrally assessable utilities and his assistants. When the final valuations are determined by the board, a tax is spread at the State average tax rate and the tax roll delivered to the commissioner of revenue for collection. Revenues derived from this utility tax, known as a "specific tax," are earmarked for the primary school fund and distributed to local school districts on the basis of attendance.

A member of the commission staff, director of assessment of conservation department-owned lands, is responsible for coordinating appraisals of some 215,000 acres of conservation land. He sets and distributes the assessable value, but actual appraisal is made in cooperation with the districts involved.

The State also has responsibility for assessing metallic mining property (iron and copper), but this is done by the State geologist, occasionally with aid of the Tax Commission. The values are certified to the local assessor for inclusion on the assessment roll, subject to the same review as other valuations.

A significant amount of miscellaneous property, especially locally assessable utility and industrial facilities, is appraised by the State in its program of aid to local assessors as discussed below. Intangible property, it may be noted, is not involved in the general property tax base as it is taxed separately by the State under legislation enacted in 1939.

Local assessing is the responsibility of some 1,800 local assessors—1,257 township assessors, 289 village assessors, and 244 city or city ward assessors. For the townships the assessor is the supervisor, an elected officer serving a 2-year term, but the township board may provide for appointment of one or two deputies to aid the supervisor in assessing and many of the larger townships employ full-time assessors. Villages and cities may elect or appoint their assessors and in most of the larger units the office is appointive, with varying terms.

In making his annual roll, the supervisor or assessor "shall estimate, according to his best information and judgment, the true cash value of every parcel of real property . . . [and] the true cash

¹ This section on Michigan is based primarily on the following sources: *Program of Property Taxation in Michigan*, an unpublished memorandum prepared by E. Sheldon Markle, Director of Field Administration, State Tax Commission; correspondence with Mr. Markle; and *Michigan Tax Study Staff Papers*, Legislative Committee and Citizens' Advisory Committee, Lansing, 1958, pp. 185-241.

value of all the personal property of each person, . . ." Assessments are subject to review by a local board, elected or ex officio in a wide variety of combinations, and appeal is to the State Tax Commission.

County equalization. The counties have no direct responsibility for assessing, but the board of supervisors of each county is required to examine the assessment rolls of the local units and ascertain whether the property "has been equally and uniformly assessed at true cash value. If, on such examination, they shall deem such assessments to be relatively unequal, they shall equalize the same by adding to or deducting from the valuation of the taxable property in any township, ward, or city . . . such an amount as in their judgment will produce a sum which represents the true cash value thereof." A local unit, or a board of education, aggrieved by the county equalization, may appeal to the State Tax Commission.

A major step toward improving this intracounty equalization process was taken in 1956 with legislation which provided: ²

The board of supervisors of any county may, by resolution of a majority of its members elect, establish or abolish a department to survey assessments and assist the board of supervisors in the matter of equalization of assessments, and may employ therein such technical and clerical personnel as in its judgment are deemed necessary. The board of supervisors may, through such department, furnish assistance to local assessing officers in the performance of any duties imposed upon such officers by this act, including the development and maintenance of accurate property descriptions, the discovery, listing and valuation of properties for tax purposes, and the development and use of uniform valuation standards and techniques for the assessment of property. Actions heretofore taken by the board of supervisors of any county in establishing a department and employing personnel for the purposes herein provided are hereby approved and ratified.

As a result of this legislation, and the example of Wayne County, which had pioneered with such a tax department years earlier, there were 24 of the 83 counties which had such agencies to aid in county equalization early in 1963. Additional counties were considering plans for creating equalization departments.

The scope of the work of the county equalization departments varies widely. While the general duty is to aid the supervisors in equalization, this may have very broad ramifications as indicated by the law. Some of the smaller counties which have adopted the plan have a staff of one; others have several fieldmen and office clerical help. In some of the counties the staff is larger, such as 17 in Oakland County (which had a 1962 equalized value of about \$2 billion), and 72 in Wayne County (with a 1962 equalized value of almost \$9 billion).

² Act 30, P.A. 1956 as quoted in *Program of Property Taxation in Michigan*, *op. cit.*, p. 14.

The staff of the Wayne County Bureau of Taxation is not only the largest, but its work is much the most comprehensive, of the county tax agencies. While the large cities such as Detroit and Dearborn have their own assessing operations, most of the smaller units make extensive use of the county services and facilities. For such assessment units the county prepares the assessment roll with recommended values for each real property description and delivers it to the assessor, while the assessor prepares the personal property section of the assessment roll. A county staff member sits with the local board of review to explain the values recommended. Some units accept the county recommendations, others accept building but not land valuations, some ignore the county recommendations. In any event, the assessment is the responsibility of the assessor and the board of review; the county bureau does not substitute for a county assessor. When the assessment rolls have been certified by the local boards of review, the Wayne County Bureau of Taxation prints a tax roll and spreads the tax levies for many of the assessment units, with reimbursement from such units for this service to meet part of the bureau's budget. Approximately half of the Wayne County bureau staff works on the valuation and mapping, while the other half works on the processing of levies, etc.

No other county does as much as Wayne in the recommendation of assessments and billing of taxes, but it is usual for a county equalization department to work with assessors on specific problems. Such departments also make available to the assessors results of their own field appraisals, land value studies, personal property audits, etc. Some county equalization departments use their specialized equipment to print assessment and tax rolls for the local assessors, but without entering the valuations. Some counties which have no equalization departments perform similar services, maintaining a county Addressograph department which prints rolls and clarifies descriptions.

"The development of county departments of assessment and equalization, as an agency of the county board of supervisors," says Mr. Markle, "has made a very significant contribution toward better assessment and equalization."

State aid to local assessing. The State Tax Commission duties prescribed by law include general supervision over local assessing officers "to the end that all the properties of this State liable to assessment for taxation shall be placed on the assessment rolls and assessed at their actual cash value" . . . ; and the commission shall render such assistance and give such advice and counsel to the assessing officers as they may deem necessary and essential. . . . In carrying out these functions the commission has developed a program of aid to local assessing units, including assistance with specific appraisals, extensive aid in connection with the State equalization

discussed below, and such tools as a manual with related materials and a varied training program.³

A brief description of the organization of the Tax Commission staff helps to clarify how its supervisory functions are carried out. In addition to the central staff, which is grouped into sections specializing in various aspects of the work, there are eight district offices representing the commission at the local level. One of these districts is Wayne County, the others all include a group of counties to combine similar property types and to simplify workload problems. Each district has a supervisor with a staff of from 2 to 11 appraisers. The central staff includes the commission secretary, who is administrative head, the director of field administration in charge of all fieldwork, and special sections for research and statistics, locally assessable utilities, industrial appraisal, chief engineer, conservation department-owned lands, and centrally assessable utilities. The entire Tax Commission staff is classified under the State civil service system, and new employees, after meeting basic requirements, are selected through open competition.

One function of the district personnel is assistance to local assessors in specific appraisal problems and in advice on routine operations. Many local requests are for assistance in appraisal of large industrial properties, and for such appraisals the central State staff may be called on. Similarly, the central staff does much of the work on locally assessable utilities, gas, electric light and power, waterworks, pipelines, etc. For such utilities the State normally, as part of its equalization studies, appraises all the personal property in the units being studied. A representative sample of the utility real property is appraised also, with results of both made available to local assessors. Frequently the State appraisals are used directly by the assessors, sometimes they are adjusted, but the work of the State staff in the two important fields of large industrial and locally assessable utility properties contributes materially to interarea uniformity of such assessments. Also there is usually direct contact in such work between State staff, central and district, and the staff of the county

equalization departments, as well as the local assessor.

Two especially useful tools have been distributed to Michigan assessing officers over the past decade—an appraisal manual in 1956 and a compilation of property tax laws in 1954. The manual, developed with the aid of the university, the assessors' association, and various other agencies, was to fill a need for a common book of rules and guides to property valuation. The manual included valuation formulas, cost schedules, sample appraisals for various types of property, a description of equalization procedures, etc. The manual was reprinted in 1958 and there have been a number of important supplements with special schedules, pricing guides for various types of property, variations, and other technical bulletins and releases. The use of the manual is made mandatory under a 1962 law, so that, starting with 1964 assessments, all assessing officials "shall use only the official manual or manuals, with their latest supplements as prepared or approved by the State tax commission as a guide in preparing assessments." One interesting aspect of this law is that private firms doing reappraisal work in Michigan seem to be more careful than formerly that their approach to value parallels that of the commission.

The property tax law compilation, made under the supervision of the Auditor General in cooperation with the Legislative Service Bureau, includes law, pertinent judicial rulings, and opinions of the attorney general. It was prepared to provide assessors with a ready source for this basic material. The Tax Commission issues bulletins keeping the material up to date.

In addition to the bulletins supplementing the manual and the legal compilation, the commission issues material on administrative procedures, submission of budgets, allocation of available taxes, etc. The staff is also a contributing sponsor for a less formal publication, *The Michigan Assessor*, a quarterly established in January 1959.

Several schools and related training programs are maintained. The State Tax Commission, in cooperation with the University of Michigan, the Michigan Assessors' Association, and the Michigan Municipal League, holds an annual "Short Course" at the University of Michigan. This school, which had its 16th session in 1962, is a 3-day meeting planned to meet current needs. The program covers general subjects and demonstration appraisals, and is also used to teach new techniques when they are ready for statewide adoption. The proceedings are published. An interesting feature of this school is a "test" taken on a voluntary basis by those who attend (but without identification except as to the length of their assessing experience) as a means of evaluating the program, of finding areas needing more emphasis, and checking the success of the speakers in getting their material

³A major mapping project, currently an important phase of State assistance in some States, was undertaken in Michigan in the 1930's. Starting in 1935 the State Tax Commission, with the cooperation of the Resettlement Administration and the WPA, inaugurated a Rural Property Inventory Project. Tax maps were prepared for each township and every parcel was coded, with a corresponding property inventory card. The record cards were completed from field trips and included such details as: ownership, property description, code, type of road, utilities available, building description, land map showing fields, cropland with rating, pasture, woods, orchard, marsh, topography drainage, soil composition, and other details. Previous records showed many errors which were corrected during the mapping process. A complete set of maps and property cards was furnished to each township supervisor. A set of cards for every rural property, with coded tax maps, was filed with the State Tax Commission.

understood by the group, etc. A more recently developed school is a conference held annually at Michigan State University where special emphasis is given to rural problems but where there has also been emphasis on the use of the manual and other new materials. Another school is held each year in the Upper Peninsula to concentrate on the problems indigenous to this area, including mineral and timber properties. In addition to these three regular annual sessions, there are many district and county conferences and training sessions in which State staff members participate, and some of such meetings are regarded as especially effective, bringing together relatively small groups with common interests and problems. Some counties hold special training schools for their own personnel.⁴

Tax Commission Review of Appeals. The law provides, as noted above, that the Tax Commission shall hear appeals of taxpayers on their assessments, of local units from values as equalized by county boards, and of local units from the allocation of taxes under the rate limitations. For each type of appeal the decision of the Commission is final. Discussing the first type of appeal, the Tax Study said, "Should the commission offer no redress the taxpayer usually has no further recourse, for the courts will not ordinarily review a decision of the commission unless there is evidence of fraud somewhere in the assessment process."⁵ To secure the information on which to base its decisions, appeals are investigated by the staff. Such investigation may require one or more appraisals, or even a partial equalization study. The individual appeal load has been unusually heavy in recent years, increasing from 891 in 1958 to 1,373 2 years later, and was 1,215 in 1961, with some of the appeals involving as many as 100 separate assessments.

State equalization. A primary function of the commission, to which much of its work is directed, is intercounty equalization. Tax Commission duties specifically include: "To furnish the State board of equalization at each session thereof an estimate of the actual cash value of the taxable property of each county in the state. . . ." It is the duty of the board "to equalize the same. . . ." The Tax Commission staff continuously studies the county valuations.

The basic procedure for equalization studies is an evaluation of the individual counties, with a sampling whereby the valuation at the cost level used throughout the State is determined for each separate assessment unit. Each assessment roll is classified by standard categories and a sample

chosen. Sample properties are appraised, and appraised values compared with assessments. This is done separately for each class and—

After the assessed valuation for each classification has been extended in the same ratio as was determined from the appraisals in each sample, the total valuation for the assessment unit is found by adding the equalized valuations for all of the classifications. This process is repeated in each of the townships and cities that make up the total county. The total county valuation is found by adding the equalized valuations for all of the units in the county. This entire process is independent from the county equalization process.⁶

Maintaining the completed equalization study is effected in considerable measure by the use of new and loss reports. These reports are required annually from each assessing officer and include not only the lost or new property but changes resulting from any change in the level of assessing.

It is pointed out by officials that a description of their procedure might suggest that Michigan depends on appraisals rather than sales in developing equalization data, but that this conclusion is not accurate. In a normal county evaluation there are as many sales examined as there are appraisals, and sales are used to adjust appraisal schedules. The samples used include property recently transferred as well as property which has not changed hands, and many land appraisals are of the comparative type, using current sales data.

A complete new evaluation is required by law to be made every 5 years, but in practice this is not achieved. There is, however, almost continuous coverage in the faster growing areas. The method of investigating appeals, making appraisals on request of local units, and working with county equalization agencies actually produces a substantial sampling each year. Such work is supplemented by additional studies to round out samples to the necessary size and quality. Some of the counties, moreover, now do their own extensive work, perhaps following a 2- or 3-year cycle, and State and county efforts are coordinated. The overall result is that some counties may be evaluated, or partly studied, two or three times, while a slower-growing county is studied only once.

The constitution has provided that assessments should be on property at its cash value. The State Tax Commission does not issue statements as to the level of State equalization for legal reasons, but unofficial reports place the State equalization level at approximately 50 percent of current full value. Under the new constitution, approved by the electorate in April 1963, while the true cash value of property is to be determined, assessments will be at not more than 50 percent of such value (starting in 1966). The new constitution provides, article IX, section 3:

⁴ *Program of Property Taxation in Michigan, op. cit.*, p. 22.

⁵ Macomb County, in cooperation with Michigan State University, has held a school 1 night a week for 16 weeks, for its assessing personnel. *Assessors News Letter*, February 1960, p. 14.

⁶ *Michigan Tax Study Staff Papers, op. cit.*, p. 211.

The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization of assessments

The State equalized value in Michigan is of major importance as the base for fixing taxing and borrowing power. This use of the State figures is under a 1954 decision of the Michigan Supreme Court in the *Pittsfield* case⁷ and legislation of 1960. The situation is summarized by Mr. Markle as follows:⁸

. . . the Michigan Supreme Court ruled there is a single tax base or value—the assessment as placed on the roll and approved by the local board of review and as equalized through the intracounty action of the County Board of Supervisors and through the intercounty action of the State Board of Equalization. This ruling applies for townships, counties, cities, and schools and has since been spelled out in statute in the Municipal Finance Act. This act, Act 42, P.A. 1960, states, "Sec. 3. The terms 'assessed valuation,' 'valuation as assessed,' 'valuation as shown by

⁷ *School District No. 9, Pittsfield Township, Washtenaw County v. Washtenaw County Board of Supervisors*, 341 Michigan 388 (1954). For interesting discussions of this case, see *Michigan Tax Study Staff Papers, op. cit.*, especially p. 337 ff., and Robert H. Pealy, *A Comparative Study of Property Tax Administration in Illinois and Michigan*, University of Michigan, 1956, pp. 90-98.

⁸ Letter of Feb. 28, 1963.

the last preceding tax assessment roll,' or similar terms, used in any statute or charter as a basis for computing limitations upon the taxing or borrowing power of any municipality, shall be deemed to mean the valuation as finally determined through the process of equalization.'

The emphasis on intercounty equalization, and the supreme court's decision on the use of the State's equalized values, have received some criticism, the Michigan Tax Study Staff Papers saying, "We feel that the emphasis has been on the wrong end of the property tax administration process. . . . The present State equalization system cannot remedy the defects in the individual taxpayer's assessments."⁹ The Tax Commission, however, apparently believes that a gradual improvement toward the goal of uniformity is being effected at all levels, saying:¹⁰

The facts are these:

1. The information upon which the State Board of Equalization acts is constantly improving, but it is not yet as up to date as is required by the Michigan Constitution.
2. The counties do a better job every year of intracounty equalization, but most counties could still be improved considerably.
3. Some assessors do a very good job of assessing, but most assessors have one or more types of property which are not uniformly assessed.

⁹ *Staff Papers, op. cit.*, p. 240.

¹⁰ *Program of Property Taxation, op. cit.*, p. 16.

MINNESOTA

Minnesota's property tax is distinguished by its complicated classified system, by the very large number of assessing districts, and by the State's continuing concern with improving the base as well as the administration of the tax. This concern, evidenced by forward-looking recommendations of study groups and official agencies, has resulted in some progress since World War II, but most of the recommendations still await favorable legislative action.¹

Tax base. Materially affecting property tax administration in Minnesota are several distinctive aspects of the tax base, especially the classified system, the method of taxing railroad and some other public utilities and provision for certain exemptions.

The most recent action in this field involved exemptions. Prior to 1959 there was in effect an exemption of personal property of every householder up to \$400 of full and true value. In 1959 the legislature removed all household goods from the valuation to be used for the statewide tax levy and authorized the elimination of such property for local levies at the option of the counties. In 1960 the Department of Taxation reported that 19 counties (of a total of 87) had already repealed the local levy on household goods, and in 1962 there were 29 counties which had done so.

Two other especially significant types of property are excluded from the tax base. Intangibles have not been subject to property taxation since 1945 when a low rate money and credit tax was removed (after suspension 2 years earlier). Homestead property is exempt from the regular State-level property tax (a small fraction of the total levy) on up to \$4,000 of full and true value.

Under Minnesota's property tax system all taxable property is divided into classes (4 when the classification system was started in 1913, and 15 early in 1963). Property is valued by the assessors at "full and true value," which in practice is a fraction of current market value. "Assessed value" is determined by applying to the "full and true value" the various classification percentages fixed by statute. The classification percentages range from 5 to 50 (for electric distribution lines for sale of electricity to farmers and for iron ore, respec-

tively) and include, for example, 20 percent for the first \$4,000 of full and true value for rural homesteads, 25 percent for the first \$4,000 of full and true value of urban homesteads, 33⅓ percent for nonhomestead property rural in character, and 40 percent for urban real estate, including urban homestead valuation, in excess of \$4,000.

Certain major utilities are taxed on gross earnings, with the tax regarded as a property tax and the earnings the measure by which the tax is determined. Railroad companies, telephone, telegraph, freight line, sleeping car, and express companies are in this group. However, railroad property used for nonrailroad purposes is subject to the regular ad valorem property tax, and while the gross earnings tax applied to other public service corporations is in lieu of property taxes, it does not exempt them from regular ad valorem taxes on property owned and not used in their operations. The gross earnings tax is a State tax, levied and collected by the State. Other utility property is taxed on an ad valorem basis, with assessing responsibility part State and part local as noted below.

Organization for assessing. In 1947 Minnesota made the first significant change in assessment procedure since the State was admitted to the Union in 1849.² Prior to 1947 assessing was the function of some 2,700 local assessors, one elected in each city, village, and township. The 1947 law provided that each county should have an assessing officer, but did not abolish the local offices. Under the new law the county commissioners were to appoint either a county assessor or a county supervisor of assessments, the choice as to which being left to the counties. By 1950, 43 counties had adopted the county assessor plan and by the close of 1962 the number had increased to 58, leaving 29 counties with supervisors of assessments. Under the county assessor plan the county assessor has the responsibility of making the actual assessments with the assistance or advice of the local assessors. Under the supervisor system local officials make the assessment with the aid and guidance of the supervisor. There are still about 2,600 assessors. Of this total, 115 are full-time officials.

The chief county assessing officer—assessor or supervisor—is appointed subject to confirmation by the State Commissioner of Taxation. The law provides that the appointee be a resident of the

¹ Major sources of information for the material following are: *Minnesota Department of Taxation, Report to the Governor and the Legislature for the 27th Biennium, 1959-60*; correspondence with State Tax Commissioner Rolland F. Hatfield; and *Report of the Governor's Minnesota Tax Study Committee, 1956*.

² G. Howard Spaeth, "Recent Improvements in Assessing Procedure in Minnesota," *Tax Policy*, Tax Institute, Inc., 1950, p. 14.

State and be selected because of knowledge and training in the field of property taxation. State participation usually consists of helping the county board to review applications, which are submitted on a form provided by the State, and, if requested, sitting in on oral examinations. The county assessing officers are appointed for 4-year terms and reappointment is customary. The Minnesota Association of Assessing Officers and the League of Minnesota Municipalities have both been concerned with possible recommendations to be made to the legislature on establishment of minimum qualifications, certification by the State of competent assessors, and abolition of residence requirements.

In 1959 the legislature enacted measures designed to reduce the number of part-time assessors and small-assessing districts. It authorized two or more units to join to employ an assessor and permitted local units to use assessments made by the county assessing officers. Thus far no units have taken advantage of the joint-hiring provision, but in four counties some local units have contracted for assessment services to be performed by the county offices.

Administration of the property tax at the State level is one of the functions of the State Department of Taxation which also administers most major State taxes. The head of the department, the commissioner, has certain specific property tax functions, and the department has a Property Tax Division to handle most of the State property tax work. This division, which had a staff of 14 at the close of 1962, has 2 sections, 1 doing industrial and public utility valuations and 1 section of appraisers available for aid to local units. The department has a Research and Planning Division which does some property tax work, including the important, regular assessment ratio study.

Utility property subject to the regular ad valorem taxes, as already noted, is assessed in part by the State and in part by local units. The State Commissioner of Taxation is responsible for personal property of electric rural transmission and distribution lines, transmission lines of cooperative electric associations, pipelines and attached equipment, and flight property of commercial airline companies. The situation as to other utility property and the important iron ore was described in 1956, as follows:³

Other utility property subject to ad valorem taxation is originally assessed by the local assessor. However, because of the difficulty of valuing this type of property most local assessors make no effort to assess utility property accurately. The Tax Commissioner maintains a centralized system of utility valuation and makes wide use of his power to change utility assessments as Commissioner or while sitting as the State Board of Equalization.

Legally iron ore is assessed by the local assessor and then reviewed by the local board of review and the county

and State boards of equalization. In actual practice, however, iron ore valuations are made by the mining division of the Department of Taxation.

Educational and other aids to assessors. Minnesota considers its educational program for assessors as one of the most important functions of the Property Tax Division. The division conducts an annual school for county assessing officials and county or regional schools for local assessors with attendance required. An annual school held at the university has become a graded course, with examinations, and special certificates awarded to those who pass the 3 years' school. There is also an advanced seminar at the university limited to 30 students enrolling for an intensive 1-week course covering four subjects. The University Institute of Agriculture initiated in 1962 five regional 2-day courses for assessors. In 1961 the Minnesota Association of Local Assessors (one of the two assessors' organizations in the State) and the university developed a series of three correspondence courses for assessors.

The Department of Taxation began in 1960 the distribution of a monthly bulletin on the property tax to keep assessors informed of court decisions, department rulings and directives, and other technical and practical material. This bulletin is planned primarily for full-time assessors.

The State also supplies detailed assessment instruction through a manual, usually revised biennially, and lists of suggested values for items of personal property. It prescribes forms for real and personal property assessing, including real estate field cards, personal property lists, inventory forms, etc.

In addition, State staff members are available to work with county and local assessors in appraisal of industrial, farm, and other special properties. At the close of 1962 five trained appraisers constituted the staff for this service—not quite enough to keep current with the requests for assistance.

Ratio studies. Sales ratio studies were initiated in the early 1950's by the Equalization Aid Review Committee to provide it with data necessary for the proper distribution of that part of State school aid which was designated for equalization. The first ratio study, prepared for the Committee by the State Department of Taxation, was issued in 1955 and the studies have been made regularly since then. At the present time the ratio studies are directed by the Tax Department's Research and Planning Division, which has been strengthened for this purpose by the addition of a full-time supervisor. While primarily a sales ratio study, sales data are supplemented by appraisals made by the field staff of the equalization aid review section with advice from the specialists in the Property Tax Division.

The ratio study data formerly were published in summary form in the Department of Taxation biennial report. The 1960 report gives the property

³ Report of the Governor's Minnesota Tax Study Committee, St. Paul, 1956, p. 158.

assessment ratios for each county, by classification, based on true and full value of property as determined in the 1958 assessments of real property. The statewide ratio, and the range for the 87 counties in parentheses, for each class, were as follows: Total ratio, 34.2 (19.8-45.7); Residential, 29.3 (15.9-36.5); Commercial, 38.1 (19.8-42.7); Industrial, 35.5 (9.1-43.2); Public Utility, statewide ratio not published (39.7-48.7); Lakeshore, 17.0 (9.2-34.4); Farm, 36.5 (17.5-57.0).

The primary use of the ratio studies is still in connection with distribution of part of the State school aid, but they are used also as guides in the equalization work of the State. In this latter use they are indirectly a factor toward equalizing the impact of the State tax levy.

Tax Study Report of 1956. The report of the Governor's Minnesota Tax Study Committee, presented at the close of 1956, made important property tax recommendations. While most of the recommendations have not yet received favorable legislative action, they point toward possible improvements for Minnesota—and many other States. Some of the recommendations are noted briefly below.⁴

As to the personal property tax the committee recommended that household goods be eliminated from the tax base (reducing the classification rate from 25 percent to zero) and that the classification rates for manufacturers' inventories and farm inventories and livestock be reduced from 33 $\frac{1}{3}$ and 10-20, respectively, to zero; that the rates for wholesale and retail inventories be reduced from 33 $\frac{1}{3}$ to 20 percent; and that other class rates not be changed. It proposed that debt and other limits be adjusted to compensate for loss of taxable values and suggested revenue replacements. Under 1959 legislation a start has been made toward elimination of household goods, as noted above in the section on "Tax Base," as this class of property is now exempt from State property taxes and from taxes in 29 counties.

The committee recommended a county assessor system with city assessors if desired in cities over, say, 20,000 population, with all assessors and staffs to be appointed by local authorities from a statewide list of qualified persons established by the State Department of Taxation; that with the appointment of qualified assessors on a merit basis, authority be given county assessors to inspect the property records of taxpayers; that the State Department of Taxation be given primary responsibility for assessing complex and difficult types of property; that the authority of the commissioner of taxation to inspect the books of taxpayers and the authority of local assessors to refer business inventory problems to the commissioner for his recommendation be confirmed; that the staff of the State department be

increased and strengthened to carry out the added responsibilities.

In the field of review and equalization, the committee recommended: that provision be made for effective equalization, intercounty and as between locally assessed and State assessed property; that until all property is assessed at current market value, the assessor be required to post a public notice stating the percentage of current market value at which he is assessing each class; that provision be made for fast, easy, and economical redress at administrative levels and for final judicial review if a taxpayer can show he is overassessed relative to the posted ratio or to the general assessment level in his district; that the ratio studies be continued and adequately supported by appropriation; that the State tax levy be spread on the basis of the equalized values as established with the aid of ratio studies, but with due regard for special problems of iron ore or other State assessed property. In its consideration of appeals, the committee report noted: ⁵

The relatively few appeals from assessments that are taken, despite the poor quality of assessment, indicate that taxpayers either do not realize how unfair the assessment is or that they feel that appeal will do little good. . . .

One of the most essential requirements for improvement in the Minnesota property tax is the introduction of a simple, inexpensive means of providing redress to the taxpayer whose property is relatively overassessed. Insistence upon the use of current market value as the basic valuation criterion and requiring the assessor to post an assessment ratio, as in Oregon, together with a provision requiring the taxpayer to demonstrate only that his property is valued at a level higher than the established criterion, should accomplish this objective.

The committee also recommended that assessments be put on a current market value basis and kept there. It recommended that a complete reappraisal of all property subject to taxation be made on the basis of 100 percent of current market value. With such reappraisal made over a period of about 6 years, the new assessments would go into effect the seventh year and thereafter all property tax levies should be spread on the assessment base established by the 100 percent of market value determination. When the change is made, limitations on tax levies and debt should be adjusted appropriately. In summarizing reasons for these recommendations on current market value assessment, the committee said: ⁶

The property tax remains the single most important tax base in our State and local tax structure, and is the tax base for supporting local government functions. The failure to maintain an accurate and equitable assessment of property strikes at the foundations of local government, and should be corrected for this, if for no other reason.

Governor's Property Tax Administration Committee. In 1962 Governor Andersen and Commissioner of Taxation Hatfield developed a plan for

⁴ *Report of the Governor's Minnesota Tax Study Committee, op. cit.*, pp. 572-577.

⁵ *Ibid.*, p. 208.

⁶ *Ibid.*, p. 577.

a special nonpartisan committee to consider administration of the property tax. The committee, which included representatives of the legislature and various interested organizations, submitted its report in January 1963.⁷ The committee made some specific recommendations; it also reported some points on which it reached agreement or decisions, but without making recommendations. The recommendations included: adoption of an average monthly inventory system of assessing personal property; a change in assessment date to allow more time for assessors and other officials to do the work required in making the assessment; provision for fixing tax situs of personal property in the district where located; requirement that all taxpayers file personal property tax returns by a specified date with penalty for failure to file; registration of boats and motors, with taxation at the same rate as mobile homes; appointment of a Legislative Interim Committee to study the problem of exemptions from real estate taxes; and several technical changes.

On the subject of assessment levels, the committee noted the statutory requirement that property be valued at its market value and the practice of valuing property at a fraction of market value.

⁷ *Report of the Governor's Property Tax Administration Committee, 1962*, St. Paul, 1963.

The inequalities in assessment levels, both inter-area and interclass, were considered. "There was general endorsement of the importance of increasing assessment levels to full market value. It was also agreed that legislative endorsement of a progressive increase to the assessment level would be helpful and desirable."⁸

The committee considered the importance of having qualified assessors and agreed that all assessors should be appointed rather than elected. They agreed that in the case of township assessors, such appointment should be by the town boards, with the assessor not necessarily a resident of the township he is to assess, and with elimination of the 90-day period of assessment. As to county assessing officers, the committee agreed that every effort should be made to obtain qualified and experienced officers. They resolved that a bill should be introduced to appoint a board, consisting of the Commissioner of Taxation and representatives of the Minnesota Association of Assessing Officers and of the County Auditors', County Attorneys', and County Commissioners' Associations, to recommend minimum standards for county assessing officers and to establish a list of eligible and qualified applicants, but without requiring selection from the list.

⁸ *Ibid.*, p. 4.

MISSISSIPPI

Mississippi made a notable change in its constitution affecting property tax laws in 1960 when it amended its constitution so as to change the basis of assessment. Prior to 1960 the constitution had provided for assessments according to true value. As amended, the constitution, section 112, provides "Property shall be assessed for taxes under general laws, and by uniform rules, in proportion to its value." This amendment was described as an attempt "to legalize existing practice."¹

The same section of the constitution was amended in 1958 so as to permit a special mode of assessment for taxing of motor vehicles, and in 1958, following this amendment, the legislature enacted a motor vehicle assessment law requiring the State Tax Commission to prepare a detailed schedule of motor vehicle values for distribution to county assessors. This uniform schedule is to be used by all counties.

Assessing is a joint function of State and local agencies. The primary local assessing official is the county assessor, with the county board of supervisors having authority to equalize assessments, including the power to change individual assessments. The municipalities also have assessors and they may copy the county roll or do their own assessing; if they do their own, the municipal governing body has equalizing powers. A recent Tax Commission report noted "Municipal . . . Property is assessed at an average of 51 percent higher on the municipal rolls than the same property is assessed for on the county rolls."²

The State Tax Commission assesses public utility property and has general supervision of local

assessing. This includes the power to equalize among counties by classes of property, but the commission may not change an individual assessment. The commission said in 1961:³

Equalization of individual assessments is a never-ending task. The Tax Commission constantly works toward equalization through suggestions, to the responsible county officials, and by a continuous study of assessments of public utilities.

The State Tax Commission has three members, with one designated as ad valorem commissioner.

A homestead exemption plan provides exemption to \$5,000 of assessed valuation from taxes for State purposes and certain local purposes, including municipal separate school districts. The loss of revenue to the local units is reimbursed to them from State revenues. A division working under the Tax Commission administers the homestead exemption law, assisting assessors in handling applications, checking applications, the homestead assessments, and the money paid by the State in reimbursement. In 1938, the first year of homestead exemption, the county eligible homes numbered 146,834; in 1961 the number was 306,244. Reimbursements in 1938 totaled \$2,877,154, and in 1961, \$11,642,844. A breakdown of the tax loss claimed for 1960 shows 65 percent for school, and 35 percent for county, purposes. General municipal taxes are not subject to the homestead exemption. The commission reports that in the 23 years of homestead exemption, through September 30, 1961, the State had made total reimbursements of \$152 million and had waived State property taxes of \$16 million. One step toward limiting the exemption—and reimbursement—was taken in 1952 when it was provided that the ratio of homestead-exempt property to nonexempt real property could not be increased above the 1950 level.

³ *Ibid.*, p. 3.

¹ Edward H. Hobbs and Donald S. Vaughan, "Constitutional Amendments in Mississippi," *National Civic Review*, February 1961, p. 95.

² *Property Assessments and Ad Valorem Taxes*, Mississippi State Tax Commission Service Bulletin No. 61 AD and HE, 1961, p. 25.

MISSOURI

Property tax administration in Missouri is under the general supervision of the State Tax Commission. This commission—three members appointed by the Governor for 6-year, staggered terms—is legally within the State Department of Revenue, but the director of revenue has no supervision, authority, or control over the actions of the commission as relate to its duties prescribed by law. The Tax Commission has primary responsibility for assessment of utility property as well as for supervision of local assessing of other tangible property. It also serves as a State appeal board for property and certain other taxes. Since the adoption of the present constitution in 1945, property is classified for tax purposes as real, tangible personal, and intangible. Real and tangible personal are taxed ad valorem; intangibles are taxed on the basis of income and administered separately by the Department of Revenue. There is a small State ad valorem tax on real and tangible personal property.

Local assessing is principally the function of the county assessor, but 24 of the 115 counties use a township assessor system. Under the township system, which became optional with the counties after adoption of the 1875 constitution, the township clerk is ex officio assessor. Assessors, both county and township, are elected officials, except for St. Louis County and the City of St. Louis (the latter is separate from the county), where assessors are appointed.

Supervision and assistance. The State Tax Commission has general supervision over all the assessing officers of the State and over county boards of equalization and appeal in the performance of their duties under all laws concerning the general property tax. Supervisory and assistance activities include at least one visit each year to each county by a member of the Commission or an authorized representative to inquire into the methods of assessment and taxation and ascertain whether officers are faithfully discharging their duties, development of assessment blanks which assessors are required to use (the blanks distributed to assessors by county clerks at the expense of the county), publication in 1957 of an assessor's manual, assistance in making assessments, annual assessors' meetings, and the collection of information pertinent to assessment problems.

In its assistance on assessing, the commission staff has made appraisals and determined valuations on properties which, because of their size, intercounty operations, or technical nature, presented problems

beyond the administrative facilities of the local officials, and it gives assistance in valuing all types and kinds of special properties. Such aid in assessing is advisory and is given without charge to the local unit. About four field agents are available for such part-time advice and assistance. In its 1960 report, the commission noted that its assistance in assessing was increasing and said, "The beneficial results derived from this practice of lending our assistance are manifold. The local official approaches his labors with increased confidence, better valuations and equalizations result, and the moral effect is such that resistance to the local assessor is greatly reduced."¹ The commission also said, "Our local assessors are in urgent need of more substantial assistance from the State. . . ."²

The commission holds annual meetings with the assessors. A meeting at Jefferson City is held for all county assessors and county clerks, and meetings are scheduled at county seats for township assessors. Assessors receive a per diem payment and reimbursement for transportation costs when they attend such meetings.

Two counties have recently had complete appraisals, using outside consultants. The State had no part in directing or supervising these projects.

Equalization. In the mid-1950's the Tax Commission decided to improve equalization among the counties and after some research it "adopted a policy of not accepting an aggregate assessment from a county of less than 30 percent of market value, the 30 percent being a floor only."

. . . the State Tax Commission in 1955 issued, for the first time in many years, equalization orders of any consequence, resulting in an increased valuation to the State of \$1,061,000,000.

These orders were issued to 26 counties scattered throughout the State, all of which showed an assessment of 20 percent or less of market value. And in 1956 orders were issued to the remaining 61 counties all below the 30 percent average. In some cases the increase was 100 percent. One county refused to comply with the commission's order; therefore, a suit was filed in the Supreme Court of Missouri, which resulted in the court ordering the county to comply with the order issued. This last action brought all counties in the State to a minimum of 30 percent of market value, or an average for the State of approximately 33 percent of market value.³

¹ 15th Annual Report of the Proceedings and Decisions of the Missouri State Tax Commission, for the year ending Dec. 30, 1960, p. 17.

² *Ibid.*, p. 16.

³ James M. Robertson, "Property Tax Equalization Program in Missouri," *Proceedings of the National Tax Association at Columbus, Ohio, 1957, 1958*, p. 166.

The commission plan was to concentrate on a limited number of counties the first year in order to permit ample time for the members to visit each county and to explain statutes and procedures. Emphasis was placed on the fact that the assessed valuation is not the controlling factor in the amount of taxes to be paid on a given property and that the Tax Commission has no jurisdiction over the units making the tax levies.⁴ It was also pointed out that intracounty equalization was a function of the county board of equalization, not of the Tax Commission (except as the latter might be involved through appeals). During this program the commission secured excellent cooperation from important newspapers.

Since 1956 the commission has endeavored to maintain the level of assessment at 30 percent, but with less drastic action than in the 1955 and 1956 period. However, in 1962 there were 16 orders directing per centum increases in realty assessments.

⁴ Legislation enacted in 1955 required that when the assessed valuation within a county was increased by 10 percent or more over the prior year's valuation the tax rate must be reduced so as to produce the same amount of revenue as was produced under the old assessments and rate. School districts, however, were permitted to use a rate sufficient to produce the same amount as previously plus an amount sufficient to offset any reduction in school aid resulting from the increased valuation. (*Equalization Programs and Other State Supervisory Activities in the Property Tax Field*, Federation of Tax Administrators, 1957, p. 4.)

A constant check on the level of assessment is made through field contacts and real estate sales ratio studies. Assessors are required to report regularly to the Tax Commission on sales of real property and related assessed valuations, and the data are under continuous scrutiny by the commission staff. The Tax Commission does not publish results of its own ratio studies, but its findings are reported to check rather closely with those developed by the Missouri-Arkansas Utilities Association and tendered to the commission. This privately made real estate sales ratio study, the most recent one based on 1960 sales and 1961 assessments, and covering over 19,000 sales in the 115 counties, found county averages ranging from 18.50 to 40.08, but with most counties between 24 and 33 percent, and a statewide average of 28.86 percent.

Tax Commission recommendations. Recommendations made by the Tax Commission in its recent reports indicate that this State agency has several basic suggestions for strengthening property tax administration. Such recommendations include: provide aid to assessors in third- and fourth-class counties for reappraising real property; require warehouses to report owners of stored merchandise; require that the Tax Commission equalize valuations among townships in counties using township assessing organization; allow the Commission to issue procedural rules and set assessing standards; provide revenue stamps to be placed on deeds before recording.

MONTANA

Montana is one of the States which makes relatively substantial use of the property tax for State purposes—in this case principally for the university. It is also one of the States which has a rather complicated form of property tax as it uses a classified system.

Classification. Under legislation enacted in 1919, all property is divided into classes, with each class to be taxed on a specified percentage of its full and true value. There are now six classes of property, with the taxable percentages ranging from 7 to 100 percent. Major components of the classes include: (1) Net proceeds of mines, taxed at 100 percent; (2) household goods and furniture, wearing apparel, agricultural and other tools and machinery, automobiles, watercraft, etc., 20 percent; (3) livestock, poultry, stocks of merchandise, and furniture and fixtures used therewith, office or hotel furniture, 33 $\frac{1}{3}$ percent; (4) land, town and city lots, improvements, manufacturing and mining machinery, except as included in class 5, 30 percent; (5) moneys and credits except moneyed capital employed in the banking business, poles, lines, etc., used by rural electric and telephone cooperatives, unprocessed agricultural products except livestock and poultry, 7 percent; (6) now none; and (7) all property not in preceding classes, 40 percent.

The total taxable value in Montana in 1960 was about 30 percent of the assessed value—but the assessed value did not represent the full value which is the theoretical basis for the classification. A recent Legislative Council study, as noted below, suggests the need of a careful review of the classified tax system in Montana.

Board of Equalization. The Montana constitution provides for a State Board of Equalization of three members appointed by the Governor for 6-year terms. This board is the chief tax agency of the State and is responsible for the administration of all State tax laws. With respect to the property tax, the board assesses intercounty property such as utilities and the net proceeds of mines, has broad supervisory powers over local assessing, and has specific equalization duties prescribed by the constitution.

The property assessed by the State accounts for a notable part of the total. In 1960 the taxable value of utility lines (allocations) and of net proceeds of mines amounted to 24 percent of the total taxable values.¹ The board suggested in 1958 that the

assessment of large units of industrial property “a problem for local assessors for some time” also might be handled by the State, and the assessments returned to the local assessors.

For all property other than that assessed by the Board of Equalization, primary responsibility for assessment rests with the 56 county assessors. The county assessor, an office provided for in the constitution, is elected for a 4-year term. The salary varies with the population and taxable value of the county, and in 1960 salaries of county assessors ranged from \$3,896 to \$6,689, with a travel allowance up to \$500 for actual and necessary traveling expenses.²

The scope of the State board's supervision and assistance to local assessors may be summarized by what was said by the Legislative Council in its 1960 report on *Property Taxation in Montana*:³

The State board has very broad supervisory powers over assessors and county boards of equalization. . . .

With such broad powers, the degree of supervision exercised is bound to be a function of the board's initiative. The board has not issued any body of rules and regulations to guide the work of assessors and county boards of equalization. It does confer with the county boards and gives some aid to assessors. The board's assistance to assessors is not an organized program. It amounts to a matter of responding to requests by assessors for help. State board members and their staff answer numerous phone calls and letters from assessors with problems. It also employs three fieldmen for this purpose. In addition the board holds an annual meeting with the assessors where problems are discussed. With the cooperation of the Montana State Assessors' Association, the board has compiled assessment guides and valuation schedules for personal property. Use of these guides is up to the individual assessor. . . .

To achieve equality of assessments the board can also employ its very ample power to change assessments. . . . There have been instances where the board has reassessed individual properties or has assessed property which escaped assessment by county officials. . . .

The Board of Equalization took a strong stand in the fall of 1962 on the values of certain agricultural land. The board issued a directive setting assessed valuations per acre to be used for 1963 for the various grades of land in several categories. Some of the values were lower than those recommended by the Association of County Commissioners and there was pressure for the board to withdraw its directive. In a statement issued January 2, 1963, Mr. Dan Fulton, chairman of the State Board of Equalization, said the board would

¹ *19th Biennial Report of the Montana State Board of Equalization*, 1960, p. 101.

² *Property Taxation in Montana*, Montana Legislative Council Report No. 6, 1960, p. 25.

³ *Ibid.*, pp. 27-28.

not withdraw the directive. He pointed out that under the State constitution the board was required to do everything necessary to obtain "fair, just and equitable" taxation, and said the directive would aid in accomplishing the objective of equal and uniform assessment which had already been accomplished for some other classes of property.

During the controversy, in discussing the problem of fair assessments, Mr. Fulton described special types of land sales which had pushed the market to a point much higher than could be justified by current net earnings. He noted also the high capital requirements of modern agriculture and concluded:

What we believe to be the most useful 'yardstick' for assessment of agricultural lands is the 'net return capitalized' concept. Sales prices are of considerable help, but principally to help determine ratios or relations between the different kinds of lands.

No one has yet devised the perfect one-shot formula. We consider all available indicators, add a big dose of commonsense, and come up with what the technical textbooks on the subject call a 'deliberative value judgment.'⁴

Reclassification and reappraisal. In 1955 the legislature enacted a reclassification and reappraisal law and the State Board of Equalization initiated a statewide program. After a few months' progress the board was legally enjoined from continuing the program and in January 1957 the law was declared unconstitutional. The 1957 legislature, however, enacted a new law, under which a reclassification and reappraisal program has been carried out.

The 1957 law directed the classification or reclassification of all taxable lands in the State, including timber, and the reappraisal of all taxable town and city lots and of all real estate improvements, urban and rural. The work was to be completed within 5 years of the signing of the bill—that is, by March 9, 1962. Almost all the field work was completed within the 5-year period, but the data were not all tabulated and analyzed. The State Board of Equalization goal was to put the results of the reclassification and reappraisal into use for the 1963 assessed valuations.

The reclassification and reappraisal were undertaken by the counties under the general supervision of the State. The counties used various methods. A usual procedure was for the county commissioners to employ local men to do the land classification and professional appraisal firms to do the reappraisals. The classification of timberland raised especially difficult problems, but the help of the Office of the State Forester was secured and a good part of the forest land classification was done by this office, with reimbursement by the counties for the costs.

The State Board of Equalization was to provide uniform methods to be followed in each county to assure comparability of results. The board pro-

vided classifications or grades and definitions for the agricultural lands, and had one to three fieldmen assisting the counties. "Possibly the board did not put enough resources into developing the method and in getting it into use in all the counties as recent spot checks indicate some lack of uniformity in certain areas."⁵

Legislative Council study. In 1959 the Legislative Council was directed to make a comprehensive study of the tax structure and of prospective and potential tax sources, and to recommend ways "to simplify, improve, and modernize taxation in the State." The council decided that a complete tax study would be impractical if not impossible in the time available and concentrated on the property tax, especially because of its importance in the State-local tax system. The resulting study⁶ is an informative analysis which should lead to significant legislative action. Some of the subjects discussed and recommendations made are noted in the following paragraphs.

As to the tax base, the council pointed out the decline of real estate as a percentage of the total tax base, and the fact that after the drastic decline of the 1920's and 1930's, the taxable value of real estate and improvements did not regain the 1922 level until 1959. (This type of property accounted for 61 percent of the total taxable value in 1922, 41 percent in 1952, and 43 percent in 1959.)

The council report questions the wisdom of the classification system and suggests its careful review at some future time, after the collection of data which would show accurately the actual impact of the property tax on the various classes of property under the existing arrangement. To evaluate the present system and any proposed changes, it would be essential to know the real values of the property taxed.

The report stresses the fact that "It is absolutely impossible to conduct an intelligent program of equalization without knowledge of the degree of equality or inequality of intracounty and inter-county assessments,"⁷ and urges a continuous sales ratio study carried on by the State. To facilitate such study, the council recommended enactment of a realty certificate act to provide data for conducting reliable, accurate, and continuing sales ratio studies.

The council recommended passage of a taxpayer's responsibility law requiring each property owner to return a statement of his property to the assessor and suggested that the necessary forms might be distributed with the income tax forms presently distributed annually.

Other recommendations included passage of a merchants' and manufacturers' inventory act pro-

⁴ Dan Fulton, "Finding Fair Basis for Tax Assessments Is Complex Problem," *Montana Farmer-Stockman*, Nov. 15, 1962.

⁵ Letter from Dan Fulton, chairman, State Board of Equalization, July 13, 1962.

⁶ *Property Taxation in Montana*, *op. cit.*

⁷ *Ibid.*, p. xxiii.

viding for assessment on the basis of 12-month average inventories, changes in assessment date to lengthen the time for primary assessing, and for review of assessments, and deletion from the constitution of all references to the State Board of Equalization. This last proposal was designed to give future legislatures leeway in reorganizing the tax agency, to permit, for example, a new tax department headed by a single commissioner.

The council study gave considerable attention to utility valuation and equalization, but made no specific recommendations in this field. It concluded that while the board's method of utility appraisal was not necessarily "wrong" or inaccurate, the board had devoted little energy to continuing, critical examination of its methods. The council discussed the lowering of certain utility valuations in 1959 and said, "the board reduced utility assess-

ments in an attempt to equalize among different classes of property, yet it has not equalized among utilities themselves."⁸

The recommendations made, as the council points out, are for both short-range and long-range improvements of property taxation. Some of the recommendations (as the assessment date, inventory, and taxpayers' responsibility laws) are designed to meet immediate, specific needs. The second group is to provide necessary first steps toward correcting major deficiencies in the property tax system. "The first long-range need is information—the second, necessary administrative tools," and to this end the recommendations were for the realty certificate act and eventual reorganization of tax administration.

⁸ *Property Taxation in Montana, op. cit.*, p. 59.

NEBRASKA

Nebraska depends on the property tax for a larger percentage of total State-local tax revenues than any other State, and an active concern with the tax and its administration is to be expected. The Legislative Council in a 1954 report said, "The State of Nebraska, through constitutional provisions and statutory enactments, has attempted to establish an equitable basis for the taxation of property in the state," but it added, "Its efforts, however, have not been wholly successful."¹ In 1962, however, the Legislative Council said, "Property taxation in Nebraska is much more effective from almost any standpoint than was the case a decade ago."² Also, the Tax Commissioner, in his 1961 report, noted "The trend of the past several years toward greater uniformity and equality of assessment is continuing." Some of the significant changes of recent years are mentioned briefly in the following paragraphs.

Assessment units. Prior to 1947 assessing was done by some 2,000 precinct assessors. Under 1947 legislation this office was abolished and the duties transferred to county assessors. The county assessor was authorized, with the consent of the county board of supervisors or commissioners, to appoint a deputy and such assistants as necessary without regard to precinct lines. In counties of less than 6,500 population, the people may vote to abolish the office of county assessor and combine the duties with those of some other office such as clerk of the district court, county clerk, or registrar of deeds. The Legislative Council reported in 1954 that there were then 75 counties which elected full-time assessors for 4-year terms, and 18 counties which combined assessing with some other office. Since in 1950 there were 30 counties with populations of less than 6,500, over half of the eligible counties were using the combination arrangement in 1954. A further change was considered in 1954, with a proposed constitutional amendment calling for appointment instead of election of county assessors, but the amendment was defeated by the voters.

Assistance to local units. Nebraska has an active program of aid to local units. Through the office of the State Tax Commissioner, it provides assessors' handbooks, values for various types of personal property (motor vehicles, farm machinery and equipment, business equipment, livestock, operating

railroad equipment, etc.), and lists of stockholders of foreign corporations. The office conducts indoctrination schools for new assessors, district meetings for assessors, and is responsible for a considerable part of the annual State Assessors' Convention. The various forms used in assessing are those approved by the State.

The State maintains a staff to assist county assessors and boards. There are six districts with a resident State fieldman in each, and in addition there are two fieldmen covering the whole State on special problems. The field staff is important in explaining new laws and legal and procedural matters to the local staffs and assisting them wherever necessary—such as in audits of business records. The State staff also gathers information on which to base assessments and to keep the listings complete. They are advisory only, however, and do not set values or make assessments.

Level of assessment. The constitution provides for uniformity for tangible property and franchises and the legislature has authority to set the level of assessment. From 1921 through 1952 the level had been fixed at full value; from 1953 to 1955 it was at 50 percent of actual value; in 1956 and 1957 at 50 percent of "basic value"; and in 1958 and since at 35 percent of actual value. The legislature appears to have been working over the past decade toward what is considered approximately general practice. On a statewide basis the ratio of assessed value to sales price of 1959 for farmlands was 31 percent, for town property 30 percent, ratios almost identical with the 1957 figures. For 1960, however, there had been a decline in the ratio for farmlands to 28 percent, while the town property ratio remained at 30 percent.

When the law was changed in 1955 to shift the basis of assessment from actual value to "basic value," the legislature specified factors to be considered in assessing property. With the shift back to actual value in 1957, the law again specified the use of certain factors in ascertaining value, where applicable: earning capacity of the property, relative location, desirability and functional use, reproduction cost less depreciation, comparison with other properties of known or recognized value, and market value in the ordinary course of trade.

Equalization. Equalization is of immediate practical importance in Nebraska as this State is one which makes substantial use of the property tax for general State purposes. There is a State Board of Equalization, an ex officio agency composed of the Governor, Secretary of State, Auditor of Public

¹ *Report of the Nebraska Legislative Council Committee on Assessment of Property for Tax Purposes*, Committee Report No. 64, 1954, p. 6.

² *State and Local Finance*, prepared by the Nebraska Legislative Council Committee on Taxation, 1962, p. 418.

Accounts, State Treasurer, and State Tax Commissioner, which meets annually "for the purpose of equalizing assessments throughout the State. The board examines the abstracts from the counties and proceeds to equalize them so as to conform to the law. In so equalizing these assessments the board may increase or decrease the total assessed valuation of the county by a certain percentage. The board, furthermore, may increase or decrease the valuation of any class, classes, or kinds of property, personal, real or mixed, in any county. It may not, however, disturb the assessments on individual pieces of property."³ The final action of the board is subject to appeal to the State supreme court. A court ruling in 1953 that was severely critical of the board's equalization methods influenced both an improvement in the methods and a reduction in the statutory basis of assessment. In the words of the Legislative Council:

In 1952, the State Board of Equalization and Assessment, upon the finding that the average assessed value of farmlands in 19 counties was less than 50 percent of the 20-year average sale price, ordered these counties to bring their assessments up to 50 percent of the 20-year average, but made no reduction in the counties in which the assessment was above 50 percent. At the same time, a landowner in Johnson County petitioned the board to order a reduction in assessments in Johnson County where the assessed valuation was 82 percent of the 20-year average sale price. The board refused and the landowner appealed to the State supreme court. The court found the board to be in error and ordered it to reconvene for the purpose of equalizing assessments. (*Laffin v. State Board of Equalization and Assessment*, 156 Neb. 427.) Among other things, the court noted that the law requires assessment at actual value and not at 50 percent or any other fraction thereof, that it requires uniformity of assessments, whereas the board's own figures showed great diversity as between counties and classes of property, that it is the duty of the board to equalize assessments between counties and classes of property, and that the 20-year average sale price is not admissible as a basis for determining actual value. The court also reaffirmed its previous holding that "for purposes of taxation, farmlands shall be valued and assessed at their actual value, or value in the market in the ordinary course of trade."⁴

The court's decision was released on January 9, 1953, and "some consternation was noted among assessing officers."⁵ The 1953 legislature quickly enacted the law requiring assessment at 50 percent of full value instead of the previous 100 percent. It also provided for annual instead of biennial assessment of real estate. As indicated above, the basis of assessment was reduced to 35 percent under 1957 legislation.

The Board of Equalization in its annual deliberations to increase uniformity and equality of assessment among the counties uses various factors and

sources of information. One factor of major importance is the annual sales ratio study. Such studies have been conducted regularly since 1945 when there was enacted a law requiring the county registrar of deeds to report annually to the State Tax Commissioner all real estate sales other than judicial sales. The figures so reported are analyzed and investigations made to ascertain any possible special factors which might indicate that the sale was not a true measure of value.

The sales ratios are published each year in the annual report of the State Tax Commissioner, with the data summarized for each county as to farmlands and town property. The 1961 report shows that for 2,877 sales throughout the State in 1960, the aggregate assessed value was 28.32 percent of the sales value, with the ratios ranging from 16 to 46. (In 1959 the range had been 12 to 55, the extremes being other counties than in 1960.) For town property, 15,077 sales in 1960 showed assessed valuations 29.79 percent of sales price, with the range (excluding two counties with a total of three small sales) from 19 to 59, but with approximately half the reported counties in the 30-36 percent range. (The range for town properties in 1959 was 20 to 64, with the extreme counties different from those of 1960.)

Legislation, 1954-61. Nebraska has been concerned, also, over the past decade, with a number of significant changes in the property tax law, including several constitutional amendments.

In 1954, two constitutional amendments were approved. One permitted the exemption of household goods from the property tax. The second, a result of the 1953 supreme court decision, allowed the legislature to set up new methods of valuing tangible property as an alternative to "market value", and the legislature in 1955 adopted the "basic value" formula and in 1957 the "actual value" noted above. (Another amendment submitted in 1954, but rejected by the voters, would have provided for appointment of county assessors.)

In 1957 new legislation provided for tightening up of inventory reporting, relating it to Federal income tax returns. The 1959 legislature strengthened the tax commissioner's authority over administration of revenue laws and authorized two constitutional amendments for submission in 1960.

These two amendments, both approved by the voters, permitted establishment of bonded warehouses for goods in transit, such goods to be exempt from property taxes, and authorized taxation of livestock by differing methods depending on its stay in Nebraska. The 1961 legislature enacted measures to implement both amendments. The same legislature authorized the Legislative Council to conduct a study of the property tax, specifically to include the duties and authority of the county assessors, county boards of equalization and the tax burden.

³ Report of the Nebraska Legislative Council Committee on Equalization of Taxes Between Counties, Report No. 60, 1954, p. 12.

⁴ Report of the Nebraska Legislative Committee on Assessment of Property for Tax Purposes, *op. cit.*, pp. 19-20.

⁵ *Ibid.*, p. 2.

Legislative Council Report of 1962. The council report for the 1963 legislature, issued late in 1962, is a comprehensive and informative document which deals extensively with the property tax.⁶ While noting forward-looking changes in property taxation in Nebraska over a period of years, the report says, "But an effective system is not static; good tax administration is a continuing program." A number of recommendations for such a program are made, some requiring constitutional change, some legislation, and some administrative action. The recommendations include: adopt standards for a tax map and parcel numbering system and require counties to adopt such a system not later than at the time of next reappraisal; require a confidential informational report before any deed can be filed, to supply data for assessor and State tax commissioner, with the State to use the data in preparation of assessment-sales ratio studies (and publish information on each county giving the aggregate assessment-sales ratio and the coefficient of dispersion); require counties to have reappraisals at intervals of 6 to 16 years, the period between reappraisals dependent on assessment quality as determined by the tax commissioner on the basis of objective statistical measures such as the relation of assessment level to the legal standard and the coefficient of dispersion; the tax commissioner establish standards for reappraisal and have real power to enforce both quality and timing of reappraisals (as by contracting himself for the work, billing the county and, if necessary, withholding gasoline tax distribution to pay for the reappraisal).

Another group of recommendations, on assessors and county review boards, included: provide that the county board of supervisors or commissioners appoint the county assessor, for a 4-year term, from a list of persons certified by the State tax commissioner, without residence requirement; provide that certification be a meaningful process requiring training and qualification; provide continuing

⁶ *State and Local Finance, op. cit.* This very valuable study merits more detailed discussion than it is given here.

training at elementary and advanced levels; establish a county board of equalization separate from the existing county board of supervisors, the new board to be appointed by the supervisors from persons qualified by knowledge of taxable properties; provide boards of equalization with information to help in the performance of their duties, such information to include the use of coefficients of dispersion for intracounty equalization.

The committee recommended creation of three new positions under the tax commissioner: utility tax man, business appraiser, and property tax analyst. The first two would be primarily to provide expert technical help to local assessors, with the utility man also aiding the State Board of Equalization. The property tax analyst would supervise the educational program, furnish the assessors material on new procedures, and analyze the quality of assessment through assessment-sales ratio studies. All three would be appointed by the commissioner, and the committee especially urged an appropriation sufficient to attract highly qualified personnel.

The 1961 legislature had directed that the study include an examination of alternative revenue sources which might replace the State property levy. The committee concluded that Nebraska should adopt an income tax, a retail sales tax, or a combination of both to replace the State property tax, and said, "A flat rate income tax is definitely preferable." It recommended that property tax relief should include exemption of intangible property, household property, and miscellaneous personal property, with exemption of other classes of personal property preceding reduction of local taxes on real estate.

A number of the proposals was reported to have received favorable consideration by the 1963 legislature, but action could not be regarded as final until after adjournment. As of early April, the outlook was for the enactment of some measures which would strengthen the administration of the property tax.

NEVADA

In 1960, after reviewing the recent history of the property tax in Nevada, a special study group said:

... the history of the property tax in Nevada reveals the typical pattern of policy development, moving from complete local control and responsibility for administration to increasing state supervision and control. Nevada, however, compared with other states vests greater power in a state agency, the Tax Commission, for direct state valuation and assessment. . . . Equalization insofar as local assessment practice is concerned is the principal remaining problem, though significant progress has been made in recent years.¹

The State Tax Commission of seven members is responsible for administering sales and use, gasoline, cigarette, and liquor taxes in addition to its functions in relation to the property tax. The property tax functions are exercised by the commission itself, its staff of public utility and other analysts, and through its Division of Assessment Standards.

Central assessment. Nevada laws require the Tax Commission to value and/or assess land and livestock as well as public utilities, bank stock, motor vehicles, and net proceeds of mines. In practice, the commission has exercised its responsibility for land in relation to rural lands only. For recent years such lands have been divided by the commission into 16 classes, fixed largely by potential productivity, and a value per acre set for each class. Similarly the commission sets the values to be used for some 20 classes of livestock, from bulls to bees, and the commission reports, "A full count of all stock must be returned by owners and assessors shall put such full count on assessment rolls." Thus the commission sets values for rural land and livestock, but the actual assessment is made by the county assessors. The definition of the land classes, the value for each, and the values for livestock are published as Instructions and also clearly set forth in the Tax Commission's annual report. Both documents give, too, the basis for valuing motor vehicles and mobile homes (retail price and named guides).

For interstate and intercounty public utilities the law requires valuation on a unit basis, but the formula for valuation of each type of utility is developed by the commission. The unit values, when determined, are apportioned to the State and shares allocated to the counties. The commission also

values intracounty utilities, using the same bases, and "recommends" such value to the county assessors; it is reported that the recommendations for the intracounty utilities are usually adopted.

Before 1963 the law provided for assessment of property, unless otherwise specified,² at its full cash value, but there was "no similarity between the statutory requirement and actual practice."³ The State uses a 35 percent ratio for its valuations, applying this ratio to utility valuations before allocation to counties, to livestock and to the land it values. It directs county assessors to apply the same ratio to specified bluebook values of motor vehicles and to the book value of inventories in assessment of merchandise stock. It recommends this ratio for other property assessed by the counties. A 1963 enactment changed the statutory requirement to 35 percent for all real and personal property.

Division of Assessment Standards. In 1947 there was established under the Tax Commission a Valuation Division with broad powers to advise and supervise county assessors in order to improve and equalize property assessment. While this division was abolished in 1951, in 1953 a new Division of Assessment Standards was created with advisory powers similar to those of the earlier agency.

The Division of Assessment Standards acts as a liaison between the State Tax Commission and local assessing officers as to improvement of assessment procedures and standards, providing assistance and guidance to assessors. The division developed a uniform appraisal form, published an Assessors' Manual with a revised edition of 1959 giving assessment instructions and detailed cost data for most types of locally assessed property, distributes bulletins and releases for assessment officials from time to time, holds regular training schools, and does extensive appraisal work. During the years 1953 through 1961, such appraisals involved work in 12 counties, including such projects as all urban land and buildings, all land and buildings reappraised, all land and buildings in specified city or cities, all new properties, etc. In 1961 and 1962, four counties previously covered had extensive re-

¹ R. A. Zubrow, R. L. Decker, E. H. Plank, *Financing State and Local Government in Nevada*, Nevada Legislative Tax Study Group, Nevada Legislative Council Bureau Report No. 44, 1960, p. 179. This comprehensive report has an informative section on the property tax, pp. 163-230, which is the basis for much of the material in the following paragraphs on Nevada.

² Two types of property for which special provision is made are net proceeds of mines and patented mines and lands, the latter having fixed minimum values. Intangibles are not included in the general property tax base in Nevada and there are the usual exemptions for publicly owned, nonprofit institutional property, etc., and specified exemptions for veterans, widows and orphans, and the blind.

³ Zubrow, Decker, and Plank, *op. cit.*, p. 183.

appraisals and a major project was under way in Washoe County (the State's second most populous county, county seat Reno).

The cost of the State appraisal and reappraisal work is met entirely by the State—except for such assistance as is given by the county assessors' offices. Early in the 1950's the Assessment Standards Division recommended State appropriation of "matching funds" to be used to employ local personnel, paid half by the State and half by the county, to facilitate participation by the counties and to expedite equalization work. Such funds were authorized in 1953 and 1955 only. The division does the appraisal work, or assistance in appraisals only on request of, or approval by, county assessors (except for the sample appraisals made in connection with ratio studies). It has not been able to keep up with requests.

The Division of Assessment Standards also engages in research, a notable recent example being a pilot study in two counties on a new method of classifying and valuing farmland using Federal soil conservation maps and actual income data.

Ratio studies. Under legislation enacted in 1955, the Division of Assessment Standards makes an annual assessment ratio study. The ratios are used specifically in determining the distribution of State aid to the county school districts. While they are not used for other purposes, they appear to have influenced assessing practices. The State uses a combination of sales and/or appraisal data for computing the ratios.⁴

The 1962 publication summarizing findings shows the State weighted average of all property at 30.83 percent for 1961-62, with the counties ranging from 27.25 to 34.98. This report gives for each of the 17 counties the assessed valuation, full value, and ratio for 5 classes of property—real estate, merchandise and personal property, vehicles, livestock, and public utilities. In the 1962 report the public utility, vehicle, and livestock classifications are shown uniformly at 35 percent. For the other two classes, dependent except for rural land "values" on local assessing, the ratios varied from county to county, with real estate ranging from 22 to 35 percent, and merchandise and personal property from 22 to 40 percent. In two counties, the ratios for the two classes differed by only 1 percentage point; in others the difference ranged up to 12 points.

From 1956, the year of the first study, to 1962 a substantial gain in equalization among counties appears to have occurred. The 1956 data show county ratios for all property ranging from 15.8 to 34.0, not including State assessed property. In 1958, the first year for inclusion of State assessed property, the range was 25.6 to 37.2, while for 1962

it was 27.3 to 35.0. The State average, which was 29.8 in 1958, increased to 30.7 in 1960, declined to 29.96 in 1961, and rose again to 30.8 in 1962.

Review. One feature of Nevada's review machinery should be specially noted—the diversification of membership on the lowest review body. Membership in the county boards of equalization includes, in addition to the county commissioners, one member of the board of trustees of the school district and one from each city or, if no cities, one representing incorporated towns. The county board of equalization holds hearings annually and has authority to increase or reduce any assessment and to place omitted property on the roll. It would thus appear to be within the power of a local board with representation of school and city units as well as of the county to raise the level of assessments if pressures from the tax rate limit became serious.

Taxpayers wishing to appeal their assessments must make their appeal to the county board (with minor exceptions). If not satisfied by the county board, they may appeal to the State Board of Equalization (the membership of which is the State Tax Commission), which has authority to make complete review of the tax roll and to raise or lower assessments for equalization. Appeal may be made to the courts only after complaints have been submitted to the county and State equalization boards.

Tax Study Group recommendations. The Legislative Tax Study Group of 1960 made a series of recommendations on the property tax in Nevada.⁵ Briefly summarized, they include: (1) discontinue practice of self-appraisal, requiring the State to value all State valued property and requiring county assessors to check physically inventories and other income personalty at least on a sampling basis; (2) modify and extend procedures used in ratio studies, eliminating State assessed property and broadening scope of study to include ratios for additional classes of property, etc.; (3) strengthen equalization activities of Assessment Standards Division, including appropriations on an annual basis for county equalization funds; (4) establish a uniform percentage rate of assessment for all types of property; (5) appraise taxable personal property every year and real estate every 3 years under a continuing assessment plan involving increased State aid to local assessors where needed; (6) exempt from the tax base individual personal possessions and household effects of a non-income-producing variety, with provision for reduction in State property tax roughly to compensate local units for loss of revenue involved.

Removal of assessor. An event very unusual in assessing occurred in Nevada in 1962—the removal of a local assessor for nonfeasance. After a grand jury investigation of the office, a member of the jury, as a private citizen, initiated the proceedings

⁴ Zubrow, Decker and Plank, *op. cit.*, pp. 214-230, analyzes in detail the procedures followed.

⁵ *Ibid.*, p. 667.

NEVADA

in the district court and the removal was upheld by the State supreme court. The matter was reported in the *Tax Administrators News* as follows: ⁶

The removal of a county assessor on a finding of nonfeasance has been upheld by the Nevada Supreme Court. Among the complaints filed against the assessor were his failure: (1) to assess all real and personal property at full cash value; (2) to assess all real and personal property located in the county; (3) to assess all real property equally and uniformly; (4) to obtain from each person a statement of all property owned in the county; and (5) to prepare and publish a list of taxpayers and total valuation.

The assessor's defense consisted of his assertion that (1) he was doing only what other assessors were doing;

(2) adequate plats and maps needed to accomplish proper assessments were lacking; and (3) that there was a lack of knowledge of some of his statutory duties.

The Nevada constitution empowers the legislature to provide for the removal of a civil officer for malfeasance or nonfeasance in the performance of his duties. Neither the state constitution nor statutes makes misfeasance a ground for removal.

The court ruled that the assessor's failure to assess property equally and uniformly and his failure to prepare a list of taxpayers and the tax roll [on time] constituted misfeasance—the doing in a wrongful manner that which the law required him to do. The remaining complaints were held to constitute nonfeasance—the substantial failure to perform a required legal duty—and grounds for the assessor's removal (*Schumacher v. The State of Nevada*, decided April 3).

⁶ *Tax Administrators News*, May 1962, p. 56.

NEW HAMPSHIRE

Assessing in New Hampshire, except for certain utility property assessed by the State, is the function of the 234 towns and cities, with the work done by the board of selectmen in the towns and by assessors in the cities. The State does not levy a general property tax for State purposes, but the State Tax Commission, an agency created in 1911, continues to have responsibility for supervising local assessing.

Assistance and supervision. The State Tax Commission provides local assessing agencies with some basic tools, such as assessment record cards, booklets with the current selling prices of boats, mobile homes and trailers, and roadbuilding machinery and construction equipment (the last with recommended depreciation schedules). It also supplies appraisal manuals to those communities where reappraisals have been made by the State, and local officers have been instructed in the use of such manuals. Instructions in assessing are given during the course of revaluations. The commission meets annually with the local assessing officials and explains and discusses new or amended laws and other matters of current interest.

The State staff assists the local units on request, such assistance ranging from work on problem assessments to complete revaluation. The requests for assistance exceed the capacity of the State staff and the latter is not able to keep up with current requests. Local units reimburse the State for the cost of such work (except for assistance in establishing values on stock in trade and roadbuilding and construction equipment). The State appraisal staff, which in 1955 consisted of five general appraisers, early in 1962 was twice as large, including three specialists—stock in trade, timber and wild land, and road machinery and building equipment—and seven general real estate appraisers. There is legislative authorization for 14 real estate appraisers, but only 7 positions are filled because sufficient qualified personnel is not available at the salary level established for the position. Since the expense would be largely reimbursed by the local units, and since the additional staff would permit the State to keep up with the local requests for aid, it is unfortunate that a realistic salary policy has not been established.

Equalization. One of the important functions of the State Tax Commission is the preparation of the biennial equalized valuations. As a basis for the 1960 equalization, the commission used actual

appraisals of property selected at random, with the intent of including in the sampling representative amounts of different types of property such as seasonal, year round, farm, commercial, industrial, etc. In the three prior equalizations (1954, 1956, and 1958), the sampling was based on a comparison of assessment and actual sales prices. The 1960 appraisal covered real estate in each of the 234 cities and towns in the State. In addition, the commission studies stock in trade assessments in each community where this type of property comprises 5 percent or more of the total taxable value, and for the 1960 equalization approximately 70 communities were reviewed to determine the stock in trade factor.

The equalized valuations are used in New Hampshire for apportioning the county tax among local units and as a base for determining borrowing capacity and for allocating State aid for education and highways. In addition, the equalized valuations have a special function here—the base for establishing State senatorial districts; the State constitution requires such districts to be based on taxable wealth and the general court (legislature) at its 1962 session reapportioned districts on the basis of the 1960 equalized values.

Level of assessment. Statutes provide for appraisal of taxable property at its full and true value. In 1946 the Tax Commission instructed local assessors to appraise real estate at full prewar (1941 dollar) value and in 1953 it instructed them to use the immediately postwar value (1946 dollar)—a policy designed to recognize the current "abnormally high value" of real estate.

In the spring of 1954, however, the Supreme Court ruled in the case of *Bemis Brothers Bag Company v. Claremont* (98 N.H. 446 (1954)), that assessment must be at a level of 100 percent of full market value. Consequently, the Tax Commission had no choice but to inform local assessing officials that property must be valued at its full current market value as of April first of each year.¹

The 100 percent level was still far from realization when the 1960 equalization was conducted, the average ratio at that time reaching only 47 percent. More recently, however, a number of communities have been reassessing property at its 100 percent worth and it seems probable that the 1962 average will be higher than that of 1960. While there has

¹ *Tax Policies in New Hampshire, Report of the Commission to Recommend Reorganization of the Tax Structure, Concord, 1954, p. 43.*

been no statewide reappraisal in recent years, some of the local units have had complete revaluations with the assistance of private consultants or the State Tax Commission.

Tax Study Report of 1954. New Hampshire has had a series of special tax studies, the most recent in 1954. The 1954 report, while covering existing taxes and potential new ones, noted that within the overall tax structure, "the Commission finds most ground for improvement in the taxes that are locally assessed and collected. Particularly is this true of the local taxes that fall directly or indirectly on property. . . ."²

Of the commission recommendations on the property tax, one important proposal has been adopted—an increase in the State staff for assistance to local assessing units. Others, not yet approved by the general court but still pertinent as reflecting the views of a special tax study group, included: (1) the statutory standard for assessing property be changed from "full and true value" to "current market value," and the latter be defined specifically to include consideration of reproduction cost, depreciation, location, rental value and all other relevant evidence; (2) property to be taxed on a basis of 60 percent of market value, the maximum rate then in actual use by all but a few units; (3) restriction

of the veterans' exemption³ to a total of 10 annual exemptions from the date of enactment of the new provision, except that exemptions for veterans with specified disability would be permanent; (4) addition to the tax base of certain kinds of personal property not then specified as taxable.

The commission recognized serious weaknesses in the stock-in-trade tax, but made no recommendation as to change, proposing only that this be a subject for further study. The commission suggested that a possible solution to the problems of the stock-in-trade tax might be a constitutional amendment permitting classification of property for tax purposes.

A notable recommendation of the commission, partly related to the property tax, was the creation of a permanent citizens' commission to study taxation. Such a commission, it was suggested, with adequate time and resources, could supply the information and the leadership necessary to adjust the State tax structure to changing conditions.

²All veterans and wives and widows of veterans, who served in any war from the Spanish-American to the Korean, receive an exemption of \$1,000 on the assessed value of taxable property, provided the value of *taxable property* owned in the State exclusive of bona fide encumbrances is not assessed at more than \$5,000. Total tax exemptions to veterans equaled 3 percent of the total property taxes assessed by the towns and cities in 1953, with such exemptions ranging up to almost 11 percent in one community. —*Ibid.*, p. 38.

³*Tax Policies in New Hampshire, op. cit.*, p. v.

NEW JERSEY

Traditionally New Jersey has placed substantial dependence on the property tax and this policy continues. In 1960-61, for example, the Census Bureau showed 66 percent of New Jersey State-local tax revenues from this source, second highest of the States and well above the 46 percent national figure (as shown in vol. 1, ch. 7). Whether because of this, or for other reasons, the tax has been the subject of frequent study, and of considerable change, together with more active State supervision. While some of the more recent developments have been the direct result of judicial decisions, the legislation evolved has been markedly affected by the conclusions and recommendations of tax study groups.¹

General Features of Assessment Administration

Organization for assessing. The assessing function in New Jersey is shared by State and local governments, with the former responsible for railroad property and the latter for all other taxable property. (Public utilities other than railroads are, for the most part, not taxed on an ad valorem basis.)

There are 568 local taxing and assessing districts—cities, boroughs, towns, and townships. Of these units, approximately 385 have single assessors and the remainder boards of assessors, usually with 3 members. There were 936 assessors in 1962, of whom slightly over one-third were elected and less than two-thirds appointed. All serve 4-year terms. While the assessors are chosen locally, administration of their duties is independent of local municipal government and subject to supervision by the county boards of taxation. A compilation of data on assessors made by the State Local Property Tax Bureau a few years ago² showed that the average New Jersey assessor had been in office 8 years, and that 10 percent of the assessors had been in office over 20 years, but that almost 40 percent had served less than 4 years and that annually one out of six assessors was lost through resignation or failure to be reelected or reappointed. Background and training

varied widely, with the part-time assessor drawn particularly from real estate, farming, contracting, accounting, engineering, and saleswork, but also from many other lines. Despite the varied background, it was estimated that 47 percent of the assessors in office at the time of the study had taken evening training courses and that one out of five had attended the 4-day summer conference on assessing.

The county board of taxation consists of three members, or five in the first-class counties, appointed by the Governor, with the advice and consent of the senate. Terms are overlapping and at no time may more than two members (or three for first-class counties) be of the same political party. Salaries are paid by the State, the amount depending on the size of the county. Local assessors file their assessment lists with the county boards who are to examine, revise, and correct tax lists and to equalize the assessment of real property among the taxing districts of the county. The county boards have the power to change the valuation on any property and to add omitted property, and they hear appeals from a taxpayer or a taxing district.

Primary State functions related to the property tax are part of the work of the Division of Taxation, a division of the State Department of the Treasury. The division, headed by a director, has broad supervisory powers which center in a Local Property Tax Bureau, the work of which is discussed in following sections. Two other bureaus, both dealing with utility taxation, are also notable.

The Engineering and Railroad Tax Bureau values property used for railroad purposes, determines the taxes and certifies them to the State Division of Budget and Accounting for collection. Railroad property is divided into classes for tax purposes. Class II is taxed at the general rate of the taxing district in which the property is located, with the taxes collected by the State but allocated to the local unit involved for local purposes. Class I and class III property are taxed at a fixed rate, with revenues for State purposes. There is also a railroad franchise tax based on income. The law provides for a maximum railroad tax, however, and the taxes for State purposes may be reduced to keep the aggregate tax within the specified limits; such limits are not applicable to class II property. The Engineering and Railroad Tax Bureau also has functions related to tax maps as noted later.

The Public Utility Tax Bureau computes the taxes to be levied on public utility companies and apportions the totals among the local units for col-

¹ Material for this section on New Jersey is based primarily on the annual reports of the Division of Taxation, supplementary material and comment from Mr. Alan F. Hart, State Supervisor Local Property Tax Bureau, and the reports of the Commission on State Tax Policy. The division's annual reports are unusual among the States for their clear and informative presentation of the work of the division and of important legislation and judicial decisions pertinent to the work, as well as comprehensive, but not excessively detailed, statistical material.

² *Chef to Shipfitter*, Local Property Tax Bureau, Trenton, 1960.

lection. While the apportionment is made on the basis of scheduled property in the various municipalities, the taxes are not property taxes but are franchise and gross receipts taxes.

Separate from the Division of Taxation, but also in the Department of the Treasury, is the Division of Tax Appeals. This division, described as a quasi-judicial and quasi-legislative board, consists of seven members appointed by the Governor for overlapping terms. The board reviews judgments of county boards of taxation on appeals from local assessments and all other assessments levied by the State except transfer inheritance taxes. It receives appeals from county equalization tables and from the director's tables of equalization used for school aid.

Assistance to local taxing units. The Local Property Tax Bureau, created in 1953, is described as a service bureau for implementing the State's responsibilities for local property tax administration. A major part of its work is continuing the development of its program for improvement of local assessing practices. In this role it performs a number of services.

Basic to all of its services is a field staff available for assistance to assessors and county boards of taxation. The field representatives are in 2 groups, 24 assigned to the Assistance Section and 9 to the Appraisal Section (as of early 1963). The men in the Assistance Section are concerned principally with assistance in administrative matters and with the investigations relative to the sales-assessment data. The Appraisal Section gathers the material for keeping the appraisal manual indices up to date and assists assessors, when requested, in the appraisal of large or unusual installations or buildings. The State staff member may show the assessor what to do and how to do it or he may do virtually all the work for the assessor, but the actual determination of the assessment is the responsibility of the assessor himself.

Several publications have been issued since 1956. In that year the bureau furnished assessors with a *Real Property Appraisal Manual for New Jersey Assessors*, giving standards for valuing various types of property, and a revised and enlarged manual is in preparation. An annual table of building cost conversion factors is prepared for 50 districts in the State and this is distributed, with other supplementary data, to 2,200 registered holders of the Appraisal Manual. A *Law Manual* was issued in 1954 and revised in 1958 and 1960. A *Handbook for New Jersey Assessors*, to supplement the appraisal and law manuals and emphasize the administrative functions of the assessor, has been drafted but publication has been postponed pending clarification of the status of chapter 51, Laws of 1960. The bureau issues, 10 times a year, a *Local Property Tax Bureau News* which carries items of educational value and timely interest on all phases of

assessment administration and which is sent to about 2,500 assessors and other municipal officials, etc. Various occasional pamphlets and brochures also are issued.

The bureau, in cooperation with Rutgers University Bureau of Government Research, sponsors various inservice training opportunities for assessors. An annual school, of 4 or 5 days, is held at Rutgers and there are also special courses. Principles of Assessing I and II are 14-session courses held 1 night a week at locations throughout the State convenient to assessors. These courses are repeated periodically and it is estimated that approximately half of the assessors have taken one or both courses. In addition, there are special group meetings when needed, such as to explain the use of the new manual material and related schedules, to instruct in the preparation and use of ratio study data, and, as after the enactment of chapter 51 of 1960 when numerous meetings were called, to discuss the law, the forms to be used, and other aspects of its administration. As noted in the Department of Taxation 1960 report, "The importance of these continuous inservice training activities is emphasized by the fact that approximately 150 new assessors take office each year without any legal requirements as to experience or qualifications for their duties."

Emphasis on complete revaluation by private appraisal firms is a notable part of the State's program. The Local Property Tax Bureau has prepared "Suggested Specifications for a Revaluation Project" to improve the quality of the programs and offers its aid and advice to local units in procedures for setting up and carrying out revaluation. It also supplies a list of firms which have done work in New Jersey, but this does not imply approval of the firms on the list. The State does not supervise the work or check the appraisals made. The State records show that 453 taxing districts had revaluations during the period 1951 through 1963 (for tax lists of these years). Of these units, 28 had 2 revaluations and 1 unit, 3. In mid-April 1963, 31 additional professional revaluation projects had been contracted for, with some of them in various stages of completion.

The Bureau advises local units that an up-to-date tax map is a basic tool of the assessor's office, fundamental to a revaluation program, and it points out that the statutes require that all municipalities, except townships with a population under 2,500, have an up-to-date approved tax map. The Engineering and Railroad Tax Bureau provides local units with information relative to preparation of such maps and it examines, suggests revisions where needed, and approves the finished maps. It also maintains a file of all tax maps approved. A revised edition of tax map specifications was issued in 1961. Between 1950 and 1961, 179 local units had obtained new tax maps, and during the fiscal year 1961-62, the bureau approved 39 local property tax maps.

Equalization studies. Under legislation of 1954, the local Property Tax Bureau prepares each year a "Table of Equalized Valuations" for certification to the commissioner of education for use in the distribution of State school aid. The table gives the average ratio of assessed value to true value of real estate in each of the 568 local taxing districts. Besides their use in the distribution of a major part of State school aid, the equalized valuations are used as the primary basis for the apportionment of the costs of county government among the constituent taxing districts within the respective counties and to apportion certain costs among taxing districts in consolidated, joint, and regional school districts.

The average ratios are determined from sales over a 2-year period. Under the procedure followed, gathering of data is a continuous process. The county board of taxation, using abstracts of deeds from the county clerk's office, records every deed transaction on a form (in quintuplet) supplied by the State. The forms are sent to the appropriate local assessor, who adds identification data, a description of the property, the assessed valuation of the year the sale took place, and any comments he may have on the sale. The assessor takes one copy for his own files and returns the form to the county board. The county board checks the form for completeness, takes a copy for its use, and sends the remaining copies to the State. There, as explained in the 1962 report of the Division of Taxation,

... As a precaution against misuse or misinterpretation of sales data derived from reported transactions, the Local Property Tax Bureau rigorously screens all sales reported to it. During the fiscal year ended June 30, 1961, it screened and evaluated 159,260 sales. It also conducted investigations which included 69,579 questionnaires mailed to interested parties involved in the transactions and 23,265 field investigations by members of the bureau's field staff. Procedures have been established for excluding inappropriate transactions from the average ratio.

When the data are approved, they are transferred to punchcards for mechanical compilation and tabulation.

The annual report of the division gives the average ratio of assessed to true value of real property for each of the 21 counties and each of the 568 taxing units. The 1962 table of equalized valuations shows the county averages ranging from 16.28 to 98.51 percent; the range for the individual units was from 8.30 to 133.44 percent. The State average declined from 32.74 percent in 1954, the first year compiled, to 27.86 in 1958, rose to 30.06 in 1961, and jumped to 36.65 percent in 1962. The State report points out that in comparing figures from year to year, it must be borne in mind that numerous taxing districts have had revaluations and chosen new ratios of assessment over the years studied.

Details beyond the average ratio for each unit are not published for general distribution but detailed

data are derived from the IBM methods used in compilation and six copies are made. One copy is broken down by counties and material sent to the appropriate county, and one copy is broken down by municipalities and sent to the appropriate local assessors. State staff members, in their contacts with assessors, urge them to use the material in checking assessments and trends. Many of the assessors do study the data and make regular use of them in improving their work.

Postwar Property Tax Developments

Postwar developments in the property tax field cannot be summarized by describing two or three major changes. There has been a series of inter-related events and actions which, despite occasional major highpoints, may better be described in a chronological listing of changes and developments.

As early as 1945 one major step was taken when the legislature provided for complete exemption of intangible property from property taxation, following the recommendation of a special Commission on Taxation of Intangible Personal Property.³ Also in 1945 the legislature established a Commission on State Tax Policy to engage in continuous study of the State and local tax structure and related fiscal problems. This commission of seven members (one senator, one assemblyman, and five members appointed by the Governor), which was under the chairmanship of Prof. John F. Sly of Princeton from 1945 through 1961, has provided the State with a series of major tax studies, the most recent, the 10th report, issued early in 1963.⁴

In 1946 there came one of a series of recent court decisions which had a far-reaching effect on the property tax—the *Hillsborough* case. For many years under the true value clause of the constitution—

... the courts had taken the position that it was the constitutional duty of the assessor to value property according to its true value, and that it was beyond the power of either the courts or the legislature to establish a remedy for a taxpayer who had been assessed at any valuation below true value, whatever may have been the discriminatory effect of such assessment as compared with the general level in the community. . . . The effect of the rule was so severe that the United States Supreme Court held it to be a violation of the due process clause of the

³New Jersey Commission on Taxation of Intangible Personal Property, *Report*, Trenton, 1945.

⁴The entire series has been a valuable contribution to property tax literature as well as to solution of New Jersey's tax problems. Of special pertinence to the property tax are the following: Second Report, *I. Taxation of Tangible Personal Property. II. Corporation Business Tax (1945)*, 1947; Fifth Report, *Taxation and Public Policy in New Jersey*, 1950; Sixth Report, *The General Property Tax in New Jersey*, 1953; Ninth Report, *The General Property Tax in 1958, 1958*; Tenth Report, *Increased State Aid to Public Schools and Distribution of the Cost of Expanding Public Services*, 1963.

Federal Constitution where discriminations could be shown to have been substantial and willful.⁶

The constitutional convention of 1947, after considering a variety of proposals on the tax clause, made important changes in property tax provisions. With the approval of the constitution by the electorate, the new provisions went into effect in 1948. As described by the Tax Policy Commission,⁶ the major changes effected were: (1) Assessment of real property was no longer required "according to its true value," but the standard of value was left to the legislature; (2) requirement of assessment according to some standard of value, and other features of the constitutional provision, precluded classification of real property for local tax purposes such as had been done in the special taxation of railroad property which was adopted in 1941; (3) personal property was no longer required to be assessed according to true value and became subject to possible classification by the legislature; (4) all property taxes, real and personal, remained subject to the old requirement of general laws and uniform rules.

In 1953 the Commission on State Tax Policy issued its Sixth Report, *The General Property Tax in New Jersey*. This study "was undertaken because of a long-held belief that property valuations and assessments were marred by the grossest inequities. The study demonstrates and confirms this belief; . . ." Recommendations were for a four-point program of assessment improvement: (1) Establishment of workable assessment districts—the county; (2) installation of professionally qualified, full-time assessors; (3) requirement of assessments biennially on an objective formula which would produce the uniform standard of value required by the constitution and replace the historic "true value" basis still in the laws; (4) provision for new methods of taxpayer compliance to make assessment a cooperative effort between assessor and taxpayer. In addition, the commission renewed earlier recommendations on personal property that taxation of household goods and personal effects be abolished; that inventories (raw materials, work in process, stock in trade, etc.) be assessed at a stated percentage of average book value; and that machinery and equipment be assessed at a stated percentage of its book value allowing for normal depreciation.

While the legislature of 1953 did not enact any of the commission's recommendations, it did provide for establishment in the Division of Taxation of a Local Property Tax Bureau to give assistance to local assessors. Such an agency was a step toward the improvement of qualifications of assessors

asked by the commission. The bureau might also be considered some recognition of the commission's comment that the legal powers and duties of the Division of Taxation "have become practically meaningless insofar as equalization of assessments is concerned, either at true value or any percentage of true value. There are many reasons for this failure. Basically, the State supervisory machinery has had practically no appropriation for almost 20 years. . . ." The Division of Taxation, in its budget request for the new bureau, pointed out that the bureau would be something of a pilot project and if successful its work should be expanded to provide training and guidance for assessors, technical assistance, assessment-sales ratio studies, and other aids. The work of the bureau has developed steadily since 1953, as indicated in previous sections. Its initial appropriation was less than \$100,000; costs in 1956-57 (excluding a special appraisal project) were \$256,518, and in 1961-62, \$496,483.

A State school aid program adopted in 1954 required data on equalized valuations for all taxing units. The Property Tax Bureau was assigned the task of conducting assessment ratio studies and developing the equalized valuations for certification to the commissioner of education.

By 1956 the question of assessment levels had become a pressing issue. While the 1947 constitution had opened the way to a change, no change had been made in the statutes and true value remained the legal standard of assessment. A major test of the existing practice of underassessment was before the courts, and the legislature, possibly in anticipation of the decision, proposed a constitutional amendment which would give the legislature power to authorize the governing body of any municipality to establish a ratio for itself. This proposal was defeated by the voters.

In 1957 the New Jersey Supreme Court rendered its decision in the *Middletown* case (*Switz v. Middletown Township*, 23 N.J. 580 (1957)), the most important in a series of cases over several years which had raised the same issue. In discussing the case the Tax Policy Commission noted that the decisions achieved the effect of the legislative remedy the commission had proposed and said:⁷

The decisions of the courts, culminating in *Switz v. Middletown Township*, . . . will be permanently significant because they deal with equality of treatment in the distribution of the tax burden among separate taxpayers, rather than 'equalization' of the total tax rolls among taxing districts. The cases establish these two principles:

First: Equality of treatment under the tax law is guaranteed to every taxpayer by State and Federal Constitutions—whatever the standard—and where a choice must be made between such equality and enforcement of the legal standard, the courts will apply the rule of equality.

⁶ Commission on State Tax Policy, *Sixth Report*, *op. cit.*, pp. 137-138.

⁷ New Jersey Commission on State Tax Policy, *Ninth Report*, 1958, p. 13.

⁶ *Hillsborough Township v. Cromwell*, 326 U.S. 620, 66 Sup. Ct., 445, 90 L. Ed. 298 (1946). The quotation is from Commission on State Tax Policy, *Ninth Report*, p. 12. See also vol. 1, ch. 12.

⁷ *Ninth Report*, *ibid.*, pp. 1-2.

Second: The legal standard of assessment will be enforced by the courts at the suit of any taxpayer, and so long as the standard is set by statute at 100 percent of the valuation, the courts will mandate that standard.

One notable aspect of the decision was the court's postponing the requirement of 100 percent assessment until January 1, 1959.

The Commission on State Tax Policy issued another property tax report in 1958. Again the report was an invaluable guide for legislative decision. Commenting on previous proposals of the commission, the report noted that in relation to its "Project 1—to improve the administration of the property tax—great progress . . . but much remains to be done." Its other property tax projects had achieved less favorable results. The immediate assignment of the commission had been a study of the effect of the 100 percent assessment requirement under the *Middletown* decision. The report analyzed alternative approaches and made recommendations. The property tax recommendations included: that the basic standard of true value prescribed by statute be retained; that a uniform standard of assessment be retained for real estate, with all real estate assessed at 40 percent of full valuation; that business machinery and equipment be assessed at 40 percent of their valuation; that business (including farm) inventories be assessed at 10 percent; that household goods be exempt. The commission also renewed its previous recommendations for workable assessment districts (preferably county), installation of qualified, full-time assessors, etc., pointing out that such proposals may take on new meaning "in light of the adoption, upon the commission's recommendation, of the landmark piece of legislation, known as the State equalization law. . . . This legislation, as administered by the State Local Property Tax Bureau, has created a new environment for local property taxation."⁹

The legislatures of 1958 and 1959 held extensive hearings on the various proposals, but took only temporizing action. In 1959 a law was enacted to provide that an assessor would not be subject to removal or other civil or criminal penalties by reason, solely, of failure to prepare his 1959 assessment roll at true value. (Similar laws have been enacted for later years.)

In 1960, however, pressure for action became stronger. Governor Meyner, in his message to the legislature on January 12, gave special attention to the necessity of property tax legislation and proposed that each county be permitted to adopt its own level of assessment for real property and that personal property be assessed at a percentage of the real property level with household goods eliminated, if desired. The Governor also recommended professional training for assessors, statewide performance standards and competent technical as-

sistance when needed, optional use by municipalities of county assessors or of assessors serving two or more units, assessment at 2- or 3-year intervals rather than annually, and publication of municipal tax rolls. A little later in the month, on January 25, the supreme court handed down a decision (*Village of Ridgefield Park v. Bergen County Board of Taxation*, 31 N.J. 420) in which, as described by James Arnold, Jr., the court expressed "unwillingness to 'look the other way' when confronted with discrepancies between statutory requirements and local assessment practices." Mr. Arnold said, "There is every evidence that the court had concluded that longer delay could no longer be condoned. . . ."¹⁰

The 1960 legislature, thus pressed into decision, enacted chapter 51. This was to go into effect in 1962, but has been postponed three times, the latest postponement, chapter 9, laws of 1963, providing that it go into effect in 1965. Chapter 51, Laws of 1960, which incorporated some of the recommendations of the Governor and of the Tax Policy Commission, provides for separate treatment of real and personal property. All taxable real property is to be assessed according to the same standard of value, that standard being true value; taxable value will be that percentage of true value established by each county board of taxation as the level to be applied uniformly to all taxable real property throughout the county, the percentage to be a multiple of 10 percent, not less than 20 or higher than 100 percent of the standard of value (with 50 percent if the board fails to act). Tangible personal property used in business shall be assessed at fair value, presumed to be net book value, determined on an accounting basis; taxable value for other than inventories shall be such percentage of fair value as represents the common level of assessment of real property (as determined by the sales ratio program). Business inventories shall be valued on the basis of the average fair value and assessed at one-fourth the common level. Farm machinery, livestock, etc., shall be assessed at one-fourth the level established for real property or the level applicable to inventories, whichever is lower. Taxpayers will be required to file personal property tax returns, with substantial penalties for failure to file.

Chapter 51 of 1960 also authorized complete elimination of the property tax on household property at the option of the local units, and the effective date of this provision of the law was not postponed. As of April 30, 1963, it was reported that 512 of the 568 taxing units had enacted ordinances eliminating household property from the tax base.

⁹ James A. Arnold, Jr., *New Jersey Property Taxes and Tax Classification*, a report prepared for the Constitutional Convention Association, 1960, pp. 37, 38.

¹⁰ *Ninth Report, op. cit.*, p. 11.

Also enacted in 1960 was a proposed constitutional amendment, approved by the voters in November of that year, authorizing a tax exemption for senior citizens. This amendment, as implemented by 1961 legislation, provides a real estate tax exemption not to exceed \$800 on residential property owned and occupied by New Jersey residents over 65 years of age, domiciled in New Jersey for not less than 3 years, and having incomes not in excess of \$5,000.

Another far-reaching judicial decision was handed down in 1961 when in the *Kents* case (*In the Matter of the Appeals of Kents 2124 Atlantic Ave., Inc.*, 34 N.J. 21 (1961)), "the New Jersey Supreme Court ruled that the 'common level' of assessments within a taxing district, determined statistically from an averaging of assessment ratios, could be used as a basis for granting taxpayer relief on appeal from assessments at a higher ratio. This is another long step in the direction of judicial unwillingness to condone uneven assessments and an important one in the direction of making taxpayer appeal from uneven assessments easier than they have ever been before."¹¹

Among the important cases decided by the supreme court in 1962 were *Siegal v. City of Newark*, 38 N.J. 57 (1962), in which the court reaffirmed its holding in the *Kents* case, and *Switz v. Kingsley*, 37 N.J. 566 (1962), in which the court upheld the constitutionality of chapter 51, Laws of 1960. In the *Switz* decision, the supreme court held chapter 51 valid in all respects, except that the provision granting preferential treatment for farm real estate was held to be unconstitutional. The court overruled the earlier decision by a lower court that had held invalid the provision that farm machinery and livestock be assessed at one-fourth the level applicable to business machinery and equipment.

Early in 1963 the Tax Policy Commission presented its Tenth Report, which made additional property tax recommendations. Included in the recommendations were: repeal of the tax on busi-

ness inventories, with the State paying the local units annually to replace the amount currently received by them from taxation of inventories; standardize the tax on machinery and equipment on the basis of a fixed valuation of 50 percent of cost to the taxpayer and with assessment at one-half the ratio of the common level of real estate in the district; place telephone and telegraph companies fully under the utility gross receipts tax; make all railroad taxes State revenue, with replacement revenue provided to the local units by the State, such replacement revenue to come from continued taxation of railroads and from other sources. An outstanding feature of the report was the commission's recommendation of a new, broad-based tax, specifically a general sales tax, to provide the revenue needed to carry out its recommendations on the property tax, on State school aid, on other aid to local units, and to give additional State purpose revenue.

A number of important property tax measures were submitted to the 1963 legislature. By mid-April one of these measures had been enacted, chapter 9, which postpones until 1965 the effective date of most of the provisions of chapter 51, Laws of 1960. The new law, however, contains an unusual provision in that it requires tax returns for research purposes. Owners of tangible personal property used in business must file personal property tax returns on or before August 1, 1963, in accordance with regulations prescribed by the director of the Division of Taxation, with notable penalties for delinquency. The returns are not to be used as a basis for taxation, but for compiling statistical material which shall be used to analyze the possible effects of the personal property provisions of the 1960 law. Measures receiving serious consideration early in 1963 included proposals for constitutional amendments to provide a dollar deduction, instead of assessed value exemption, for veterans and senior citizens, and to permit assessment of farmland as farmland without regard to its potential value for other purposes. (These proposals were enacted as constitutional amendments to be submitted to the electorate in November.)

¹¹ *Annual Report of the Division of Taxation, 1961*, p. 25. For additional comment on the *Kents* case, see vol. 1, ch. 12.

NEW MEXICO

New Mexico has a direct interest in the property tax, both because of its substantial use of the tax for State purposes and of the notable share of the total taxable valuation assessed by the State.

Organization for assessing. The State Tax Commission, consisting of three appointive members who serve full-time, has general supervision of the administration of the assessment and tax laws of the State. It is specifically responsible for the assessment of certain types of property, for functioning as a State Board of Equalization including the hearing of appeals from county boards, for supervising sale of property deced to the State for delinquent taxes, for directing installation of the unit tax system, and for advising and directing assessors and county boards of equalization as to duties, etc.

Properties assessed directly by the commission include railroads, telegraph, transmission and pipeline companies, other public utilities not otherwise exempt; mineral property; shares of capital stock of banks, trust and mortgage loan companies; equipment of contractors customarily engaged in business in more than one county; and railroad car companies. In 1959 and 1960 such property represented about 45 percent of the total State valuation (in 1957 and 1958 it represented about 53 percent). In addition the Tax Commission prescribes values to be used in assessing grazing lands, cattle, and other livestock.

Locally assessed property is the responsibility of 32 county assessors. The county assessor in New Mexico is elected for a 2-year term and may be re-elected, but after serving two successive terms he is ineligible to hold any county office for 2 years thereafter. The 1956 report of the State Tax Commission said:¹

Another constant source of inequality, ineffective methods and loss of taxable value can be directly charged to our system of very frequent changes in assessing officials. Under our present system of short terms for all officers, a tax assessor barely acquires a knowledge of his work, his assessable properties and a proper equalization thereof, in the short time for which he is qualified to serve and is, in reality, disqualified for further service at about the time he reaches the point of becoming an efficient officer. We would strongly recommend an amendment to our constitution which would permit of continued service by tax assessors, provided that proper means for the removal of incompetents be provided and that both close and ample supervisory methods be supplied.

The above paragraph is taken verbatim from the fifth biennial report of the State Tax Commission of New Mexico dated December 15, 1924. The recommendation

¹ *New Mexico State Tax Commission 21st Biennial Report*, Santa Fe, 1956, pp. 17-18.

in the fifth biennial report is just as applicable in 1956 as it was in 1924. The present tax commission considers that the 2-year term, whether for State officials or county officials, is a major factor in preventing good State administration, at both the county and State levels in New Mexico, that should be removed. The 1924 recommendation to the legislature is renewed by the present State tax commission.

In 1958 the Tax Commission went further and recommended complete centralization of assessing in the State Tax Commission or some other State agency established for the purpose. This was urged as a practical approach to standardization and equalization. The recommendation included appointment of all assessing officers on the basis of qualifications set by statute with tenure and provision for removal only for cause, such tenure provisions to apply to the officers of the State agency as well as those appointed to local assessing duties. It was suggested that the assessing officers be rotated from county to county in the same manner as State police are rotated.²

Recent recommendations and action. The State Tax Commission has long been aware of the need to strengthen the property tax and has taken some action in this direction, with varying degrees of cooperation by the legislature.

In 1949 the legislature "authorized the State Tax Commission to undertake a general reassessment of the property of the State and made an appropriation to do the job. A private firm of accountants, the Dee Donnell firm, was hired to do the work. Whether or not the job was well done, 'the results of the reassessments program were not accepted by county assessors who continued using their own valuations.'³ In 1956 the commission recommended a general property appraisal and asked for \$500,000 to finance the project, with the suggestion that "legislation would be necessary to avoid the assessors casting aside such appraisals or valuations, as happened in the case of the Dee Donnell survey,"⁴ but no such appropriation was authorized.

Meanwhile, however, in 1951 the commission undertook a careful survey of real property values, not as a revaluation but as a means of determining the level at which property was assessed. (Some

² *New Mexico State Tax Commission 22d Biennial Report*, Santa Fe, 1958, p. 68.

³ Inez B. Gill, *The Property Tax*, Staff Report of the Joint Legislative Interim Committee on Public Finance, 1955, quoting Thomas H. Donnelly, *The Government of New Mexico*, University of New Mexico Press, 1953 edition, p. 229.

⁴ *New Mexico State Tax Commission, 21st Biennial Report*, 1956, p. 23.

of the results are noted below.) Besides the level of assessment the survey emphasized the need for a system of basic records to be used in assessing.

To meet this need, the 1953 legislature enacted a law providing for the installation of a "unit tax system" in counties requesting it. The unit tax system, described as essential to sound assessment and taxation, was summarized in the Tax Commission's 21st Report as consisting of: (1) maintaining complete maps; (2) identifying each parcel or unit by legal description and code or serial number; (3) identifying each parcel or unit on the tax roll and other tax records by number and by ownership; (4) keeping a ledger card record for each unit which shows value of land and improvements, taxes and assessments levied and paid, year by year, for a period of years. The system was designed to fit in with various kinds of mechanical equipment and to apply modern recordkeeping processes to the assessment, levying, and recording of property taxes. By the close of 1958, installations of the unit tax system had been completed in three counties, partially completed in five, and well started in another, and the Tax Commission noted that the installations require "meticulous, skillful, and technical work such as abstracting, mapmaking, surveying, codification for identification, as well as schooling local county officials in order to acquire their cooperation."

The 1955 legislature enacted several important property tax measures which, according to a Tax Commission memorandum,³ "calls for an aggressive program to equalize the assessment of property both within counties and among counties throughout the State." The legislation included provision for making the three members of the Tax Commission full-time officials, whereas only one had previously been on this basis, and directed the commission, as the Board of Equalization, to require that all taxable tangible property be assessed uniformly in proportion to value and to establish standards of assessment to be followed by county assessing officers. The commission's powers of review were also broadened. Also significant was the suspension for 4 years of the quadrennial assessment law, a procedure which made reassessment possible in any year up to and including the regular quadrennial assessment year of 1960. The Tax Commission in its June 9 memorandum said it considered 33⅓ percent of sound value to be the minimum value at which property should be assessed and requested each county to achieve this standard at the earliest possible time. The commission pointed out that no funds for the reassessment program had been made available to the State Tax Commission, that the responsibility was therefore that of the counties,

and urged that provision be made in the county budgets to employ additional staff. In December 1956, in its regular biennial report, the commission discussed the equalization program and said, "Practically every county assessor has given increased conscious effort to equalizing values in assessments made during 1956, and the situation has been improved in a greater or lesser degree in many counties." It went on to note that the cost and the need for technical equipment were such that many counties needed financial assistance and recommended that the State undertake complete reappraisal.

Sooner or later pressure for improvement may come from another direction. Mr. Jack E. Holmes, then Chief Tax Commissioner, in an article in the *New Mexico Tax Bulletin* in the summer of 1961,⁴ reviewed some of the forward-looking recommendations made by the Tax Commissions starting with the first such commission in 1915. He pointed out the discrepancy between recent growth in population and economic activity and the rise—or decline—in locally assessed property and said, "One can only assume that this great increase of corporate values which provided so much of the tax base for local government operations must have caused the local assessment effort almost to disappear." He concluded with the pertinent observation:

When New Mexico municipalities began to get into serious difficulties in the mid-1950's, the State made only a halfhearted attempt to encourage municipalities to give assistance where prodding of local assessors might have helped. The route taken was to apply for and receive statutory authorization for municipal sales taxes.

If, as some claim, the State again is in a finance crisis involving schools and local units of government, there would seem to be two alternatives. First, the State can continue as it has been to increase the percentage of funds derived by State taxation and administrative effort, and then apportion it back to the county and schools. Or, second, it can move to bolster locally derived revenues. In this case it would inevitably have to remind the local units of government, that they must expend much more energy on the property tax and that they must seek to achieve some of those goals and practices detailed in 1915, in the first report of the tax commission.

Level of assessment. The State Tax Commission made a survey in 1951, using a 10-percent sample in 26 counties, and found that the average assessed valuations in individual counties at that time varied from 11 percent to 61 percent of the appraised values and the average of the sample in the 26 counties was one-third of the appraised value. The Tax Commission said in 1956, "In most counties the assessors, despite the fact that prior to 1955, real property was required by law to be valued and assessed at full market value for taxation purposes, determine the assessment ratio entirely independently of all other countries."

³Memorandum of June 9, 1955, as quoted in *New Mexico Tax Bulletin*, October 1955, pp. 320-323.

⁴Jack E. Holmes, "The Property Tax in New Mexico, Orphan and Whipping Boy," *New Mexico Tax Bulletin*, Summer 1961, pp. 98-103.

From 1933 to 1955 the New Mexico statutes provided that real property assessed by the counties should be "assessed and valued at actual market value." But, as indicated above, this was not followed in practice. In 1955 the legislature suspended the provision for assessment at market value while retaining the provision that property should be valued at the full actual value, and it delegated to the Tax Commission the responsibility of determining the assessment ratio for various classes of property. The commission put the ratio for real property at $33\frac{1}{3}$ percent, the level found by the 1951 survey to be the actual average, and requested all the counties to conform to this ratio. In early 1956 the ratios reported by the counties ranged from 12 to 40 percent, with some working toward the $33\frac{1}{3}$ -percent goal, others to an assessment goal of 25 percent of actual value or less.

Financing. New Mexico appears to be one of the States where a Tax Commission alert to weakness and willing to attempt improvement is hampered by lack of funds. While the unfortunate experience of the 1949 revaluation could be cited, even basic needs, both State and local, were inadequately supported years later. The Tax Commission's 1956 report, after discussing the "chaotic condition" of property taxation in New Mexico, gave as one of the reasons for the condition the lack of funds, saying, "The assessor's office very often is relatively more underfinanced than any other in the court house. . . . nor is the tax commission helping very much in the situation. It lacks the funds to employ qualified personnel to guide and assist the county assessor."⁷

⁷ *New Mexico State Tax Commission 21st Biennial Report, 1956, p. 9.*

In 1958, in connection with discussion of State assessed property, the commission reported, "The commission, under statutory authority, can hire engineers and other staff that it may require; however, . . . the commission has not had available sufficient funds for the employing of needed staff."⁸

Tax Study of 1962. In December 1962, an Interim Joint Subcommittee of the Legislative Finance Committee submitted to the legislature the results of a study, begun early in 1961 on the State's revenue structure and various related matters.⁹ The study included a section on the property tax, on which it based a series of recommendations. Included in such recommendations were: adopt a constitutional amendment which would be specific on legislative authority to classify property for tax purposes and to exempt certain classes, with subsequent action by the legislature to exempt selected classes, such as machinery for research and development, and household property; relate veterans and head of family exemptions to full value, rather than assessed value, of property; assess land and improvements independently of each other; adopt reproduction cost new as the principal method of evaluating improvements; adopt uniform ratios of assessed value to full value throughout the State; provide an exception to the uniform ratio rule for inventories; set a limit to the amount a tax levy may be increased due to increases in assessment ratios; and replace self-assessment of real and personal property with assessment by inspection, and reassessment at least every 4 years.

⁸ *New Mexico State Tax Commission 22d Biennial Report, 1958, p. 66.*

⁹ *Opportunities for Improving the New Mexico Revenue System, A report with recommendations to the 1963 State Legislature, by Revenue Structure Study Committee, an Interim Joint Subcommittee of the Legislative Finance Committee, Santa Fe, 1962.*

NEW YORK

In recent years the State of New York has made considerable progress at the State level in at least two areas involving real property assessments:¹ it has developed and refined systematic procedures for interarea equalization of assessments, and it has enacted and improved laws designed to provide the taxpayers with an inexpensive method of proving inequality of assessments on individual parcels. Both of these developments have resulted directly from the creation in 1949 of a temporary commission, the State Board of Equalization and Assessment. The commission was assigned the specific task of reviewing and revising State equalization rates. It was also given sufficient funds to assemble and train a professional staff to accomplish this task.

The need for reliable State equalization rates had become imperative with the adoption of a constitutional amendment in 1949 providing that the constitutional tax limits for localities would be based on the full valuation of taxable property within the localities rather than on the assessed valuation. At that time, it was generally recognized that the State equalization rates being established by the State Tax Commission did not accurately reflect the full valuations.²

The State Board of Equalization and Assessment commenced as soon as possible to make the market surveys upon which all sound equalization programs are based; but first it had to organize and recruit the specialists and staff needed for developing the principles and procedures which would be used for carrying out the fieldwork.

¹ Personal property has been exempt from ad valorem taxation since 1933 (ch. 470, New York Laws of 1933).

² There are a number of related reasons. Since 1928 (when the State property tax was repealed), State equalization rates had not been a part of a State revenue producing activity; thus, according to the 1944 annual report of the State Tax Commission, with the depression and economies in governmental expenditures came curtailment in equalization activities which were not involved in the production of State income. The result was that performance of fieldwork and assembling of equalization data were discontinued and reliance was had on information voluntarily furnished by tax districts. Rapid postwar increases in market values without corresponding increases in assessed valuations had made the State equalization rates, which remained on the whole unchanged from the prewar years, woefully outdated. For a discussion, see Rosalind G. Baldwin, "Property Tax Updated," *National Municipal Review*, XLIV, No. 10 (November 1955), p. 512 ff.; Robert F. Kilmer, "Introduction to the Real Property Tax Law," 49A McKinney's Consol. Laws of N.Y. (1960 ed.), pp. xxx-xxxii. The latter article contains a succinct history of equalization in New York.

Organization and Personnel, State Board of Equalization and Assessment

The State Board of Equalization and Assessment, a division of the Office of Local Government in the Executive Department, is composed of the Commissioner for Local Government and four other members appointed by the Governor with consent of the senate. An executive director, who must be in the competitive class of civil service, heads the division and is responsible to the board for administering board functions. These functions, in addition to establishing annual State equalization rates, include making special franchise assessments, approving assessments on taxable state-owned lands, training and assisting local assessors, and establishing railroad ceilings for railroad real property. This study is concerned only with the organization and personnel required to establish equalization rates.

One hundred employees are currently doing the work necessary for establishing equalization rates. Most of them serve directly under either the Director of Equalization or the Director of Research and Statistics. The quantity of work demanded of board staff is indicated by the fact that 1,545 rates must be established for cities, towns, and villages (62 cities, 932 towns, and 551 villages). In addition, about 700 special rates are fixed for certain school districts, for counties, for railroad ceilings, and for assessments on state-owned lands. It is estimated that in fiscal 1962-63 approximately 26,170 appraisals will be made (21,235 were made for the fiscal year 1961-62) and about 200,000 sales reports will be analyzed (196,000 were analyzed in 1961-62) in connection with the current equalization study of assessment levels in the various assessing units. In addition to the roundly 100 full-time employees engaged in equalization work, 41 employees performing executive (3), legal (7), administrative (8), data processing (17), and statistical services (6) spend probably one-half of their time on equalization.

Maintaining the equalization program is relatively costly: \$995,785 was appropriated for the year 1962-63 and over \$1 million has been requested for the year 1963-64. Of the amount appropriated for 1962-63, \$799,153 is for personal services.

Interarea Equalization

Methods and Uses

The method used in New York for equalizing interarea assessments calls for the establishment each year of a State equalization rate for the as-

assessment roll of each city, town, and village and for the aggregate rolls of each county.² That is, the State agency responsible for equalization is directed to ascertain annually the percentage of full value³ at which taxable property in a locality is being assessed, and this percentage is the State equalization rate for the locality. In effect, all tax districts in New York are covered, since school and other districts which levy ad valorem taxes use city and town assessment rolls.

State equalization rates were first authorized in 1859 for countywide use only, the purpose being to provide an equal base for apportioning State property taxes among the counties. In 1912, provision was made in the law for a State agency (at this time, the State Board of Tax Commissioners) to establish an equalization rate for each city, town, and village in the State. This was necessary in order to place State assessed but locally taxed special franchise assessments (assessments of public utility property in public places, including the right to use and occupy the public places) on a parity with assessments made by local assessors.⁴

Although State equalization rates are no longer used to apportion a State property tax, which was abolished in 1928, at least 30 statutes prescribe their use for 5 types of purposes. The enumeration of the five types demonstrates the significance which interarea equalization can have. Furthermore, it becomes readily apparent how essential it is that the rates be statistically reliable.

1. *Apportionment of State aid to localities.* Ever since 1926, State equalization rates have been a factor in formulas allocating State aid to localities. In recent years the amounts of these State grants, particularly grants for education, have increased greatly; concomitantly, the importance of State equalization rates to local units of government and the State has grown. For example, in 1962-63 about \$900 million was granted by the State to localities for education alone.⁵

² Cities, towns, and villages comprise the assessment districts, except for Nassau County, which assesses for itself and its towns and school districts. Villages have the option of using town assessments (in Nassau County, the county assessments).

³ "Full value" has been defined to be market value or that sum which a willing buyer would pay a willing seller for the property in a normal market. *Parklin Operating Corp. v. Miller*, 287 N.Y. 126.

⁴ Under the Special Franchise Tax Law as originally enacted in 1899 (Laws of 1899, ch. 712), the State board had no power to equalize the special franchise assessments, although the law provided that the assessments must be placed on the local roll and taxed in the same manner as other property. The courts held that the only remedy for obtaining equality was by a court proceeding. *People v. State Board of Tax Commissioners*, 196 N.Y. 39, 98 N.E. 581 (1909); *People v. State Board of Tax Commissioners*, 212 N.Y. 472, 106 N.E. 325 (1914).

⁵ School aid is the only major grant related to assessed valuation.

2. *Determination of constitutional limitations on local taxing and borrowing powers.* Under State constitutional amendments adopted in 1949 and 1951,⁷ limitations on local property taxes and on the amount of local debt are based on the full valuation of taxable property in the locality (the assessed valuation divided by the State equalization rate). The effect on local taxing and borrowing powers of using full valuation rather than assessed valuation is illustrated by the fact that the statewide average ratio of assessed value to full value, according to 1958 State equalization data, was 66 percent.⁸

3. *Determination of special franchise assessments, railroad property assessment ceilings, and assessments of taxable State lands.* In New York, the law clearly directs the board to equalize State assessments with local assessments. Special franchise valuations made by the State board, that is, valuations of public utility tangible property located in public places (such as telephone poles or powerlines) and the intangible value attributed to the right to use the public places, must be equalized by application of the latest State equalization rate for each locality in which the property is located before they are entered on the local assessment roll.⁹ Railroad ceilings established by the board for railroad property located in each locality are equalized in the same manner.¹⁰ Some lands belonging to the State are made taxable by law. As to these lands, no local assessment is valid until it has been approved by the State board, and the board is given the duty of approving only an assessment which is "in such an amount as will place it at the same percentage of full valuation as other taxable real property in the assessing unit."¹¹ The State board uses the data obtained for the State equalization rates to measure the percentage of full value at which other property is being assessed in determining at what amount it will approve the local assessments of State lands.

4. *Apportionment of taxes of school and other districts located in more than one city or town.* Where a school or other district is located in more than one city or town, it uses the assessed valuations

⁷ Art. 8, secs. 4 and 10, New York State Constitution.

⁸ The precise effect cannot be measured because the limitations are based on a 5-year average of full valuations. However, the statewide estimate does indicate that the taxing and borrowing powers have been expanded.

⁹ The 1953 State equalization rates, not the latest rates, must be applied to any portion of the special franchise property which was assessed for the year 1953. Real Property Tax Law, sec. 606.

¹⁰ Sec. 16-b and 16-j of the Tax Law. A railroad ceiling is not an assessment but a base for determining the extent to which the property of a railroad is exempt from taxation. However, since a local assessor cannot put an amount greater than the ceiling certified to him by the State board on the taxable portion of the roll, the ceiling is the assessment if the assessment made by the local assessor is greater than the ceiling.

¹¹ Real Property Tax Law, sec. 542.

of parcels in the district as shown on the assessment rolls of the cities or towns in which the parcels are located. Thus parcels within the same districts are probably assessed at different levels of full value. The law provides for equalization among these parcels by use of the State equalization rate for the cities and towns involved.¹²

5. *Evidence on issue of inequality in judicial proceedings to review an assessment.* Under a statutory amendment enacted in 1961,¹³ the State equalization rate established for the assessment roll containing the assessment under judicial review may be introduced as evidence on the issue of whether the assessment is unequal. The possible effect of this law on taxpayers' remedies for inequality is discussed later.

The uses discussed thus far are prescribed by the constitution or by statute. The State rates established by the board since its creation in 1949 have had collateral influences. For instance, the rates are apparently used by most counties for apportioning county taxes;¹⁴ inequities among assessments on individual properties, which the market surveys made by the board show exist, have received the serious attention of public officials and citizens and many localities have undertaken revaluation programs.¹⁵

Interarea Equalization: Principles and Procedures¹⁶

The common standard prescribed by New York law for comparing interarea assessments is the "full-value" at which taxable real property is being assessed. Full value has been construed by the courts to mean market value (or what a willing buyer would pay a willing seller) in a normal market.

In determining market value or full value for equalization purposes, the State board uses an average of the market price levels for the years on which the latest two biennial surveys have been based. In each market value survey, price levels for the same year are used in each city, town, and village. This means that in ascertaining the ratio of assessed value to market value of property on assessment

rolls for the current year, the market value of the property is based upon price levels prevalent in at least two previous recent years.

In 1954, the first year in which the board accomplished a complete revision of State equalization rates, the average of market price levels in each locality for the years 1949 and 1952 was used as the basis for full value.

The board continued to use the same period price levels for the equalization rates established for the years 1955 through 1958. In 1955, a statute proposed by the State board was enacted which required the board, as part of its equalization procedure, to sample at least once in every 5 years "the ratio of assessments to market values for each major type of taxable real property as of the same date or period of time in all cities, towns, and villages."¹⁷ Therefore, since no market study had been made since 1952, a new market study was made as required by the new law as of 1957 price levels. For assessment rolls completed in 1959, full values were predicated upon a simple average of 1952 and 1957 market price levels. The same price level years were used for 1960 equalization rates, except that triple weight was given to the 1957 levels in order to bring the full values to a more current basis. The experience of the board with the 1957 market value survey convinced it that statewide surveys should be made more often and the State as a matter of policy has since followed a biennial survey cycle. In 1961, when the board was in the process of completing a market survey based on 1959 market prices, the executive director of the board, Miss Rosalind G. Baldwin, in describing the future plans of the board, said:

Barring abnormal price trends, as each new survey is completed the new survey data will be combined with information from the latest preceding survey, and in interim years between the completion of surveys, extra weight will be given to the latest data. If unusual market conditions should develop, the board would undoubtedly vary this pattern in order to use the market value information in a way that would reflect its opinion of full value under those conditions.¹⁸

As planned, the equalization rates for 1961 assessment rolls were based on the average of 1957 and 1959 market studies. For 1962 assessment rolls, the same price level years will be used with triple weight accorded 1959 data. A new cycle will then start for 1963 rolls, at which time 1961 market data will be available, and these data will be incorporated into the rate together with the 1959 price level data unless the board is of the opinion that the data reflect abnormal price trends or the board changes its procedures.

¹² See, for example, the provision for school districts in sec. 1312 of the Real Property Tax Law.

¹³ Real property tax law, sec. 720(3), as amended by ch. 942, Laws of 1961.

¹⁴ State Board of Equalization and Assessment, *Principles and Procedures Used in Establishing State Equalization Rates*, February 1961, p. 4; Kilmner, *op. cit.*, p. xxix.

¹⁵ Baldwin, *op. cit.*, p. 514.

¹⁶ Most of the information on the principles and procedures of the board was obtained from its booklet, *Principles and Procedures Used in Establishing State Equalization Rates*, *op. cit.*, containing articles by Rosalind G. Baldwin, executive director; Arthur L. Bergren, director of equalization; and Samuel J. Stein, director of research and statistics.

¹⁷ Real Property Tax Law, sec. 1200. The results of the market surveys are made public records by the law, which means that they are available to anyone for study.

¹⁸ Booklet of State Board of Equalization and Assessment, *op. cit.*, p. 12.

Both sales and appraisal samples are utilized in each market survey. Sales ratio studies and appraisal sample ratios are made only for major classes or types of property on the roll, and the equalization rate is ultimately based on the estimated ratio of assessed to market values of the sampled classes. In no instance is a ratio estimated for a class without an appraisal sample. Sales data are used where available, but are never used alone. In other words, appraisals of parcels in the sampled classes are always made.

At present, the board uses 15 classifications of property, based on the use being made of the property.¹⁹ The actual selection of the parcels to be appraised is made in the following manner. Each parcel on an assessment roll is classified into 1 of the 15 types. A table is then prepared showing, for each class, the number of parcels, the total assessed valuation, and the percent of the roll represented by the assessed valuations of that class. Sample parcels in classes which represent a combined total of at least 80 percent of the total assessed valuations on the assessment roll are appraised.²⁰

Rules have been developed for determining the size of the appraisal sample for each class of property. Under the rules, the number of parcels depends upon such factors as the total number of parcels on the assessment roll, the proportion of the total roll represented by the class of property being sampled, the number of parcels in the class, and the number of sales in the sales sample for the class.²¹

Once the size of the appraisal sample has been fixed, the particular parcels to be appraised are selected by drawing random numbers which refer to a page and item number on the local assessment

roll.²² Those parcels selected are then identified on the assessment roll, and a description is made which includes the assessed valuation. The average assessed valuation of the selected parcels is then compared with the average assessed valuation of all the parcels in the class, and if this average is not within 20 percent of the class average, other parcels are substituted at random until the 20 percent variation rule is met. This procedure tends to locate the estimate of full value in that portion of the regression line where the standard error of estimate is smallest.

The board appraiser who is assigned to appraise the selected parcels studies local value conditions, using the sales information previously gathered by the board's staff and information obtained from local appraisers and others in the community with knowledge of local market values. The appraiser physically inspects each parcel in the sample and collects data relevant to the market value of that particular property (comparable sales, net rentals where appropriate, and reproduction cost less depreciation). He then considers these data together with local value conditions in making his final estimate of market value. The appraisals are reviewed by a senior appraiser, who also consults with local officials on the value placed on each parcel, except that, in the case of complex industrial and utility properties, the review is made only upon the request of the locality. As previously mentioned, the appraisal sample for a class is compared with the sales sample.

Sales samples are compiled in the following manner. County recording officers are required by law to furnish assessors a monthly report of all transfers of real property which were recorded during the previous month. In turn, the assessors, within 15 days after receiving this report, must send a report of the transfers, together with such other information about the properties as might be required by the State board, to the board. (Sec. 574, Real Property Tax Law.) The form presently furnished recording officers and assessors by the board calls for information as to the type of the property (residential, industrial, commercial, etc.), facts relating to whether the sale is bona fide, the assessed valuation and data relating to the consideration such as the amount of revenue stamps, assumed mortgages, or consideration expressed in the deed. Sales which do not appear, on the basis of the assessor's report, to be open market transactions are immediately eliminated. Those sales for which the assessment on the last roll completed prior to the transfer do not reflect the physical condition of the property at the time of the transfer are also eliminated, as are parcels subject to exemptions and transfers in which personal property was included in the con-

¹⁹ They are: farm, vacant rural land, single-family residence, estate, 2- or 3-family residence, apartment, combination, seasonal residence, residential vacant land, commercial, seasonal resort, industrial, commercial or industrial vacant land, forest land and miscellaneous. Some classifications are subdivided into properties with assessed valuations of under and over \$50,000, and other subdivisions are used where appropriate.

²⁰ The unsampled portion of the roll (which may be as much as 20 percent of the roll) generally consists of numerous classes. The board, in effect, assumes that the unsampled classes on the average are assessed at approximately the same level as sampled classes; in any event, whenever information indicates that the procedure has not produced a reasonable estimate of unsampled classes, additional classes are sampled. The research staff is presently reviewing alternative procedures for treating unsampled classes which would permit an estimate of their market value without undertaking prohibitively expensive additional appraisals. One possibility being examined is association of particular unsampled classes with sampled classes or groups of classes.

²¹ For example, the largest number of appraisals possible under present rules for any one class of property is 60. This would occur for residential property in large cities and towns when there are more than 20,000 parcels of property on the roll. In these situations, there are always several hundred or more usable sales. If sales and appraisal samples do not agree, further appraisals are made, if necessary, to ascertain the ratio for the class.

²² The random numbers currently used are contained in Rand Corp., *A Million Random Digits*, Free Press, Glencoe, Ill. (1955).

sideration. For the remaining sales, questionnaires designed to elicit the actual sales price and any special conditions attached to the sale (such as the inclusion of personal property) are sent to the purchasers. Forty to fifty percent of these purchasers are presently returning the questionnaires. If fewer than five sales are confirmed by the questionnaires for any class, the sales sample for the class will generally not be used in computing the equalization rate.

After the appraisals are completed, the ratio of assessed to market value is computed for each class of property sampled.

Where the class has more than 100 parcels on the roll, as is usually the case for farms and 1-family houses in most localities, a regression estimate is generally used in the computation.²³ If, however, the class has less than 100 parcels, the market value ratio used is a weighted average (the sum of the assessed values of the sample parcels divided by the sum of the market values of the parcels). Where the class contains properties with wide ranges in value, such as public utility property or industrial property, a weighted average instead of a regression estimate is used even though the class has more than 100 parcels on the roll.

If a usable sales sample is available for the class, a market value ratio (either weighted average or regression estimate, depending upon the class) is computed for the class based on the sales data. This ratio is compared with the ratio derived from the appraisal sample and, if the difference between them is less than 15 percent, the sales and appraisal samples are considered to be in substantial agreement. In this event, the market value ratio for the class is computed on the basis of both the sales and appraisals by using either a regression estimate or weighted average, as the case may be.

If the difference between the sales and appraisal ratios is more than 15 percent, the appraisal and sales data and general market trends are analyzed again, the questionnaires returned by the purchasers are reexamined, and assessments on parcels in the sales sample are checked in the field by the board's staff. If fewer than five confirmed sales remain after the further check, the appraisal sample alone is used provided the appraisal sample market value estimate bears a logical relationship to market value trends for the locality.²⁴ If a usable

number of confirmed sales (five or more) result from the check but the sales and appraisal ratios still disagree, additional steps are taken until it is felt that the ratio estimate for the class is as reliable as possible: sales and appraisal data being gathered for the next survey are examined; in certain cases (as where the later sales and appraisal data for an earlier or later survey substantiate the sales sample) new appraisals are made, and again market trends are analyzed to test whether the sales and appraisal ratios agree.

Once a reliable market value ratio has been ascertained for each sampled class, the market value for each class is computed (the assessed value is divided by the market value ratio). In finding the market value estimate for the roll as a whole, each class sampled is weighted in accordance with its estimated market value (the total assessed value of all sampled classes divided by the total market value).

Since the equalization rate is based on the market value levels of 2 survey years, the market value for the sampled classes is computed at the level of the previous equalization survey by dividing the total assessed value of these classes by the previous market value ratio for the locality. The equalization rate is then obtained by dividing the total assessed value of the sampled classes by the average of the two market values for the classes.

The resulting equalization rate is adjusted for any changes in the level of assessment which may have occurred in the years since the completion of the roll which has been classified and used in the market survey.²⁵

The procedures outlined above are used each year to ascertain a State equalization rate representing the level of assessment in each city, town, and village in the State.

Review of Assessments for Inequality

The recent development in New York of a good equalization program has improved the chances for a taxpayer to discover whether his assessment is substantially out of line with other assessments. Local publicity given the State equalization rates and the studies on which they are based is bringing variations in assessment, both among the various classes of property and among parcels of the same class, to the attention of local property owners.

In addition to knowing that he is unequally assessed, the taxpayer needs to be able to prove it. New York has no statewide system of administrative review of assessments at the county level, and no State board to which appeals may be carried.

²⁵ Changes in level of assessment are increases or decreases in assessments on previously assessed property which are made by assessors for any reason other than physical changes in the property or changes in the taxable status of the property.

²³ A "regression estimate" estimates the market value of a class on the basis of the relationship between sales prices or appraised values and assessments indicated by sample parcels, as well as by the number of parcels and assessed value in the entire class.

²⁴ There are exceptions. Unconfirmed sales are used whenever it is found that (a) there is a large difference between the ratios indicated by confirmed sales and appraisals which does not exist when unconfirmed sales are added to the sample, or (b) the indicated market value trend between the prior and current surveys is more logical when the sample includes unconfirmed sales.

The law provides for the hearing of complaints by local boards of review (sec. 512, Real Property Tax Law); which commonly means the assessors, although there are some ex officio boards, and some cities and a few towns have separate review boards. Appeal from this local level of review is a judicial proceeding in a supreme court with a trial de novo (Real Property Tax Law, art. 7). Proving in a court of law the ratio at which all other property in a city, town, or village is being assessed obviously can involve large expense.

In an effort to ease the taxpayer's burden regarding inequality in these judicial proceedings, the New York Legislature has recently enacted and improved several provisions intended to facilitate proof of inequality.

One of the laws, the so-called "Hollowell law," enacted in 1950,²⁶ makes it possible for a taxpayer to recoup expenditures made to prove inequality. Under the law, the taxpayer may demand that the locality admit that the percentage of full value at which property other than his own is assessed is a certain percentage; and if, upon refusal of the locality to make the admission, the taxpayer proves this percentage or a lower percentage, the locality must pay him the reasonable expenses incurred in proving the percentage, including reasonable attorney's and expert's fees.

For about 50 years, the evidence admissible on inequality has been limited under a law which establishes what it known as a parcels proceeding.²⁷ As originally passed in 1911, the law limits the evidence which can be introduced in the judicial proceeding by either party on the issue of inequality to appraisals of parcels chosen by the parties (or if the parties cannot agree—the court) and to actual sales occurring during the year for which the assessment roll under review was made. A 1961 amendment²⁸ made an important addition to the evidence admissible on the issue of inequality. It permits either party to give evidence as to the State equalization rate established for the roll containing the assessment under review.²⁹

Insufficient time has elapsed since the amendment for cases to have been tried with State equalization rate evidence; consequently some questions left open by the law will remain unanswered until cases are tried. One of these is that the law does not specify what the State equalization rate evi-

dence may be; i.e., the rate alone or the rate plus the supporting records and data compiled by the board. The law is also silent as to the weight to be given the equalization rate evidence. Since in many cases it will be purely coincidental if the parcel evidence and equalization rate evidence produce the same ratio, it remains to be seen which of the two the trier of the facts will regard as the more probative.

Unquestionably, however, the implements available to taxpayers (and in some instances, localities, as where an action alleging inequality is brought for harassment purposes) have been immeasurably strengthened. And, too, the quality of the evidence now available has been improved, for a ratio based on the parcels proceeding and sales evidence permitted by section 720 does not generally stand statistical testing. Some of the deficiencies are readily apparent. The parcels chosen usually are not, and are not intended to be, samples of representative classes; the taxpayer tends to select parcels which have a low ratio of assessed to full value while the locality will choose high ratio property; and the number of parcels selected and appraised in most cases is considerably smaller than the number which equalization statisticians would agree is the minimum necessary to produce a representative and valid sample.

On the other hand, experts would undoubtedly agree that the State equalization rates now being established by the State board are a better estimate of the current ratio of assessed value to full value of property on an assessment roll than ratios produced by the parcels proceedings and sales evidence. The most obvious reason is that the State rates are based upon much larger appraisal and sales samples and upon samples of all significant types of taxable property on an assessment roll. Another reason, one which relates particularly to the credibility of the rate, is that the data upon which the rates are based have been collected and interpreted by a non-litigant, thereby lending an impartiality not possible when data are assembled and prepared by litigants who desire a certain result.

The overriding importance of the new law is that the odds have improved considerably for proving inequality where it exists. At least some judges and referees will consider the State rate to be the best evidence, or at least some evidence, of the ratio of assessed to full value.³⁰ More localities might stipulate the ratio demanded by a taxpayer under the Hollowell law, now that the equalization rate is admissible, thereby eliminating altogether the

²⁶ Sec. 716, Real Property Tax Law, originally enacted by ch. 655, Laws of 1950.

²⁷ Sec. 720, Real Property Tax Law, originally enacted by ch. 302, Laws of 1911.

²⁸ Ch. 942, Laws of 1961.

²⁹ In 1951, the case of *People ex rel. Yaras v. Kinsaw*, 303 N.Y. 224, had held that proof in inequality proceedings was limited to the appraisals and sales permitted by sec. 720 and that State equalization rates were inadmissible as evidence. Legislation was therefore necessary to enable the rates to be introduced into evidence.

³⁰ Compare the New York law with Oregon law in this respect. In Oregon, a taxpayer need only show that his property is overassessed on the basis of the county ratio established by the State Tax Commission to obtain a reduction in his assessment (Oregon Rev. Stats. 309.026-309.036; 309.410; 309.105).

need for litigating the inequality issue.³¹ The initial expense of a taxpayer might not be as great as before, since he can rely primarily on the State equalization rate rather than on the ratio resulting from the parcel proceedings. He will thereby in all probability spend less for expert talent.

The new law permitting State equalization rate evidence probably does not satisfy the criterion for judicial review of inequality set by the tax analyst of a large taxpayer, who recommended that "the

³¹ The possible expense to a locality when the taxpayer wins is demonstrated by the case of *Taylor v. Vion*, 285 App. Div. 1152, 140 N.Y.S. 2d 179 (1955), where \$8,500 for attorneys' services and \$1,000 for the expert's fee were found to be reasonable expenses incurred by the taxpayer in proving inequality.

entire appeal machinery should be designed to make maximum use of the [equalization] data collected by the factfinding agency."³² But the law is a good beginning; it recognizes the relevancy of equalization rate evidence to inequities among individual properties on an assessment roll and apparently makes at least some of the data available for use in court. The use the taxpayer will be able to make of the evidence and the degree to which the courts will consider the evidence await actual experience in the courts.

³² Leslie E. Carbert, tax analyst, Pacific Gas & Electric Co., "Property Tax Administration and Public Utilities," *Management's Stake in Tax Administration*, Tax Institute (Princeton, N.J., 1961), p. 148.

NORTH CAROLINA

The State of North Carolina has major responsibility for administration of some aspects of the property tax, but there is very little State administrative supervision over local property tax administration. Notable aid to local tax officials is provided by the Institute of Government of the University of North Carolina. The legislature, however, evidences continuing concern with the property tax and significant constructive action has been effected in recent years.¹

State administrative responsibility. A notable feature of the property tax in North Carolina is provision for a classified system under a constitutional amendment of 1936. This amendment was enacted to provide separate treatment for intangibles, and since its adoption certain intangibles have been eliminated from the local tax base. This class of property is taxed by the State, with administration by the State Department of Revenue, but with the proceeds, except for cost of collection, etc., allocated to local governments. (Initially the tax proceeds were shared equally by State and local units, but currently, under 1957 legislation, the local units receive more than 90 percent of the net revenue.) In its administration of the intangibles tax, the State provides that for bank deposits and deposits with insurance companies in North Carolina, the tax is deducted from deposits and remitted by the bank or insurance company. Deposits in banks outside the State or in insurance companies not doing business in the State and other intangible property classified for State taxation are to be assessed and reported by the owners. The State does not use a property tax for State purposes.

A second major property tax function exercised by the State is the assessment of utility property. The State Board of Assessment, a four-member ex officio board with a regular staff of three persons, assesses the property of public service corporations, but county officials may assess certain real and tangible personal property of such corporations. (In brief, the counties may assess real estate, except right-of-way and stations of railroads, plus tangible property, except rolling stock of railroads and operating wires, conduits, or lines of other utilities.) The State agency appraises all property of such public service corporations as an operating unit and

determines the unitary appraisal for each company. From such total valuation, the county assessments and the amounts listed by the company for intangible taxation are deducted and the remainder is allocated to local units on a basis of mileage or other factors. Prof. Henry W. Lewis, in discussing the basis of utility valuations in 1958, said: "Once having determined total value from its examination of these figures, the State board reduces that figure by a percentage calculated to equalize the utility's assessment with the tax values of property assessed locally."² A new policy for equalizing utility values with those of property assessed locally is now in operation as a result of the law, described later, under which counties adopt their own official assessment ratios. Beginning with values for 1962, the Board of Assessment initiated a program designed to use the official ratio for each county. For 1962 the board used official ratios for those counties which had revalued under the new law and used a ratio of 45 percent for all remaining counties. Each year the number of counties for which official ratios are used will increase, until by 1968 official ratios will be in use for valuing utility property in each of the 100 counties.

The State Board of Assessment has legal authority to supervise local assessments and may even set aside the county valuation and make one under its own direction. The board, however, has limited the exercise of its powers to those dealing with utility assessment, hearing of an action on appeal from county assessments, approval of forms used locally, and supplying legal opinions on request of local agencies. The local units are not entirely lacking in various types of additional aid as the Institute of Government of the university, which does not have the legal authority of the State Board of Assessment, provides such aid as noted below.

Another notable State property tax activity is the work of the Department of Tax Research in the compilation, analysis, and publication of assessment and tax data. This is not a simple, routine procedure, since some counties do not report in detail and preparation of certain significant tables thus requires estimates derived from painstaking research. The department maintains records of various unpublished property tax data and from time to time carries on special studies in this field.

¹ In preparing this section on North Carolina very substantial help has been obtained from *Statistics of Taxation*, State of North Carolina, the biennial report of the Department of Tax Research, and from correspondence with Mr. H. C. Stansbury, Director of the Department of Tax Research, as well as from the sources specifically cited below.

² Henry W. Lewis, *Basic Legal Problems in the Taxation of Property*, a report to the Commission for the Study of the Revenue Structure of the State of North Carolina, Institute of Government, University of North Carolina, Chapel Hill, N.C., 1958, p. 35.

Aids to local assessors. Administration of the property tax, other than for intangibles and State assessed utility property, is the function of the county tax supervisor in each of the State's 100 counties. These supervisors, or assessors, are appointed by the boards of county commissioners for 2-year terms. They appoint their own assistants, commonly called list takers in North Carolina, subject to approval by the county board. It is estimated that about one-fifth of the county tax supervisors devote full time to this work. In other counties the work of tax supervisor is combined with that of another office, and in many counties this combination is with the office of accountant. Another rather frequent combination, and one which seems to be increasing, is that of tax supervisor (assessor) and tax collector.

A major contribution to the improvement of local assessing is the work of the Institute of Government, University of North Carolina. This agency has worked for many years with local officials in North Carolina, acting in advisory and educational capacity for a variety of local functions including assessing. The institute staff, one member of which specializes in property taxation, provides important aids such as are furnished in other States by the State administration, including assessors' manuals, explanations of changes in laws, advice in establishing standards for revaluations and in other matters, an annual short course of training for new assessors and others desiring review of fundamentals, and an annual conference for assessing officers.

The annual conference, sponsored and supervised by the institute with the aid of the North Carolina Association of Assessing Officers, is in effect a 3-day school. The sessions cover general matters of broad concern and specific assessing problems. At the 1962 conference, for example, the subjects discussed included: organizing an appraisal staff and developing a real estate appraisal manual, use of data processing equipment, development of a tax mapping program and maintenance of tax maps, kinds of equalization and review in North Carolina, the effect of a constitutional amendment just approved, the work of the State Board of Assessment, and the methods of assessing various special types of property as central business district, gas service station, mobile equipment, etc. Instruction is mainly by the institute staff and by experienced, competent working assessors. Some of the papers are published separately, some in the institute's monthly magazine *Popular Government*.

Tax Study Commission of 1957-58. In accordance with a joint resolution of the 1957 General Assembly, there was appointed the Commission for the Study of the Revenue Structure of the State. This commission concentrated its attention on the property tax, examining especially legal aspects, assessment practices and assessment ratios, and it

developed significant conclusions and recommendations.³ The commission believed that changes in the laws and procedures would "more fully utilize the present sources of revenue and to that extent the fiscal problems of most of the local governments would be more nearly resolved." It pointed out that some property was exempt without statutory authority, with resulting unequal assessment of properties in a single class, saying, "It is believed that the enactment of local laws exempting or classifying property causes undesirable competition between counties and places a heavier burden of taxation on the remaining taxpayers." It stressed that the statutory requirement of full value assessment was almost universally disregarded. The Commission said:⁴

... A tax base shot through with exclusions and unconstitutional exemptions, and pared down by reduced assessment and rate differentials makes a poor major source of governmental revenue. A property tax can be equitable and effective only if the base against which it is applied is broad, uniform and stable.

The Commission developed as three policy objectives that the property tax base should be as broad and inclusive as possible, that it should be uniform throughout the State, and that it should be stable throughout the State. To attain these objectives, the commission made a number of specific recommendations including: that the constitution be amended to remove any doubt that the power to grant exemptions, classifications, or exclusions be on a statewide basis only and to provide that this power is not to be delegated to local units of government; that the requirement of full market value assessment by counties be deleted from the law and that each county be authorized to determine in a revaluation year the percentage of market value at which it will assess, and that this ratio be the same for all classes of property; that it be recorded annually in the minutes of the board of county commissioners and reported annually to the State Board of Assessment; that counties be required to revalue real property by actual appraisal so that not more than 8 years shall elapse between revaluations; that a permanent method of financing revaluations be provided by declaring revaluation and tax mapping "special purposes" for which a tax in excess of the constitutional limit may be levied; that counties be required to levy a tax each year, with the proceeds put in a special fund to provide for the cost of reassessment without undue burden in the year of revaluation (typically spreading the cost over

³ *Report of the Tax Study Commission of the State of North Carolina*, Raleigh, 1958. A separate report prepared for this commission by Henry W. Lewis (see note 2 above) provides very significant and pertinent material and presents in an appendix a summary of suggested objectives, alternative recommendations, etc., which would be useful for any State considering property tax policy.

⁴ *Ibid.*, pp. 17-18.

an 8-year period); and that laws be passed prescribing minimum standards for revaluation.

Some other recent tax reports. The 1957-58 commission is especially pertinent to this study because of its emphasis on the property tax and the prompt action on its recommendations (discussed below), but several other North Carolina tax studies, which have also contributed to thinking and legislation, should be noted briefly.

At the same time as the 1957-58 Tax Study Commission was at work, another group, a Municipal Government Study Commission, was concerned with some of the same subject matter and came to a different conclusion on the assessment base. This commission said, "We think that the requirement for assessment at true market value is proper and believe that this requirement should be retained and enforced. We do not subscribe to the policy of bringing the statutes into line with common practices. On the contrary we think that these long-standing practices should be terminated by putting teeth into the law."⁸ Some local opinion holds that this position was taken to insure municipalities a voice in the decisions on the legislation to effect the Tax Study Commission recommendations and that this result was achieved by the procedure established for fixing official county ratios. Under this procedure the county commissioners must give the cities a hearing on their opinion as to the assessment ratio which would provide a reasonable and adequate tax base in each municipality or other taxing unit.

A commission which reported in 1956⁹ concentrated its study primarily on sales, income, license, and other taxes, but gave attention to the intangibles tax. Its recommendation on this last tax was the basis for the change in allocation of revenues in 1957, increasing the local share to the total (less cost of collection).

Prepared for the 1955-56 commission was a staff report concerned with a comparative analysis of the State and local taxes in North Carolina and other Southeastern States. As to the property tax, the author, Dr. Leslie Carbert, concluded:⁷

... This study has not been directly concerned with a detailed examination of ad valorem property taxation in North Carolina. But it has been impossible to avoid the serious disparities that exist in many counties of the State with respect to assessment practices and assessment results. Once again, from an equity point of view as well as from the point of view of the need for 'certainty' in the tax

⁸ *Municipal Government Study Commission Report*, Raleigh, 1958, p. 29, as quoted in Frederick L. Bird, *The General Property Tax: Findings of the 1957 Census of Governments* (Chicago: Public Administration Service, 1960), p. 41.

⁹ *Report of the Tax Study Commission of the State of North Carolina*, Raleigh, 1956.

⁷ Leslie E. Carbert, *The Impact of State and Local Taxes in North Carolina and the Southeastern States*, prepared for the North Carolina Tax Study Commission, Raleigh, 1956, pp. 354-355.

structure, there is ample room for improvement, either through a state-supported, statewide assessment study, or through the assumption of a larger share of the assessment function by the State government.

Sales ratio study. As part of its basic research, the 1957-58 Tax Study Commission conducted a sales ratio study in 66 of the 100 counties. Each county was asked to furnish data on a specific number of sales (the number depending on county population), the data to be from the latest transactions recorded and to cover normal sales of property in specified classifications. While the study was limited in scope, it was believed that the results were representative of the State as a whole. Each transfer was classified as to the use of the property, the location, the age, and the sales price.

The study showed the anticipated variation in ratio from county to county. Average ratios were found to range from 17 to 72 percent, with a 66-county average of 36 percent. The coefficients of deviation for the counties ranged from 16 to 84, with the median of the coefficients 45 percent.⁸

Examination of the data by classification resulted in the conclusion that—

... variations between counties in both the direction and the degree of differences between class means were too great to permit confident generalization... [but]... it is important to note that the variations within any class are greater than the variations between that class and any other class within the same county.⁹

When transfers were grouped by size of sales price, in general "an inverse relationship between size of sales price and size of assessment ratio was found in a large number of counties."¹⁰

Another phase of the 1957-58 Tax Study Commission's work, not a part of the ratio study but with results related to it, was a questionnaire project on the treatment by the counties of the various classes of property.

Replies to questions concerning exemption of property from taxation revealed that extralegal exemptions of one type or another are allowed in a substantial majority of the 81 counties completing the questionnaire.

Violation of the uniformity requirement of the constitution as well as the 'true value' assessment requirement of the machinery act results from classification by local officials of selected types of property for separate or different treatment not selected or classified for such treatment by the general assembly. Classification is effectively accomplished by the application of different rules or standards in the assessment of different classes of property. Such action, however, is seldom officially recorded in the minutes of the boards of county commissioners. It is, nonetheless, official policy in many counties according to the replies of the tax supervisors to the questionnaire.¹¹

There have been no ratio studies since that of 1958 and none is planned (at the close of 1962).

⁸ *Report of the Tax Study Commission, 1958, op. cit.*, p. 9.

⁹ *Ibid.*, p. 11.

¹⁰ *Ibid.*, p. 10.

¹¹ *Ibid.*, p. 7.

It is recognized, however, that with the adoption by the counties of their own official ratios at varying levels under 1959 legislation, and the State assessment of utility property, periodic ratio studies should be made. There is some opinion, however, that statewide assessment studies cannot be truly revealing until the revaluation and assessment ratio systems adopted in 1959 have been in use for several years.

Action on recommendations of 1957-58 Tax Study Commission. Substantial action on the proposals of the 1957-58 commission has already been effected by constitutional amendment and legislation. At the general election in November 1962, the voters approved constitutional amendments providing that classification of property for tax purposes and exemption of property from taxation must be statewide, and prohibiting the delegation of authority to classify or exempt property. These two amendments effected the first two property tax recommendations (combined in the discussion above).

Previously, in 1959, the legislature had enacted measures effecting other major property tax recommendations including those on the level of assessment, the frequency of revaluation and means of financing them, and establishment of minimum standards for reassessment. These actions are described as follows:¹²

For years the statutes have called for full value assessment on both realty and tangible personalty. None of the counties have ever approached these requirements. All used moderate to low assessment ratios which were extralegal. In some counties the ratios were fairly uniform, but in most the ratios were far from uniform, and in some counties the tax officials did not know what the effective ratios were. The new provisions permit any county to adopt an official assessment ratio, and if they so desire to change it annually. There are requirements to be met to take advantage of this provision. It must be a formal public resolution to apply to all taxable (tangible) property, after a conference with the municipal officials concerning the percentage ratio.

In the past the statutes called for reassessment on realty every 4 years and on taxable personalty annually. The counties assessed the personal property annually but assessed the realty at periods varying from 8 to 30 years. The assessment ratios on realty as compared to personalty became more divergent. A new provision requires each county to have a complete reappraisal on realty

every 8 years or sooner. The law set up a schedule specifying when each county is to reassess realty and ordered the counties to levy an annual amount on property to cover the cost of such reappraisal. When the reassessment is made, competent appraisers must visit each parcel and appraise it by uniform standard schedules of values.

While it is too early to evaluate thoroughly the effect of the 1959 legislation, some results are noteworthy. For instance, while the old law had required periodic reassessment, it was customary for the counties to get legislation permitting postponement with the result indicated above. Under the 1959 law, revaluations were scheduled to start in 1961 and thus far all counties scheduled have completed their reassessments. In addition, 1 scheduled for 1964 did the work in 1961 and 4 scheduled for 1968 reassessed in 1960, bringing to 22 the total number of counties which have reassessed since enactment of the law. Fifteen are scheduled for 1963. It is especially significant that two counties scheduled for 1963 had bills introduced in the 1961 general assembly to postpone their reassessment, but both bills received unfavorable committee reports, and one of the two counties has already completed its real estate appraisal.

For reassessment the general practice among the counties is to use professional appraisal firms for the work. No aid or supervision is supplied by the State government, but some advisory assistance is given by the Institute of Government.

In connection with the revaluations, the counties are to adopt official assessment levels and by the close of 1962, 28 counties had reported such ratios to the State Board of Assessment. This number included the 22 counties which had made reassessments and 6 others. As noted above, the law requires that the percentages be set by the county boards after a conference with municipal officials—apparently a recognition of the interest of such officials, since municipalities must use the assessed values as determined by the counties. Of the counties which have had revaluations since 1959, only 12 were included in the 1958 ratio study, but this small sample indicates a tendency to adopt an official ratio somewhat above the "actual" shown by that study. The increase in ratio, significantly, is reflected in varying degrees in the increase in real property valuations reported in the reassessment year.

¹² *Statistics of Taxation, 1960, p. 302.*

NORTH DAKOTA

Notable property tax developments in North Dakota over the past decade include the appropriation of funds for a detailed soil survey and land classification system, and the provision, in 1961, for a new office of State Supervisor of Assessments. The Legislative Research Committee, with an active subcommittee on taxation, continues to study aspects of the property tax and to make significant recommendations. Some of its major recommendations to the 1963 legislature were enacted into law.

*Assessment organization.*¹ The function of assessing in North Dakota is divided between the State Board of Equalization and some 1,700 local assessors, with the State assessing railroad and other public utility property and the local assessors all other taxable property.

The State Board of Equalization is an ex officio body including the Governor, tax commissioner, treasurer, auditor, and commissioner of agriculture and labor. While the board makes the official assessment of the property indicated, preparation of the basic material is done by the staff of the tax commissioner. The Tax Commissioner, who is elected for a 4-year term, in addition to having supervision of property tax administration, is responsible for administration of taxes on incomes, sales, oil and gas production, and inheritances.

The local assessing officials include city, township, village, and district assessors. In the cities assessors are appointed by the mayor or commission, and in the larger cities the assessors serve full time and have staffs of appraisal and clerical assistants. The township, village, and district assessors are elected annually or biennially, do their assessing over a short period each year, and are paid for days worked. Blanks and forms are provided by the county auditor. The governing bodies of the cities, townships, and villages serve as review boards and the resulting valuations are filed with the county auditor. The county auditor may add omitted properties, correct errors, etc., and the roll is then reviewed by the board of county commissioners acting as a board of equalization. The county board of equalization may raise or lower valuations of classes of property to equalize among the local units and, under 1963 legislation, it may change individual assessments.

¹ This section is based primarily on William E. Koenker and Glenn W. Fisher, *Tax Equity in North Dakota*, an analysis prepared for the North Dakota Legislative Research Committee, Bureau of Business and Economic Research, University of North Dakota, Grand Forks, 1960.

The State Board of Equalization has power to raise or lower valuations of classes of property to equalize among counties and among local units of the same and different counties. The board's equalized values and its assessments of utilities are sent to the county auditor, who makes any changes in the local assessments which may be required by the board's action to produce the assessed valuation. Taxable valuation is 50 percent of the assessed valuation, and tax levies are spread on these official taxable valuations.

Tax base. The taxable value is 50 percent of assessed value and assessed value is legally 100 percent of true and full market value. Studies indicate, however, that assessments are far below full value.² For example, a study of farmland sold in 1954-58 showed sales assessment ratios in 31 counties ranging from 22.5 to 51.4 percent. A study of 1958 sales for seven counties showed assessment ratios ranging from 14.2 to 67.0 percent for rural lands and from 19.8 to 37.7 percent for urban residences. Serious disparities within property classes in various counties were also evident.

Taxable property consists primarily of real and tangible personal property. "Intangible personal property is generally not taxed,"³ with money and credits specifically exempt and corporation stock included in money and credits by interpretation. In addition to the usual exemptions for charitable, religious, educational, and other nonprofit organizations, there are some exemptions of special note. Particularly significant is the exemption of farm structures and improvements, including the farmer's residence but not including buildings or residences rented for nonfarm use. Buildings on nonfarmland when owned and occupied by a blind person are exempt to an assessed valuation of \$6,000. There are special personal property exemptions for the blind, for low-income families, and for persons on relief. Various special provisions are made for grain, motor vehicles, oil and gas wells, rural electrical cooperative associations, etc.

Legislative Research Committee studies. Since at least the early 1950's the Legislative Research Committee has had an active committee on assessments and taxation and some of their recommendations have received favorable action by the legislature.

² *Ibid.*, pp. 51-57.

³ *Ibid.*, p. 35.

Concern with rural land assessments led to the appropriation for a soil reconnaissance survey to be made by the State Agricultural College. Appropriations included \$50,000 in 1953, \$75,000 in 1955, and \$50,000 in 1959. The surveys were to classify soils, study production records, costs, etc., to provide the basis for a land classification system for tax assessment. Detailed mapping by the Soil Conservation Service has also been in progress during this period. Most of the basic survey by the State was planned for completion in 1961, and while it was anticipated that some years would still be required for the complete land classification, the work has developed much information of value for assessment purposes.

The 1959 legislature authorized a study of the overall tax structure of the State. The resulting study gave significant emphasis to the property tax, presenting factual background, comparative data, sales ratio material, and other analysis. It made specific recommendations for the property tax,⁴ including: provision for full-time professional real estate assessors (capable of using, for example, the results of the soil reconnaissance survey); provision for a State director of property taxation to assist local assessors and the State Board of Equalization; exemption from taxation of household goods and personal effects; and reduction of the tax on personal property to the extent that replacement revenues can be made available by the State.

The committee report to the 1961 legislature reviewed the study and made it the basis for its own recommendations. Such recommendations included: a county assessor system with counties to have either a full-time county assessor or a full- or part-time supervisor of assessments; permission for counties to join with adjacent counties to maintain a county assessor; authorization of special tax levies outside the general fund, if necessary, to finance a full-time assessor; limitation on powers of local boards of equalization; equalization of individual assessments by the county board of equalization;⁵ limitation on tax increases which might otherwise result from increased assessments; requirement of sales ratio studies; and the establishment of the position of State Supervisor of Assessments, in the Tax Department, to aid the tax

commissioner and supervise real and personal property assessments. The committee recommended that a system of self-listing be devised for personal property and that other personal property matters receive further study.

The 1961 legislature provided for setting up the new State office of supervisor of assessments, but it rejected the proposed county assessment system. The law provided for establishment, under the tax commissioner, of the post of supervisor of assessments, with appointment to be made from a list furnished by the State Merit System Council. The new officer would work under the tax commissioner and serve at his pleasure to: give advice and instruction to local assessors to the end that a uniform assessment of all real and personal property be attained; instruct them in the use of soil survey data, classification of land and other real property and personal property, the preparation and use of tax maps and record cards and the determination of standards of value; make sales ratio studies; work with the State University of Agriculture in the development of soil mapping, land classification, valuation studies, etc., and provide for use of such information by assessors at the earliest possible date; and have general supervision over local assessors on matters of assessment procedures and methods. The office was established early in 1962.

The Legislative Research Committee report to the 1963 legislature⁶ took a new approach to the property tax assessment problem. It did not specifically recommend again a county assessment system, but it did recommend increased powers for the existing county organization, proposing that the board of county commissioners, prior to the meeting of the board of equalization, make a spot check of at least 1 percent of the real and personal property assessment listings in each assessment district; that the board be empowered to direct the local boards of equalization (townships, cities, and villages) to make any necessary corrections or changes (with the local board allowed to be present when the spot checks are reviewed); and that the county board be given authority to raise or lower an individual taxpayer's assessment. The committee also proposed that the requirement of full value assessment be abandoned and that the State Board of Equalization be required to set a definite percentage at not less than 25 percent or more than 40 percent of value, at which all property should be assessed.

Another major recommendation of the committee to the 1963 legislature was designed to provide better school aid equalization. It proposes the use of the sales ratio study made by the supervisor of assessments, supplemented if necessary by a limited

⁴ *Koenker and Fisher, op. cit.*, pp. 138-139.

⁵ In connection with the equalization boards the committee explained:

"The purpose of recommending the restriction of the powers of township, village, and city boards of equalization in cities not maintaining the office of city assessor, is to prevent such boards of equalization from destroying the equalized assessments made on a countywide basis by the assessor. Considering the present means of transportation now available, it is believed by the committee to be no hardship to require taxpayers desiring to appeal assessments to appear before the county board of equalization at their county seat." (Legislative Research Committee report to the 37th Legislative Assembly, p. 71.)

⁶ *Report Upon Taxation to the 38th Legislative Assembly*, Legislative Research Committee, Bismarck, pp. 58-71.

number of actual appraisals, to estimate the actual "local tax effort" being made by the required 21-mill school levy.

. . . the committee recommends that the tax commissioner certify to the superintendent of public instruction information in regard to those counties which are assessing below the statewide average of assessment, as determined by a sales-assessment ratio study to be made by the supervisor of assessments. The superintendent of public instruction can then compute the amount of money which would have been raised in each under-assessed county by the 21-mill levy if property had been assessed at the statewide level of assessment and reduce State equalization fund payments by a like amount. The enactment of such proposal should be a major step toward tax equity by taking the profit out of underassessing, and should reduce the drain on the State equalization fund.

1963 legislation. The 1963 legislature adopted several of the committee's recommendations, enacting legislation of potentially major importance to property tax administration. Some of these measures are noted briefly here.

One new law provides that a county board of commissioners may appoint a county supervisor of assessments. The commissioners may appoint the county auditor, deputy auditor, other elected official, "or any other person who is qualified" and the position may be full time or part time. The supervisor of assessments would supervise all assessors in the county to insure uniform methods and procedures in assessing real and personal property and adherence to State laws and to regulations promulgated by the State tax commissioner or the board of county commissioners.

Another measure provides for the spot checks of real and personal property listings and valuations as proposed by the committee. It also authorizes the county boards of equalization to change individual assessments (downward only on appeal). The attendance of representatives of local units at certain meetings of the county boards of equalization is made mandatory rather than voluntary.

The proposal for using equalized valuations in the distribution of State school aid was also adopted.

OHIO

In 1929 Ohio amended its constitution in two ways that were to have a profound influence on the future of the property tax in its State-local revenue system. The statutory overall tax rate limit of 15 mills was made a constitutional limitation and the uniform rule was abolished for the taxation of personal property, permitting the adoption of a classified personal property tax system. How, in the stress of the great Depression the overall limit was reduced to 10 mills—working havoc with local government finances and eventually leading to widespread adoption of local income taxes—is a familiar chapter in the history of Ohio public finance, but somewhat less well known are the State's accomplishments in personal property tax administration. In clearing the way for property tax classification, Ohio was adopting a policy followed by a number of other States, but in its subsequent action to establish central assessment of taxable personal property, it was very much a pioneer. As a consequence, State responsibility for property tax administration in Ohio is much more extensive than in most States.

The trend away from greatly decentralized and diffused local assessment responsibility had begun in the early 1900's. In 1910 the assessment of public utility property, which had been handled by county auditors under the supervision of ex officio State review boards, was turned over (except for non-operative realty) to the newly created State Tax Commission. Prior to 1913, separate sets of elected city, village, and township assessors were used to assess real and personal property. By 1916, following some temporary experimentation, the two groups had been combined; but in 1917 the assessment of real property was concentrated in the county auditors under the supervision of the Tax Commission, and in 1925 the local assessors were abolished and the responsibility for personal property assessment also was turned over to the county auditors. In connection with a complete revision of personal property taxes in 1931, the legislature shifted the bulk of the responsibility for the assessment of personal property to the State Tax Commission.¹

¹ For sources of information on the Ohio property tax system, much reliance has been placed on the reports and studies of the Ohio Department of Taxation, particularly *Taxation in Ohio* (1961), *The Taxation of Personal Property in Ohio* (1960), *Revenue Resources of Ohio Municipalities* (1961), the annual reports of the department, and an unpublished memorandum, *Property Taxation in Ohio*.

The Classified Personal Property Tax System

The basic features of Ohio's present system of personal property taxation were established by the Classification Act of 1931. The Special Joint Taxation Committee, headed by Robert A. Taft, that formulated this program stated their aim to be a system of taxing tangible and intangible personalty that was more equitable, more administrable, and more productive of revenue than the old system under the uniform rule. The new law reflected the committee's declarations that "The taxation of such tangible property as household goods and personal belongings has long been a matter of derision to anyone interested in fair taxation. . . . the attempt to tax personal property not used in business has been a complete failure, except when the property is easily visible to the public,"² and, respecting the taxation of intangibles at the full ad valorem rate, "it was impossible to enforce such a rate against property as liquid and as easy to hide as stocks, bonds, mortgages and the like."

The present tax on tangible personalty applies, with minor exceptions, only to property located and used in business in the State. Such property is taxed at the same rates as real property, but is required to be assessed at varying specified percentages of true value that give favored treatment to property used in agriculture and manufacturing. All taxable tangible personalty is, by law, assessed at 70 percent of true value except: (1) at 100 percent—equipment used in generating and distributing electricity to others; and (2) at 50 percent—domestic animals used in agriculture and agricultural products on farms; machinery used in manufacturing, mining, agriculture, and certain service industries; and manufacturers' inventories, including finished products when kept or stored in the county of manufacture. As compared with these fractional bases for personalty, the legal basis for the assessment of real property is true value; the actual basis appears to average about 35 percent.

Exemption of those classes of tangibles whose taxation the joint committee had branded as a "complete failure" produced a more administrable tax; but one that still contained certain inequities,³ and, because of the special dispensation for agri-

² The State tax commissioner has pointed out, for example, the unequal impact of personal property taxation on crop and livestock farmers. By Jan. 1, the assessment date, the former usually have disposed of their crops and have no taxable inventory while the latter are not so fortuitously sheltered.

THE ROLE OF THE STATES IN STRENGTHENING THE PROPERTY TAX

culture and manufacturing, one that produced new problems of administration. The classification system required determination not only of where to draw the line between realty and tangible personalty but also between business tangibles assessable at 50 percent and 70 percent—generating endless borderline questions and stimulating numerous appeals for reclassification by taxpayers hoping for more favorable treatment. Whether certain kinds of tangible personalty are used in business and therefore taxable is also a recurrent borderline issue.³ Through clarifying amendments to statutes, development of administrative rules, and elaboration of statutory definition by the courts, these questions eventually get answered; but with much more effort and expense than would be necessary if the tax were relatively simple.

The nuisance value for administration of the dual assessment base of 50 percent and 70 percent overshadows whatever economic value, if any, it may have; but as in the instance of many cumbersome tax devices that become well established, this troublesome arrangement is so built into the revenue system as not to be easily dislodged. Proposals have been made for removal of the differential and its replacement by a common assessment base; but an analysis by the Department of Taxation discloses that the change would have a widely varying effect on the State's 88 counties because of the lack of uni-

formity among the counties in the distribution of the 2 classes of property.⁴

Since intangible personalty had for the most part been escaping taxation under the full ad valorem rates, the Classification Act of 1931 established several classes of intangibles, to be assessed at true value but taxed at varying low rates that, hopefully, would produce general compliance and more revenue. The present rates range from 2 mills on unproductive investments, deposits, etc., to 5 mills on shares in capital employed by dealers in intangibles and 5 percent of income yield of productive investments. The tax on deposits in Ohio institutions is levied at the source, and paid by the institutions though legally applicable to the depositors.

The personal property tax yield. The revenues from Ohio's classified and special taxes on personal property account for a substantial and well-sustained portion of all property tax revenues, slightly under 30 percent in 1959 compared with slightly over 30 percent 10 years earlier. Revenue from tangible personalty actually increased its relative position in this period, nearly offsetting the declining position of revenue from intangibles. It should be noted that the yield from the former was influenced by an upward trend in the general ad valorem tax rates applicable to personalty, while the yield from the latter is based on fixed rates. Revenue from intangibles accounted for roundly one-fourth of personal property tax revenue in 1959.

Amounts of Property Taxes Levied, by Class 1949, 1954, 1959

[In millions of dollars]

Year	All property taxes	Real estate and public utility ¹	Tangible personal	Intangible personal	Percent of Total		
					Real estate and public utility	Personal	
						Tangible	Intangible
1949.....	\$341.2	\$237.8	\$67.0	\$36.4	69.7	19.6	10.7
1954.....	537.8	378.0	113.9	45.9	70.3	21.2	8.5
1959.....	867.5	614.6	187.9	65.0	70.8	21.7	7.5

¹ Including special assessment.

Source: *Annual Report, 1960, Ohio Department of Taxation, p. 44.*

³ Under the court's interpretation of the statutory definition of a manufacturer, for example, the making and selling of frozen deserts is manufacturing but the preparation and mixing of food from raw materials in a restaurant is not manufacturing. A company engaged in the business of buying and selling scrap iron and steel, which processes a part of such material for a customer according to specifications, is a manufacturer only to the extent of such processing. Again, while household furniture is, in general, tax exempt, in a furnished rental apartment it is used in business and therefore taxable. (Cited, with other cases and a clarifying discussion of borderline problems, in *The Taxation of Personal Property in Ohio, op. cit., pp. 2-5.*)

⁴ As compared with actual revenues from this source in 1959, use of a 50-percent assessment base would have caused losses for individual counties ranging from 4 percent to 18 percent; on a 55-percent base the statewide loss would have been negligible, while 60 counties would have shown losses up to 10 percent and 28 counties gains up to 6 percent; on a 60-percent basis three counties still would have shown small losses, but gains for the others would have ranged up to 15 percent. As the study pointed out, variations might be expected to be even more pronounced among the local governments within each county.

Responsibility for Administration of Personalty

Ohio's provision for the administration of taxable personal property is far more significant in the national field of property taxation than its classification arrangements, as it demonstrates that even a rather cumbersome personal property tax system is administrable if a State wishes to provide suitable and adequate organization and procedures. In its 1931 report the Taft Committee declared that central administration "is essential to any proper enforcement of a tax on intangible property," and, to avoid intercounty inequality in taxation of business and demands for State aid to compensate for inefficient assessing, the appraisal of tangible personalty should be in charge of the State Tax Commission, which might use the county auditors as its agents. The legislature accepted these principles without much dilution.

Personal property assessment actually is a joint State-local operation in which the State has the dominant role. In the instance of tangible personalty, returns of intercounty corporations are filed with the State tax commissioner for assessment and subsequent allocation of valuations to the counties. Single-county corporations and unincorporated businesses file their returns with the county auditors, but duplicate copies of all returns except those of unincorporated businesses with valuations of less than \$5,000 go to the State tax commissioner for auditing.

Intangible personalty is classed for administration as "State situs" and "local situs." State situs intangibles are those of public utilities, intercounty corporations, financial institutions, and dealers in intangibles. Local situs intangibles include the property of single-county corporations, unincorporated businesses, and individuals. The State tax commissioner assesses all State situs intangibles and all local situs intangibles, except those of unincorporated businesses and individuals reporting an income yield of not more than \$500 or a value of not more than \$5,000.

Under the State-local apportionment of the responsibility for assessment of personal property, the assessing jurisdiction of local (county) assessors is limited to certain "local size" returns; namely, the returns of unincorporated businesses and individuals reporting valuations or yields within the limits noted.

Collection and disposition of property tax revenue. The county treasurers collect all taxes on realty and tangible personalty and on all intangible personalty having a local situs. The State treasurer collects taxes on all intangibles having a State situs.

Property taxes in Ohio are used mostly to finance

local government. The State draws on real and tangible personal property taxes only to pay debt service on veterans' bonus bonds. Revenue from local-situs intangibles accrues to local governments for earmarked purposes, except for one-fourth of 1 percent that goes to the State Department of Taxation to help pay its cost of assessment administration. Of the revenue from State-situs intangibles, that from taxes on deposits, shares of stock, and capital employed by financial institutions and dealers in intangibles goes to the counties of origin for local distribution; the small remainder goes to the State's general fund.

Organization for Assessment Administration

The State has established an effective administrative organization for the central assessment of personal and public utility property, but has overlooked sound administrative principles in organization for supervision of the assessment of real property. The former is one of the main functions of the Department of Taxation, an agency that is well constituted for tax administration. The latter is one of the responsibilities of a Board of Tax Appeals, which has been given a mixture of quasi-judicial and administrative duties.

The Ohio Department of Taxation, headed by a single tax commissioner appointed by the Governor with the consent of the senate for a 4-year term, replaced in 1939 the appointive three-member State Tax Commission that had been established in 1910. While this efficiently organized department administers a major portion of the State's taxes, two of its five line divisions are devoted to property assessment administration—the Public Utilities Tax Division and the Personal Property Tax Division. The department's staff agencies include a Division of Research and Statistics with a personnel of 17 that produces a steady flow of statistical reports and special studies, many of them relating to property taxes. Thus, in the State's setup for dealing with personal property taxes there is no diffusion of responsibility and no lack of awareness of the importance of this revenue, although little of it becomes available for State purposes.

Reinforcing the organizational and professional competence of this agency is its policy of promoting good public relations. Its officers generate good will and respect, and advance taxpayer education, by accepting opportunities to participate in meetings of trade associations, bar associations, accounting organizations, and other professional and civic groups. The department's annual reports succeed in combining basic statistics with interestingly presented explanatory comment and analysis.

The Personal Property Tax Division

This division, headed by a chief, is in charge of the department's personal property assessment functions. For administrative and taxpayer convenience, the division has, in addition to its central office in Columbus, five district offices—in Cincinnati, Cleveland, Lima, Toledo, and Youngstown. All tax returns that are required to be filed directly with the tax commissioner are handled in the central office. For all other State audited returns, i.e., those filed in duplicate with the county auditors acting as agents for the tax commissioner, the responsibility is divided among the six officers on a territorial basis. The Columbus office has four sections related to the classes of taxpayers—Corporations, Unincorporated Business, Intangibles (returns of individuals and trusts), and Financial Institutions—and also has a Valuations Section that serves primarily as a staff agency for the entire division with respect to intangible personal property tax returns.

Methods and procedures. All owners of taxable personalty are required to file tax returns at specified dates, and the fact that the law imposes a penalty of 50 percent for failure to file no doubt facilitates the discovery and listing of taxpayers. The legal basis for the assessment of tangible personalty is book value—the value the taxpayer carries on his books, less depreciation—though with some allowance for flexibility. In the opinion of department officers this method is sound and workable in that it establishes a prima facie basis for a fair determination of true value, eliminates the element of negotiation, and avoids the necessity for expensive appraisals. For all tax returns that are audited by the Personal Property Tax Division, detailed forms are prescribed by the tax commissioner. Tax returns on business tangibles must include balance sheets meeting defined specifications.

While under the book value formula the division's valuation work is primarily that of auditing, this function is far from simple and routine. Representative special problems range from how to allocate the property valuations of interstate corporations and identify the inventories of individual taxpayers stored in public warehouses, to how to cope with the rudimentary records of small businesses and farmers. Facilitating the work of assessing intangibles are the required payment at the source of the tax on deposits and the use of an income basis for taxing productive investments, items that produce nearly nine-tenths of the revenue from intangibles. For revenue from productive investments, Federal income tax returns furnish supporting information, though with such gaps as income from municipal bonds. The division has reasonably adequate powers of audit and inspection and sup-

plements its office audits by extensive field audits. In support of this function it accumulates and analyzes large quantities of basic data, including, for example, copies of over 200,000 Federal income tax returns each year. Contributing to the success of the division's operations has been good coordination of its sections and offices as well as of the divisions of the department.

County relations. Since the county auditors act as agents of the tax commissioner and also assess the personal property of small taxpayers, the commissioner has a twofold interest in getting efficient cooperation at the county level. Taxpayers who file their returns with the county auditors must be able to get competent advice, and good local assessing standards must be encouraged. Dealing with locally elected auditors and their deputies, the commissioner and his staff rely mainly on friendly persuasion, education, and the provision of services. Such procedure includes visits to local offices to provide help in problem areas, conduct of a series of regional county auditor schools annually, presentation of programs relating to personal property taxation at meetings of the County Auditors Association, and preparation and distribution of bulletins, guides, and manuals. The county auditors are furnished with from 20 to 30 "County Auditor Bulletins" a year designed to keep them abreast of developments in the personal property tax field; news releases to be used locally just prior to the dates for filing tax returns; and forms, instructions, samples of completed tax returns, investment manuals, and annual book of income yields and values, personal property tax manual, and the Ohio tax law. If a county auditor is too uncooperative or casual, there are a few supplemental means of persuasion. Help may be obtained from the State Auditor's Office, which has a division dealing with county auditors, or the tax commissioner may fail to appoint a county auditor as the county's State inheritance tax deputy—an office that carries some remuneration. The variable quality of this local adjunct of the centralized system appears to be the one weak spot in an otherwise well-integrated administrative organization.

Administrative expense. The cost of administration of the Personal Property Tax Division in fiscal 1960 was \$1,470,119, the personnel cost for the division's 285 employees accounting for 85 percent of the total. This State expenditure for personal property assessment administration was only 0.56 percent of the taxes levied on personalty in Ohio in 1960. The amount spent locally for this purpose is not known precisely, but it is unlikely that the combined State-local cost exceeded 1 percent of the taxes levied. The 1960 ratio of division costs to taxes levied was little changed from 1941, though it was higher than in some intervening years.

OHIO

Personnel and Cost of Administration, Personal Property Tax Division, Compared With Personal Property Tax Yield, Selected Years 1941-60

[In thousands of dollars]

Year	Number of employees	Administrative costs			Taxes levied on personality	Index: 1941=100	
		Personal service	Maintenance	Total		Taxes levied	Total cost
1941.....	105	\$199.5	\$30.6	\$230.1	\$41,100.8	100.0	100.0
1946.....	102	272.8	39.6	312.4	58,315.5	141.9	135.8
1950.....	138	398.1	83.0	481.1	107,668.4	262.0	209.1
1952.....	147	507.6	183.1	690.1	146,475.5	356.4	300.2
1954.....	227	639.9	171.9	811.8	159,171.0	387.3	352.8
1956.....	270	787.8	214.7	1,002.5	181,486.1	441.6	435.7
1958.....	275	1,159.0	212.1	1,371.1	239,794.8	583.4	595.9
1960.....	285	1,252.8	217.3	1,470.1	260,916.4	634.8	638.9

Source: *Property Taxation in Ohio*, unpublished memorandum of Ohio Department of Taxation.

Under the State's efficient assessment administration the personal property tax that falls within the State's assessing jurisdiction has gained taxpayer respect. The taxpayers recognize that the State strives to give them uniform, equitable, and intelligent treatment and that evasion is hazardous. The legislature's willingness to appropriate fairly substantial sums for this function has been an extremely economical way of aiding local government finance, but it is probable that such expenditure has not reached the point of materially diminishing returns and that greater expenditure would be profitable. The division's audits have been adding from \$5 million to \$8 million annually to original tax returns, a \$9 to \$14 gain for every dollar of cost, and the discovery of additional taxpayers continues to be a productive process.

Meeting personnel requirements. For effective operation the division's personnel must include professionally trained accountants and economists and a large staff of examiners with some knowledge of accounting and business and investment finance. As in many States, civil service salary scales in Ohio handicap competition with private business for professionally trained personnel. Salaries for the division's five grades of examiners range upward to \$9,420, but the starting grade, at \$380 per month, does not attract college-trained people. The division must rely heavily, therefore, on training its own employees.

Systematic inservice training, in fact, is a key feature of the division's administration. The division has an apprenticeship type of training program for new examiners that takes account flexibly of the new employee's previous training and experience and prospective assignment. After he has become generally familiar with the practices and procedures of the division and the particular phase of its functions with which he will be concerned—as well as

with the basic source material on which examiners must rely—he is assigned to an experienced examiner to assist in actual office and field audits. When, in the opinion of the examiner, he has acquired sufficient competence, he is given specific examining and auditing duties. Further instruction, as the need is demonstrated, is provided by each examiner's supervisor, and sectional and divisional conferences are held periodically for discussion of legal, procedural, and policy developments. Under the policies of the State Personnel Board, seniority rules are not a material handicap to the advancement of good people.

The Assessment of Real Property

In sharp contrast to Ohio's strong program for the central assessment of personal property is the State's rather perfunctory concern for the assessment of real property. While the operative realty of public utilities is centrally assessed, all other realty is locally assessed with only very limited State supervision. When the legislature established a State Tax Commission in 1910, it made supervision of local assessing one of its functions; but the Special Joint Taxation Committee of 1931 commented in its report, "The control by the State Tax Commission of real estate appraisal is largely theoretical." In 1939, when the legislature replaced the State Tax Commission by a Department of Taxation headed by a single commissioner, it also established an appointive, three-member, bipartisan Board of Tax Appeals, nominally within the department but outside the jurisdiction of the tax commissioner, and gave it not only quasi-judicial functions but also the responsibility for supervising the local assessment of real property. The board, by this and subsequent action of the legislature, was authorized to "direct and supervise the assessment

for taxation of all real property," and to order reassessments "when in its opinion such property has been unequally or improperly assessed."⁵

Giving a highly technical administrative job, such as the supervision of property assessment, to a quasi-judicial board constituted to deal with the legal questions involved in tax appeals is not likely to produce effective results. The Board of Tax Appeals, despite divided responsibilities and inadequate resources, has directed considerable effort over a period of years to intercounty equalization of real estate assessments; but has had only limited success in this undertaking and has not done much to eliminate intracounty inequities in assessment.⁶ Lacking effective State supervision, local assessing depends mainly for its quality on the kind of assessment administration provided by the elective county auditors. Thus while some Ohio counties maintain good to distinguished assessment standards, others range from mediocre to poor performance.⁷

The State legislature created a Tax Study Commission in 1960 to study the property tax laws. In its 1961 report, dealing solely with the real property tax, the commission stated as its belief "that the decision whether local government needs new sources of income could not be made intelligently until Ohio has seen what a strengthened real prop-

erty tax law will produce."⁸ The commission made four basic findings, which may be summarized as follows:

1. Although the statutes provide for assessment of real property at its true value in money, the highest ratio of assessed to true value in any county is about 50 percent and the average ratio in some counties is less than 30 percent.

2. Under the school foundation program, the State gives to each school district, as additional aid, a calculated amount per pupil less the proceeds of a levy of a designated millage on property. This rewards a county which assesses its real property at a low percentage of value, by giving it more State aid than it would have received if it had come closer to compliance with the law.

3. There is widespread lack of uniformity in assessment between properties in different classes in the same county, and also lack of uniformity among individual properties of the same class in the same subdivision. This results in unequal treatment to many property owners, against which the law provides no adequate remedy.

4. The basic reason for the lack of intercounty and intracounty uniformity is the lack of a uniform system of real property assessment and of adequate provisions for State guidance of local officials.

To remedy these defects the commission recommended legislation, and submitted the draft of a bill, along the following lines: (1) The ratio of assessed to true value should be established by law at 50 percent—a level about equal to the highest used by any county. (While it might be possible, the commission said, to enforce the universally disregarded 100-percent requirement, a 50-percent ratio would be just as effective in achieving uniformity and would not create such difficult problems of local adjustment.) (2) The law should be specific about the basis of assessment—land should be appraised at its fair market value as of the tax lien date in the year of appraisal; buildings and improvements, at reproduction cost new as of the tax lien date of the second year preceding the year of appraisal, less any depreciation and obsolescence to that date; and each parcel should be assessed at 50 percent of the total of these values. (3) The Board of Tax Appeals should be empowered to promulgate rules prescribing methods of making appraisals, to be binding on the county auditors. (4) Any taxpayer should be entitled, on complaint filed with his county board of revision or on appeal to the Board of Tax Appeals, to obtain relief against overvaluation if he can establish that his property is assessed at more than 50 percent of true value.

The report said nothing about change in the organizational arrangements for State supervision of local assessment of real property, but some authoritative opinion in Ohio holds that the responsibility should be placed in a professionally well equipped

⁵To enable the board to meet its supervisory responsibilities, the State has made very modest appropriations. The board's total expenditure of \$243,055 in fiscal 1960 included a substantial amount for its quasi-judicial duties, and in that year there were only four employees in the board's Division of County Affairs. The cost of local realty assessment varies widely among the counties. According to estimates by the Ohio Department of Taxation, the expenditure of county auditors for this purpose in 1960 was \$4.6 million, or only 0.78 percent of the real property taxes levied in that year. This figure was influenced, however, by low costs of several large counties that ranged down to 0.44 percent; in the 11 small counties with total real property levies of less than \$700,000, the cost ranged up to 3.99 percent with a median of 2.5 percent.

⁶The law requires that real property be assessed at its true value in money and that there shall be a reassessment every 6 years. With the average level of assessment varying from county to county at far below true value, the board has tried to take advantage of the reassessment requirement both to raise the level and equalize it among counties. Legislation adopted in 1957 undertook to facilitate equalization by requiring real property to be assessed according to taxable value as established by rule of the Board of Tax Appeals on the basis of the facts and circumstances necessary to achieve uniformity. The constitutionality of this provision was upheld by the Ohio Supreme Court in 1959, but the legislature subsequently repealed the provision and restored the true value basis.

⁷The sales ratio study conducted by the U.S. Census Bureau for the 1957 Census of Governments disclosed that in the 23 Ohio counties covered, the equality or uniformity of assessment, at least for nonfarm dwellings, was superior in 6 counties but below the national average in 6 other counties. (*Taxable Property Values in the United States, op. cit.*, p. 137.)

⁸*Report of the Tax Study Commission to the Ohio 104th General Assembly, January 1961.*

OHIO

administrative agency, leaving the Board of Tax Appeals free to concentrate on its important quasi-judicial duties. In its 1961 session the legislature took no final action on the commission's recommendations.

An appraisal of the property tax situation in Ohio discloses that while the State follows some tax policies and procedures that would provide no

constructive model for other States, it has demonstrated that personal property taxes can be administered equitably and effectively under appropriate organization and methods. Under efficiently centralized administration, the State's rather complicated classified personal property tax system has proven manageable and receives a good measure of taxpayer respect and compliance.

OKLAHOMA

Oklahoma State tax agencies have a significant role in the administration of the property tax, but there is no use of this tax for State revenue purposes.

Primary responsibility for the property tax at the State level rests with the State Tax Commission, which is responsible also for administering all major State taxes. The State Tax Commission has three members, appointed by the Governor for 6-year overlapping terms, but long tenure has become traditional, with the members serving early in 1963 having been first appointed in 1939, 1947, and 1951.

There is also a State Board of Equalization, created by the constitution and including the Governor and six other elected State officers serving ex officio. This agency makes the assessment of railroad and public service property and equalizes locally assessed property, but in practice, "Because the members of this board each have separate offices and other duties to perform, it meets only a few times each year to function as the Board of Equalization." In order to assist the Board, railroads and public service corporations make a rendition of their property to the Tax Commission. "The Ad Valorem Tax Division of the Tax Commission conducts the investigations and does the detail work necessary in connection with these assessments for the commission to make its report and recommendations to the State Board of Equalization."¹ Similarly, the State Tax Commission examines the abstracts of the assessment rolls certified to it by the county assessors and reports with recommendations, to the State Board of Equalization, which may adjust and equalize such assessments between counties and between classes of property locally assessed.

The county assessors are responsible for assessment of all taxable property other than that assessed by the State. They are elected, serving 2-year terms, and appoint their deputies and assistants. The valuations set by the county assessors are equalized by classes of property by the county boards of equalization and submitted to the State Tax Commission.

Appeals may be made from the county boards of equalization to the district court, with further appeal to the supreme court, and appeals from the State Board of Equalization are directly to the supreme court. The Tax Commission in its 1962 report notes that the recommendations of the commission for valuations of railroad and public service

corporations for 1961 and 1962 were substantially higher than the company renditions, and while the State Board of Equalization accepted the commission recommendations, there were no appeals from the assessments of such properties and there were no protests pending when the report was issued. The situation as to locally assessed property, however, was very different.

On August 2, 1960, the State Board of Equalization issued its order increasing the assessed valuation of urban property or rural lands and improvements, or both, in 61 of the 77 counties as a result of studies made in all counties as to the ratio of assessed values to fair cash values of properties. Initially most of the said 61 counties filed complaints to the increases made by said board. However, only 20 of the counties perfected appeals to the supreme court and actually only about 14 counties prosecuted their appeals and filed briefs in the cases. In addition, one taxpayer also protested the increases and appealed to the supreme court. At the request of the Governor and the State board, the Oklahoma Tax Commission assisted in briefing and presenting the position of the State Board of Equalization in the supreme court. The supreme court sustained the increases in each of the said cases.²

Besides review and recommendations to the State Board of Equalization, the State Tax Commission has specific duties in connection with local assessment. Such duties, prescribed by statute and summarized in the commission's biennial reports, include: to confer with and provide technical assistance to county assessors and boards of equalization to the end that all property in Oklahoma may be uniformly assessed; to provide forms including property classification and appraisal forms; to provide schedules of personal property values; to exercise general supervision of the intangible personal property tax act; to appoint one member of the county boards of equalization; to furnish an attorney on behalf of the county assessor, on the request of the county attorney, to assist in appeals from orders of the county board of equalization; and to conduct training schools for county assessors and their deputies.

In meeting the training function, the commission holds an annual school, in cooperation with the University of Oklahoma, at Stillwater. The commission reports that attendance at the schools improves steadily and that the benefits of attendance are "definitely reflected in the quality of the assessments of property being made in the counties of those who have attended such schools."³

¹ 15th Biennial Report of the Oklahoma Tax Commission, Oklahoma City, 1962, p. 127.

² *Ibid.*, p. 127.

³ *Ibid.*, p. 128.

OKLAHOMA

A major change in the assessment law of Oklahoma was effected in 1958 when the voters approved a constitutional amendment which changed the basis of assessment from fair cash value to 35 percent of such value. The amendment provides that real and tangible personal property taxed ad valorem shall be assessed for taxation at not more than 35 percent of its fair cash value estimated at the price it would bring at a voluntary sale.

In 1959 the legislature specifically directed the State Board of Equalization to equalize valuation of real and personal property including public service property in order that all property in the State may be assessed on a uniform basis at the same percentage of its fair cash value.

Two other recent changes in the laws should be noted—both aids to administration of the personal property tax. In 1957 the \$100 exemption for household goods, tools, etc., which had been in effect for heads of family when used in support of the family, was made applicable to every person maintaining a home. In 1961 it was provided that 5 percent of the amount due under contracts executed by the State Highway Commission should be retained until the contractor files a certified copy of a receipt showing payment of personal property taxes due on equipment and supplies to the treasurer of the county in which such property is required to be assessed.

OREGON

Since 1951 the State of Oregon has been carrying out what it calls a statewide reappraisal or equalization program for its property tax system. Somewhat obscured by this procedural terminology is the State's forthright undertaking to rehabilitate the property tax, establish equity of assessment among classes and within classes of property, and give permanence to the accomplishment. The program has met with some criticism and opposition, but it has made notable progress, is still being consistently and energetically promoted, and is gaining an increasing degree of popular understanding and acceptance. More significant than the technical features of the program, important as they have been, is the combination of resourceful leadership, cooperation of State administration, legislature and local governments, and effective publicity and education that has made this program possible.

The situation that prompted the adoption of this program was quite similar to that in numerous other States. Much property had not been reassessed for many years, and assessed valuations were failing by steadily widening margins to represent existing values. Uniformity in the assessment of different classes of property was not even being approximated. The basis for local assessment of real property often differed widely from that for personal property, with the State using a basis different from both in its central assessment of public utility property. Gross inequities existed in assessments within classes of property, and it seemed probable that some property was escaping assessment.

Accounting for this situation were inadequate arrangements for local assessment administration, failure of the State Tax Commission to do the supervisory job it was supposed to do, and shortcomings in tax and assessment laws. The local organization for assessment was less complex than in many States as it was on a countywide basis and there were only 36 counties. Then, as at present, each county elected an assessor for a 4-year term and also had a board of equalization composed of two ex officio members and a third chosen by them. The method of choosing an assessor, however, gave no assurance of obtaining professional competence, and county geography imposed obstacles to statewide assessing efficiency. Ten counties, with an aggregate area 5 times that of the State of New Jersey, had populations of less than 10,000 and only 16 had populations exceeding 25,000; thus a considerable number of assessing jurisdictions were not large enough to maintain the necessary technical staff and facilities for competent assessment.

Since 1929 the State Tax Commission had had the responsibility for supervising local property tax administration, but its resources had never been adequate for this purpose. The policy of the commission through the 1930's and 1940's appears to have been that action to aid assessors and their staffs to make correct original assessments was far more desirable than the issuance of equalization orders for the correction of local mistakes. The commission always maintained a small staff of State appraisers to assist and instruct the local personnel; but good intentions were vitiated by the confusion of depression, war and early postwar years, and in 1951, prior to initiation of the statewide reappraisal program, the staff of the Commission's Valuation Division totaled 15, including only a few experienced appraisers.¹

Nothing less than a complete reappraisal of all real property in the State, the commission decided, would serve to restore order to the increasingly chaotic situation; but the commission also came to the conclusion that its direct conduct of such a program in cooperation with the county assessors and their staffs would be of greater and more lasting benefit than issuing orders to the counties to make reappraisals. Regardless of the competence of the appraisal firms that most of the counties would have to employ if the latter alternative were used, there would be less uniformity of performance and less opportunity for the commission to gain insight that would be useful for future supervision. The commission realized, also, that a reappraisal would be financially wasteful unless it could be made the basis for a permanently higher quality of assessment administration. The 1951 legislature authorized the commission's proposed program, to be completed over a period of 10 years with the State and the counties to share equally in the cost.

From the commission's realization that statewide reappraisal of real property was little more than an emergency first-aid operation, a broad program emerged that included better enforcement of all property tax and assessment laws, critical reexamination and amendment of existing statutes, and removal of inequities and inefficiencies in the assessment of personal property not covered by the reappraisal plan. The successful development of a long-range program of this character called for continuing understanding and support by the legislature—a prerequisite that has been met in good

¹ See Samuel B. Stewart, "Property Tax Developments," in National Tax Association, *Proceedings of 49th Annual Conference, 1956*, p. 156.

measure by cooperation between the commission, the regular legislative committees, and a series of legislative interim tax study committees. The property tax and its administration have been strengthened progressively by legislation adopted in most sessions of the legislature since initiation of the program. Its success has been very dependent, moreover, on the means used to obtain county cooperation and public support.

Organization and Powers of the State Tax Commission

While the property tax has not been used for State purposes in Oregon since 1940, the State Tax Commission holds a prominent role in its administration. It assesses some property, supervises local property assessment and tax collection, and serves also as a board of appeals. The commission is composed of three commissioners appointed by the Governor for 4-year terms. The commissioners elect from their number a chairman and a secretary. Long tenure has been traditional—in the first 50 years of the commission's existence there were only 13 individual tax commissioners; but in 1959 Governor Hatfield replaced all 3 members. This change did not interrupt the continuity of the property tax program.

Property tax administration is handled by the Valuation Division, one of the commission's three line divisions, headed by a director. The division's broad responsibilities include: (1) central assessment of public utility property; (2) conduct of the reappraisal program; (3) conduct of the maintenance program—a program designed to preserve the accomplishments of completed reappraisals not only by providing general assistance to the county assessors but by certain types of appraisal assistance specifically provided by law and carried out under formal agreements with the counties; (4) research in the development of appraisal standards, including annual assessment-sales ratio studies; and (5) a large share in administering the State's timber taxes.

Supervisory power. The statutory authority given the State Tax Commission to supervise the local assessment of property is comprehensive and specific. In general, the Commission may—

do any act or give any order to any county board of equalization or county assessor as to the valuation of any property or class of property which the commission deems necessary so that all taxable property is assessed according to law and equalized between taxpayers, between counties and between taxing units to the end that equality of taxation according to law shall be secured.

Among the things that the commission is required by law to do in carrying out its general supervisory responsibilities are: Issue regulations, bulletins, manuals, and instructions to county assessors and boards of equalization as to the best methods to secure uniform assessments; carry on a continu-

ing study with the object of intercounty and intra-county equalization of assessments; carry on at its own expense a program of inservice training for county assessors and tax collectors; and conduct an annual training session (not more than 4 days) for members of boards of equalization. The law also authorizes specific lines of action, noted later, for the commission's conduct of the State's reappraisal and maintenance programs.

Enforcement. If persuasion fails to obtain compliance with its orders, the commission has adequate legal powers of enforcement. For example, it may examine and test the work of county assessors at any time, summon witnesses, and examine persons and property. If it finds omissions or illegal assessments, it must report them to the assessor in writing. If the assessor neglects or refuses to make the corrections, the commission may itself make them as a supplement that becomes an integral part of the assessment list. Again, the commission may order any county board of equalization to raise or lower the valuation of any taxable property and to add property to the roll and may require any board to reconvene. If a board fails to comply with any order, the commission may make the change or correction in the assessment roll. In general, when it appears to the commission that any public officer or employee whose duties relate to assessment or equalization has failed to comply with the law covering such duties or related rules of the commission, the commission, after a hearing on the facts, may issue its order directing compliance. If such officer or employee fails to comply with the order within 10 days, the commission may apply to a judge of the circuit court of the county in which the officer holds office for an order, returnable within 5 days, to compel him to comply with the law or rule or to show cause why he should not be compelled to do so. Any order issued by the judge shall be final.

The Rehabilitation Program

The following summary of Oregon's long-range program to strengthen the property tax reviews the reappraisal program, the steps taken to reinforce it by clarifying the tax law and initiating professionalization of the assessment function, the efforts to improve assessment standards and to minimize inequalities not covered directly by the reappraisal program, and the development of a maintenance program to consolidate the gains.

Statewide Reappraisal of Real Property

The legislature provided that the reappraisal program be completed in 10 years and that the State and the counties each bear one-half of the expense, but left the details to the State Tax Commission. The commission decided to expand its own technical staff to conduct the project and to make it a cooperative undertaking by working with the coun-

ty assessors and their staffs and by initiating appraisals only upon request. Since in each county a request was contingent on the county government's approval and its willingness to make the sizable appropriations required, this policy helped to stimulate local understanding and support. Requests tended, from the start, to outrun the capacity of the Valuation Division to keep abreast of them.

Getting organized for the job was in itself a large undertaking. Starting with only a few experienced appraisers and with outmoded cost and procedural manuals, the Valuation Division had to recruit and organize a technical staff that could do mapping; devise and install record systems; and plan, direct, and participate in the appraisal of all kinds of real property, and also develop better assessing tools and carry on research in valuation methods and standards. Part of the plan was for each county to provide an appraisal staff that would work with the Valuation Division's appraisers during the course of the county's reappraisal and thus equip the county assessor with trained personnel that could give continuity to the new standards and procedures. Since only one county had an organized appraisal staff, the division also had this deficiency to overcome.

Under pressure to get the program in motion, the Tax Commission launched its reappraisal of the first few counties through informal agreements while it was still in the process of building staff and developing plans. This initial experience emphasized the importance of three operating principles. First, sufficient preliminary information should be developed respecting each county to permit formulation of a realistic budget for the county's reappraisal. Second, the work in each county should be subject to a formal contract that specified the responsibilities of both the Valuation Division and the county. Third, the actual work of reappraisal should be undertaken only after a county had been mapped and a standard record system established. Exigencies that violated this routine caused later duplication of work.

Organization and procedure. The organization evolved by the Valuation Division for conducting the reappraisal program under the supervision of the division's director consists of (1) an assistant director in charge of the program; (2) two supervisors of appraisals, one in charge of timber appraisals and the other of urban and rural appraisals and mapping; and (3) under each supervisor, appraisal section heads in charge of the field appraisers assigned to each major property category. Each section head is responsible for the operations of his section, which may be proceeding simultaneously in several counties. In 1961 the staff of the division engaged directly in the reappraisal program numbered 83, including, in addition to the 3 top executives, 19 in timber, 7 in industrial, 10 in farm and 12 in urban appraisal, 25 in mapping and 7 in a technical

pool. Additionally, an appraisal standards section was developed to carry on valuation research.

A general procedure was developed for undertaking individual county projects. When a county requests a reappraisal, the Valuation Division prepares a tentative contract covering the work to be done, time schedule, estimated cost, method of financing, and allocation of responsibilities. After the provisions are reviewed with the county assessor and the county court, a final contract is completed and signed. The operation starts, ordinarily, with the preparation of maps and records. Available maps and plats and photographed copies of deeds are assembled and aerial photography is contracted for use in farm and timber land classification as well as mapping. The mapping section then drafts tax maps, assigns tax lot numbers and prepares tax lot cards, each having a legal description of the parcel it identifies.

With this groundwork completed, the actual work of appraisal can start with any class of property, giving the division flexibility in shifting its specialized appraisal sections from one county to another. The county appraisers participating in the project are assigned to the supervisors in charge of appraising the classes of property in which the assessor wants them trained. Since the division may have various sections of its staff working on projects in several counties at the same time, it provides for unification of the program in an individual county by putting an experienced supervisor in charge of staff coordination and relations with county officials and taxpayers.

Taxpayer relations. The Tax Commission has been well aware that public acceptance of the program depends on effective taxpayer education. When the Valuation Division is ready to start its work in a county, a public relations program is initiated, emphasizing that the purpose of the project is not to increase taxes but to assure more equitable assessment. A series of press releases and all other forms of communication are used, but the division works especially for local sponsorship by encouraging the formation of local committees and getting representative citizens to speak in support of the program.

When the project is completed, the assessor sends written notices of the new assessments to the taxpayers and the results are explained by news releases, radio, and television. Division representatives assist the assessor and his staff in explaining changes to questioning property owners, rechecking appraisals where called for, and satisfying the taxpayers as far as possible that the results are fair and equitable. At county board of equalization hearings, and in the event of appeals to the State Tax Commission, the division's appraisers are made available to aid the assessor and support the assessment.

Progress and cost of reappraisal. According to the original estimate, the reappraisal program was

to be completed in 1961 at a cost to the State and counties of slightly more than \$5 million, but before long it became evident that it would cost more and take longer. In 1957 the legislature opposed increasing the budget to permit finishing the program in 1961, but approved carrying it to completion without regard to any specific deadline. By May 1962, 26 counties had been completely reappraised, 6 were in various stages of reappraisal, 1 had just signed a contract, and another a preliminary agreement. Of the two remaining counties, Jefferson had contracted for timber reappraisal and Multnomah (metropolitan Portland) had taken no steps to share in the program.

The cost to completion apparently will be upward of \$10 million, with the State's share a little more than one-half. Accounting for the increase have been population growth, a rise in salary and price levels, and the development of a more thorough program than originally contemplated. Concurrently the Tax Commission's other costs of property tax administration have increased with its assumption of additional responsibilities in advancing the broad rehabilitation program and maintaining the gains from reappraisal. The commission's expense for property tax administration has risen from only \$281,000 in the 1949-51 biennium, prior to initiation of the reappraisal program, to \$1,734,000 in the 1959-61 biennium, when reappraisal accounted for 60 percent of the total. Even with this sharp increase, the recent cost to the State of financing its vital share of property tax administration and rehabilitation has been relatively insignificant at less than one-half of 1 percent of the more than \$200 million annual yield of this main source of local revenue.⁹

This summary of a program that is approaching successful completion would be misleading if it failed to mention the handicaps and obstacles encountered and the means by which some of them were overcome. There has always been some hostility to the program by thoughtful people who believed that other methods of strengthening the property tax would have been more expeditious, by opponents of the trend toward centralizing more authority in the State, and by taxpayers who have been hit by the shifting of the tax burden under the equalizing effect of reappraisal. This last factor in particular has produced numerous local controversies and contributed to the defeat for reelection of a number of assessors who had been pro-

⁹The best "before and after" analysis to show that reappraisal was sorely needed and has been performing an effective service in equalizing assessments and discovering unlisted taxable property appears in *Oregon's Reappraisal Program*, a 42-page mimeographed report prepared by the Valuation Division for the 1955-57 Legislative Interim Tax Study Committee and presented Apr. 21, 1956.

motors of the program.³ Such opposition appears to have lost some of its significance with the commission's persistent promotion of the program, the legislature's continuing support, and a growing recognition of the program's advantages.

The progress and accomplishments of reappraisal have been handicapped to some extent by personnel problems at both the State and county levels. Salaries paid have been lower than those in private business and in the governments of neighboring States. This has made it difficult to recruit and hold competent personnel, and the turnover in employment has necessitated expenditure of an undue amount of time for training. In the early years of the program the work suffered through the necessity in some instances for using poorly qualified personnel, since it was not feasible to remove incompetent county appraisers who had been hired for political reasons. The objective of providing the assessor in each county with personnel trained during the county's appraisal project was defeated in some counties when men left county employment after completion of the project because of inadequate salaries and uncertain tenure. The measures taken by the legislature to remedy this county personnel problem are described later.

Again, Oregon's tax laws in 1951 failed to provide a clear definition of value for assessment purposes and the Tax Commission had no regulations to effectuate the laws—defects that had to be remedied without undue delay.

Clarifying the Basis of Assessment

"True cash value" was the basis of assessment when the reappraisal program was launched, but its statutory definition and interpretation by the State supreme court gave it a nebulous connotation. "True cash value of all property, real and personal," the law said, "means the amount the property would sell for in the ordinary course of business, under normal conditions in accordance with rules and regulations promulgated by the State Tax Commission." The court ruled that under the "normal conditions" expression, determination of the true cash value of real property required downward or upward adjustment of market value to a "constant value which levels the effects of depressions and booms." (*Appeal of Kliks*, 153 Or. 669.) This normal conditions factor was an obstacle to reaching a uniform standard of assessment for real property, and since it was not applied to personal property other than machinery and equipment of manufacturers, it prevented complete equalization between realty and personality.

In 1955 the legislature changed the definition to provide that true cash value shall be "market

³See Bureau of Municipal Research and Service, *The Assessed Value of Taxable Property in Oregon 1950-1958*, University of Oregon, 1959, pp. 4-5.

value as of the assessment date," with a transitional period to eliminate the normal conditions factor. In issuing its first manual of property tax regulations in 1954, the Tax Commission replaced the varied conceptions of the 36 assessors by setting true value at 70 percent of market value. By 1958 it had raised the factor to 90 percent and in 1959 it declared the identity of true and market value.

With promulgation of its first *Ad Valorem Property Tax Regulations* in 1954, the Tax Commission undertook a serious and effective use of its supervisory and regulatory authority. This manual, which is revised after each regular legislative session, contains rules, regulations, and interpretations related to each provision of the property tax and assessment laws that serve as a guide to assessors and help to produce uniformity in assessment administration in accordance with carefully determined standards.

The tax base. Prior to 1953 all taxable property was required to be assessed at true cash value, but because of statewide disregard of this standard, the legislature changed the law to permit each assessor, with the concurrence of the county board of equalization, to determine the ratio to be used. As compared with 1950, when the county ratios ranged from 68 to 37 with a median of 54, in 1957 they ranged from 48 to 22 with a median of 30. In advising on Oregon's tax structure in 1958, John F. Sly recommended the adoption of a statewide uniform ratio of 40 percent as an aid to equitable treatment of taxpayers.⁴

Subsequently the legislature provided that beginning with 1961 all property shall be assessed at 25 percent of true cash value, but with two exceptions, one to permit counties with higher ratios at January 1, 1960, to retain them but not increase them, and the other to permit counties that had made contracts for reappraisal prior to July 1, 1961, and had ratios below 25 percent, to defer an adjustment until the reappraisal was completed.

Equalization and Its Problems

A broad objective of the State's program to strengthen the property tax was to equalize assessments among and within the various classes of taxable property within each county so that all assessed valuations would have the same relation to true cash value and each taxpayer would be paying his proportionate share of taxes. The actual practice had been much different. One standard might be applied to farm property, another to residential property, and still another to industrial and commercial property. Because of the normal conditions factor, personal property tended to be assessed at a higher percentage of true value than real property.

The State was assessing public utility property at a much higher level than locally assessed property.

For locally assessed real property, intracounty equalization is being accomplished by the reappraisal program. The county assessors are under orders by the Tax Commission to assess personal property at the same ratio to true value as real property, and this policy has been facilitated by elimination of the normal conditions factor. The assessment ratios for State assessed railroad and public utility property were reduced gradually from 1950, when studies by the Tax Commission indicated that such property was being assessed approximately 100 percent higher than locally assessed property, until by 1961 the ratios were identical.⁵

A broad-based equalization campaign, such as Oregon has been conducting, is designed primarily to reduce inequities in assessment rather than to increase taxes; but it does have the effect of redistributing the property tax burden. Some classes of taxpayers and some individual taxpayers have their taxes increased while others have them reduced. A comparison of the distribution of the total State assessed valuation by major classes of property in 1961 with 1951 shows utility property down from 15 percent to 11 percent, personal property down from 22 percent to 14 percent, and real property up from 63 percent to 75 percent of the total. In some individual counties the changes were considerably greater. Not all of this shifting was the result of equalization—during this period, for example, the classification of fixed machinery and equipment was changed from personal to real property; but the dominant factor was the State's equalization program. This disruption of the status quo was aggravated by the changes which reappraisal caused in the distribution of equalization payments to school districts from the State's basic school support fund. Thus the transition from unequal to equal assessment has been marked by numerous local controversies and by hardship for some taxpayers—difficulties that greater foresight might have modified but could not have avoided.

Assessment ratio studies. Each county assessor is required by a law of 1955 to make an annual assessment ratio study, under regulations prescribed by the State Tax Commission, and to post on or near each door leading to his office "in letters sufficiently large to be visible to a person with normal vision standing within 10 feet thereof," the ratio of the assessed valuation of locally assessed taxable property to true cash value as shown by the study. The regulations require that the assessor use all bona fide sales of real property during the year and indicate the possible supplementary use of sample appraisals. In his ratio study report for

⁴ John F. Sly, *A Tax Program in Oregon*, 1948, pp. 36-38.

⁵ See Oregon State Tax Commission *Bulletin*, July 1961. Vol. 1, ch. 13, reviews this outstandingly successful equalization of State assessed and locally assessed property.

the county board of equalization, the assessor is required also to show separately the ratios for several classes of real property. Under the regulations the overall ratio is computed by dividing the total assessed valuation of the sample by the total sales price, a method that does not give due weight to infrequently sold classes of property unless care is taken to represent them in the sample by appraisals.

The county board of equalization is required to examine the assessor's ratio study and to change the posted ratio if it is inaccurate. It is authorized to employ certified appraisers to aid in this function. Finally, the Tax Commission, which now makes two ratio studies each year, reviews the ratios adopted by the counties. The commission, if it finds the ratio based on its studies deviating 10 percent or more from the county-determined ratio, is required to replace the latter with its ratio. If the assessor posts a ratio that varies as much as 20 percent from the determinations of the board or commission, he is liable to prosecution and removal from office.

The posted ratios were designed primarily to aid the taxpayer in appealing his assessment. In a petition to a board of equalization or the State Tax Commission for reduction of assessment, a property owner has to show only that his property is assessed at a higher ratio than that posted, and does not have to include comparative data on the assessed valuation and market value of other property. The ratio studies have been useful, also, for the equalization of assessments among classes of property and for the distribution of State school aid, and, with the recent adoption of the 25 percent basis of assessment, are important for intercounty equalization. The posted ratios in 1961 were 25 for 32 counties, and 15, 22, 23, and 40, respectively, for the other 4.

Professionalizing the Appraisal Function

According to a legislative interim tax study committee reporting in 1954, "Interim committees which have studied the Oregon tax structure in years past have repeatedly recommended legislation to insure that the office of assessor in each county be filled by a person possessed of some qualities other than political aptitude."⁶ The committee felt, however, that "overzealousness in preserving home rule" had deterred the legislature in the past from approving a shift from elective assessors to assessors appointed on the basis of professional qualifications and might continue to do so. Thus it proposed that the office of assessor continue to be filled "by any person duly elected, without regard to his individual qualifications"; but that real property appraisals should be performed only by persons whose competence had been determined by an examination given by the State Tax Commission

and approved by the Association of Oregon Counties—the latter also a concession to home rule.

Under a law enacted in 1955 and subsequent amendments: (1) Only certified appraisers may appraise real property. (2) A certified appraiser is one who has qualified and is employed under county or State civil service requirements or is currently certified by the State Civil Service Commission as having passed an examination for property appraiser that has been approved by a standing committee of the Oregon State Association of County Assessors. (3) The salaries paid certified appraisers shall not be less than those applicable to State appraisal personnel of similar classification. (4) The State Civil Service Commission may revoke a certificate of an appraiser for fraud or deceit in his appraising or in the securing of his certificate and for incompetence. (5) The county court must furnish the assessor with the full-time services of one certified appraiser for each \$30 million or fraction thereof of the true cash value of locally assessed property as equalized by the State Tax Commission.⁷

Although compliance with this requirement for the use of certified appraisers is not yet complete, it has progressed sufficiently to mark a major step toward professionalizing the assessment of real property throughout the State. By 1960 only six small counties were not employing certified appraisers, and two-thirds of the counties were at or close to their full quotas. Two small counties have experimented with joint employment of a specialized appraiser, and there has even been the suggestion that if consolidation is good for small school districts it might work well for small county assessment districts. Fully as significant for the professionalization of assessment in the State is the extension of central appraisal to timber and large industries and the increasing participation in maintenance by the Valuation Division through contracts with the counties.

Because of a growing recognition, on one hand, that assessing requires technical skill, and a persistent desire, on the other hand, "to keep local government local," the elective assessor may be on the way out in Oregon. The assessors themselves are alarmed at the rapid turnover in their office, largely through partisan elections—14 of the total of 36 were replaced in 1961—and have discussed at recent conferences the need for less vulnerability to political pressures and more security for competent performance. Of 11 county charters that are being drafted under a recent home rule amendment, 10 are expected to provide for appointive assessors.

⁷ Legislation also has been under consideration to give appraisers the advantage of State civil service status and a committee of county officials with State representation has been studying ways and means of professionalizing and improving the position of the entire assessment function.

⁶ Legislative Interim Tax Study Committee 1953-1955, *The Property Tax Picture in Oregon*, pp. 14-15.

Preservation and Extension of Gains

Oregon's presently largest property tax problem is how to convert into a permanent investment its sizable expenditure for statewide reappraisal. From the start of the program there has been recognition that the property tax laws should be forthrightly enforced; that areas outside the reappraisal program, such as personal property tax administration, needed systematic attention; that local assessors required more and better professional aid than they had received in the past; and, more specifically, that with completion of the reappraisal in each county there should be adequate means for its maintenance.

Maintenance of reappraised counties, the Tax Commission said in its 1960 report, is rapidly becoming the Valuation Division's major problem. Already, because of inadequate followup provision, there is pressure for redoing the appraisals in the earliest completed counties, and because of personnel turnover the division is unable to meet the full demand for maintenance assistance; but even with its none-too-adequate resources spread thin by the dual responsibilities of reappraisal and regular administration, the division is doing a commendable job in the areas of technical aid, general assistance, valuation research, and taxpayer education.

Maintenance program. Under general statutory authority the Tax Commission assists county assessors in solving special farm and urban appraisal problems to the extent that the Valuation Division has personnel available. After counties have been reappraised, the division helps their assessors plan continuing reappraisal programs to satisfy the 6-year reappraisal cycle required by law. Small counties, left with no knowledge of appraisal procedure when they lose their single trained assessor or appraiser, are aided by the division in bridging such gaps until successors can be trained. The legislature has adopted a specific maintenance program, moreover, under which central appraisal has been expanded and counties may contract with the Tax Commission for technical aid, part of the cost of which is met by the State.

Under authorizations by the legislature beginning in 1955 the Tax Commission has been providing specialized maintenance service under formal agreements with individual counties. Under one provision it can agree to supply an assessor with mapping service at county expense. This is an extremely valuable service to counties that are not large enough to maintain economically a full-time draftsman and facilities to keep up to date the tax maps developed during the reappraisal program. Under another provision the division makes agreements to do certain industrial maintenance with counties that are not large enough to employ full-time industrial appraisers. The law authorizes the provision annually of 450 man-days of service of

qualified appraisal engineers for the appraisal of the principal industries of counties, with the cost to be divided equally between the Tax Commission and the county. The commission is directed to allocate this service among counties according to need. Any county may arrange for additional service of this type, but must pay the full cost. While the Valuation Division's staff has not been large enough to meet the full demand for these services, it appraised 429 plants in 29 counties under the maintenance program in the 1958-60 biennium.

In the reappraisal of timber and timberland, a vast economic resource of the State, the Valuation Division has developed advanced techniques, involving the use of electronic computers, to replace the defective procedures of the past. The legislature provided that beginning in 1956 the Tax Commission should appraise all taxable timber and timberland in counties where such property had not been reappraised since 1950, and that beginning in 1961 it should perform this function in all of the counties. Because of new timber tax legislation in 1961, tailored to differing forest conditions in eastern and western Oregon, administrative arrangements are in transition; but under regulations prevailing in 1962, central appraisal costs in eastern Oregon are shared equally by the State and the counties, in western Oregon are met by the State. The Tax Commission has a key role in the administration of the complex system of timber taxes, variously modifying, supplementing, or replacing ad valorem taxes, which the legislature has been developing in recent years to conserve timber resources, encourage good forestry practices, and still provide equitably for a continuing flow of tax revenue to local governments in the timber counties.

While the Tax Commission has full legal authority for a sound maintenance program, its Valuation Division needs more manpower to make the program fully effective. The approaching completion of the reappraisal program offers a potential for meeting this need without any material expansion in personnel. The division is looking forward to the establishment of five district offices adequately staffed with fieldmen that will facilitate supervision and the provision of maintenance services for all areas, and also minimize the itinerant character of field positions that tends to make them unattractive for career employment.

Assessment of personal property. Oregon's ad valorem tax on personal property applies primarily to tangible personalty used in business—movable machinery, tools, furniture and equipment, farm machinery and livestock, and inventories. The taxation of intangibles was abandoned around the turn of the century and household goods and personal effects are exempt. Although the Tax Commission has been concentrating its efforts on real estate reappraisal and maintenance, it has given some attention to supervision of personal property

assessment and plans to do more when time is available.

The commission has directed its attention first to the assessment of inventories. Under the self-assessing plan for this class of property, many taxpayers were underreporting values and assessors were trying to compensate for this illegal practice by assessing inventories at a higher ratio than other property. Honest taxpayers were being penalized. In 1952 the Valuation Division started a check of the books of taxpayers as compared with their inventory reports and later it inaugurated a program in cooperation with many county assessors to provide trained personnel at county expense to make audits of this type. A small expenditure of \$2,270 in 1956 for sampling disclosed underreporting of \$2,943,257. The legislature then formalized the procedure by requiring that the Tax Commission audit annually 25 percent of all taxable inventory accounts in each county, and each account at least once in 5 years, with the expense to be borne equally by the State and the counties. In its biennial report for 1958-1960, the Tax Commission stated, with supporting statistics, that "The checks indicate a continued increase in the number of taxpayers reporting the correct value for their inventories," but cited the need for "an effective and workable penalty law to discourage underreporting."*

The Valuation Division provides various other aids for the assessment of personal property. In 1961 it published a 755-page third edition of its Cost Factors Book containing prices of new machinery and equipment for industrial and commercial establishments, and it also compiles and issues a recommended schedule of depreciation for machinery and equipment. Additionally, the division provides a detailed personal property reporting form that has been adopted in about half of the counties, compiles and publishes annually true cash value schedules for certain classes of personalty, compiles market data to guide the assessors' livestock committees in setting values, and has demonstrated the use of aerial photographs in counting cattle.

Setting appraisal standards. Supplementing and reinforcing the technical and general assistance, assessment ratio studies and other aids that have been described, the Valuation Division prepares and distributes to all assessment officials various manuals and handbooks designed to assure uniformity of appraisal methods. Included are the *Ad Valorem Property Tax Regulations*, noted earlier as the basic

*The January 1961 report of the Legislative Interim Tax Study Committee, 1959-61, while recognizing improvement in the administration of the inventory tax, recommended its repeal on grounds that it was inequitable in its impact on the various types of business and encouraged business policies that were economically unsound, and proposed its replacement by a new 1.5-percent tax on all business net income.

guide for all assessment practice; a *Manual of Appraisal Methods*, a textbook of fundamental appraisal procedure published in 1957; several cost factor books, revised in 1960 with the aid of a firm of appraisal engineers; and the personal property assessment guides previously mentioned. The division has a section organized for research—the Appraisal Standards Section—which, in addition to conducting and supervising assessment ratio studies, does research in valuation methods and standards that produces frequent supplements to the basic manuals.

Inservice training. The Tax Commission is required by law to carry on inservice training programs for assessors, tax collectors, and county boards of equalization. Among other things it conducts an annual training school for each of these groups. Inservice training, both for its own staff and for county assessors' staffs, has been virtually a continuous function of the Valuation Division during the course of the reappraisal program. For its own staff, the division supplements individual and special training with an annual 2-day school for the entire staff.

Since 1956, the Tax Commission and Oregon State University have cooperated in conducting annually an "Appraisal Short Course" on the Corvallis campus. This is a carefully planned 5-day session for assessors and appraisers, with lectures, discussions, and demonstrations by technical and professional specialists from the commission, the university, and elsewhere in and outside the State. Initially, the short course had to deal with fundamentals for a largely unskilled enrollment, but each year it has been possible to add some sophistication to the program, and by 1961 it had become evident that an advanced course would have to be added because of the progress made in professionalizing the assessment function in the State. Attending the 1961 session were 164 assessors and appraisers from 34 of Oregon's 36 counties, 7 members of boards of equalization, and 32 representatives of other government agencies and private business—a total of 208 compared with 144 in 1960.*

Public Relations and Education

Oregon's broad program of property tax rehabilitation has required, and received, intelligent legislative backing and strong State administrative leadership, courage, and ability; but its progress also has depended on making the policy of State-local cooperation actually function and on winning understanding taxpayer support. From the start of the undertaking the Tax Commission has carried on a well-devised program of public relations and education and appears to be promoting it with increasing ingenuity instead of permitting it to lapse into a perfunctory routine.

*Registrants are charged a tuition fee of \$25 and are provided with inexpensive living quarters.

The educational and promotional devices used in the individual counties contracting for reappraisal have been described in the earlier discussion of this program. To provide information to the public on a statewide basis, the Tax Commission and its staff make many speeches, use press releases and radio and television programs, and inject interest and readability into their publications. Telecasts over the State owned station that explained the various aspects of property tax administration and the State's program have been filmed and the films made available on loan. They have been used widely by assessors and civic groups and also have had some demand from commercial television stations and from government agencies in other States. An eight-page, pocket-sized pamphlet, *Oregon's Property Tax*, explaining the tax and its administration in popular form, was published in 1960 to help assessors and tax collectors in their taxpayer relations and soon required a second edition.

The biennial reports of the Oregon Commission have the somewhat unusual quality of being interesting. They explain clearly and nontechnically each period's developments in tax policy and performance, and give attention to the property tax that is commensurate with its importance. The Tax Commission also initiated in 1957 the monthly publication of an ingeniously edited eight-page *Bulletin* that integrates local and State tax news, issues, and problems in such manner as to interest and aid tax administrators and taxpayers at both State and local levels.

Review and Appeal

Through legislation enacted in recent years, Oregon has developed review and appeal procedures designed to make the review of assessments a more effective function and to help the taxpayer protect himself against inequitable assessment. The organization for these purposes includes the county boards of equalization; the State Tax Commission, which has review powers and serves also as an appeal board; and the courts, including a new tax court created in 1961.

County boards of equalization are both review and appeal boards. Each board consists of three members appointed annually—the county governing body and the county budget committee each selects one of its own members, who in turn appoint a nonofficeholding freeholder as a third member. The law tries to make the board's review function meaningful rather than perfunctory by requiring the assessor to prepare for the board each year an assessment ratio study, previously described, covering separately the major classes of real property, and by authorizing the board to employ qualified appraisers to aid in analyzing the study. The board is required to convene for three separate meeting periods annually. At the first session, in

November, its duty is to examine the assessor's last ratio study, the report of its technical advisers (if it has employed any), and the analytical data submitted by the Tax Commission, and then instruct the assessor in writing as to the steps he must follow to obtain assessment uniformity at the ratio required by law. At the second session, in April, the board's function is to analyze the newly completed ratio study (conducted by the assessor between December 15 and April 15) and accept or require correction of the assessor's posted ratio. At the third session, beginning in May and running from 3 to 5 weeks, the board hears appeals, increases or reduces particular assessments, and equalizes the new assessment roll.

Whether many of the counties will be able to develop effective use of this demanding system of equalization at the county level is open to some question, but the State Tax Commission is encouraging efficient compliance with the law in several ways. It assists with assessment ratio studies, issues a carefully prepared *Manual for Boards of Equalization*, and conducts annually a 1-day school for county board of equalization members. Officials from 30 counties attended the school in 1961, but only 24 counties were represented in 1962. Safeguarding the review and equalization functions, regardless of their quality at the county level, is the Tax Commission's adequate authority in these matters, as noted in the earlier summary of the commission's organization and powers.

A taxpayer who believes he has been treated inequitably may petition the county board of equalization to reduce and equalize his assessment and he may appeal a decision of the county board to the State Tax Commission. He also has had a right to take appeals to the State courts which has been facilitated by the creation of a tax court with a small claims division. Under Oregon law this means for the taxpayer to obtain correction of an inequitable assessment is available in fact, not just in theory, for even small property owners. He knows from the assessor's posted ratio what the actual level of assessment is, which enables him to check the equity of his own assessment. He does not have to resort to the expensive process of amassing comparative data on other properties in support of his petition. The law requires that his petition to the board of equalization be in writing and shall state, verified by oath, the facts and the grounds upon which the petition is made; but the petition need refer only to the petitioner's property in relation to the posted ratio. The board is directed to "consider the correct assessed valuation of the property to be the result obtained by multiplying the true cash value of the property, as determined by the board, by the percentage" shown in the posted notice.

Tax Court. The 1961 legislature created a Tax Court, operative in 1962, to handle the appeals of property and other taxpayers. This action frees

the State's regular circuit courts from concern with technical tax questions and looks hopefully to the development of a specialized court that can become increasingly efficient and expert in the area of taxation. The court consists of a single judge popularly elected on a nonpartisan basis for a 6-year term, but the State supreme court may appoint judges pro tempore as needed. The Tax Court hears appeals from decisions of the Tax Commission formerly going to the circuit courts, "without a jury and de novo." Appeals may be taken to the supreme court. Possibly modifying the authority of the Tax Commission is a provision permitting an appeal to the Tax Court by any taxpayer, assessor, board of equalization, or sheriff "aggrieved by and directly affected by an order of the State Tax Commission."

A novel feature of the new court is a Small Claims Division, which utilizes the regular Tax Court judge or judges to hear the appeals of small taxpayers. In the area of property taxes the division's jurisdiction applies only to the true value of real property which has been determined by a

board of equalization to have a true cash value of no more than \$25,000. A taxpayer who is dissatisfied with the value placed on his property by a board of equalization may elect to bypass an appeal to the State Tax Commission and appeal directly to the Small Claims Division. He pays a filing fee of \$1.50 and may appear on his own behalf or may have legal or other professional aid. The procedure is informal, but all testimony must be given under oath. The State Tax Commission may appear *amicus curiae* in any proceedings. The court may hold hearings in any county seat, and the intention is to hold small claims hearings in the counties where the claims originate in order to minimize inconvenience and expense to the taxpayer. Once the taxpayer elects this procedure, he may not revoke the election and has no further right to appeal or bring suit on the issue for the particular tax year. The decision does not set a legal precedent, applies only to the year in question, and may not be appealed.

PENNSYLVANIA

The Commonwealth of Pennsylvania exercises a minimum of supervision over the local units' administration of the property tax, but it has enacted several notably significant measures in the period since the close of World War II, including the requirement that all fourth- to eighth-class counties conduct revaluations of property for tax purposes and the provision for annual equalization for use in school aid apportionments.

The State does not use the general property tax for State purposes. Except for intangibles, personal property is not taxed and the local property tax is in effect a real property tax. The intangible tax is a 4-mill county tax, statewide, applicable to stocks, bonds, and other securities. Local units in Pennsylvania have broad authority for levying a wide variety of nonproperty taxes.

Revaluation. In 1951 the legislature enacted the fourth- to eighth-class county assessment law which provided that these counties should establish a permanent system of records consisting of tax maps, property record cards, and property owners' index cards, and that property should be revalued and assessments based on a predetermined ratio of value. This work was to be completed by the end of January 1959. (The fourth- to eighth-class counties included 59 of the 67 counties, excluding Philadelphia, Allegheny, Delaware, Lackawanna, Luzerne, Montgomery, Northampton, and Westmoreland.) The legislature set up a Committee of Ten, consisting of five county commissioners and five members of the general assembly, to prepare the specifications for the tax maps, the forms for property record cards, and the forms for the owners' index. When this work was completed, the committee disbanded and the counties proceeded without central supervision or direction. A mail questionnaire survey made by the State Department of Internal Affairs indicated that as of August 15, 1958, 17 counties had completed the project, with 8 others expecting to complete it by the end of January 1959, while others were at various stages, with 2 not yet started.¹ It appears that all the counties affected by the 1951 law had virtually completed the program by early 1962, but no recent report on the program has been published. Many of the counties had the work done by private appraisal firms, with costs ranging up to about \$500,000.

While the law apparently anticipated maintenance of the record system by the counties and an-

nual review of the assessments, no specific followup was provided. Fragmentary information indicates that in some counties, at least, officials are not keeping the records up to date.

The 1951 reassessment law made a significant change in assessment procedure. Formerly valuations were set by assessors elected in boroughs and townships. Since 1951, valuations are fixed by the chief assessor, a county official appointed by the county commissioners, the commissioners themselves acting as a board of assessment. The borough and township assessors are still elected, but their function now is described as to supply information to the chief assessor—information such as new building construction. The county is thus in a position to equalize valuations among local units.

When the revaluation program was first initiated, it was planned that values should be set at market value, but this proposal was amended to provide that for purposes of taxation, the county commissioners should set a ratio of assessed to market value, not in excess of 75 percent. In most cases the commissioners set the level at 35 to 40 percent or what the Tax Equalization Board had shown the ratio to have been prior to reassessment. It has been pointed out that the counties, the governmental level at which the ratio was set generally, were less pressed for revenues than other units of government and therefore had no urgency to raise the level of assessment as a means of obtaining more revenue without increasing tax rates. The State board certification as of June 30, 1961, showed county ratios ranging from 15 to 68 percent, with a State figure of 42 percent.

Manual. In the fall of 1959 the Department of Internal Affairs issued an Assessors' Handbook. The handbook, prepared for the department by Dr. J. H. Vanderzell of Franklin and Marshall College in cooperation with the Municipal Assessors' Association of Pennsylvania, was described as serving as an introduction to assessment procedures, techniques, and problems for those new to assessment work, and as a brief refresher course for those already in the field. The department is planning a reprint, or possibly a revision, of the handbook.

Equalization. The State Tax Equalization Board was created by the general assembly in 1947 to provide data for distribution of State school aid.² The

¹ J. Martin Kelly, Jr., "Reassessment Program Completed in 25 Counties; 20 Other Counties Started," *Internal Affairs Monthly Bulletin*, December 1958, Commonwealth of Pennsylvania, Harrisburg, pp. 22-25.

² A very informative description of the work of the board is given in *School Subsidies, Pennsylvania's Program for State Support of Public Education, 1954*, and *Origin, Functions, Procedures, State Tax Equalization Board Program, 1962*, both published by State Tax Equalization Board, Harrisburg.

principal function of the board is to determine annually the aggregate market value of assessed taxable real property in each of the State's school districts (2,244 in 1961). The board is directed to reevaluate, revise, and adjust market values annually to reflect changes due to economic conditions or other relevant data. The market values are certified annually to the Department of Public Instruction to be used as one of the basic factors in the distribution of subsidies to school districts. The annual certification is published, the report showing for each district, by counties, the market values and assessed values of real property and the ratios of assessed to market value.

The Tax Equalization Board has no supervision over local assessments of taxable property, no power to order reassessment, and no prescribed responsibility for improving local assessments. While the board's powers are thus limited, the findings have materially assisted local officials (and contributed to the 1951 assessment laws) and staff members who are familiar with assessment procedures, when requested, have given local officials the benefit of their experience, for information purposes only.

Market value, as defined by the board, is "the reasonable exchange value in the current year between a willing buyer and a willing seller, each being familiar with all the facts relating to the particular property," or, as the board notes, their "definition and use of market values interprets today's values as normal for today's conditions." Since the board is to determine the aggregate market value of taxable real property in each school district, a sampling of market value evidence can be adequate for the estimates. The sample, however, must represent adequately different types of property in various locations within each district. The board considers all available sources of market value evidence such as real estate sales, replacement cost less depreciation and obsolescence, capitalized income, unbiased estimates of local specialists, and any other available evidence.

The counties are required by law to report to the board monthly all real estate sales and pertinent information regarding them. The counties are paid 10 cents for each sale reported. In some years it

has been found that sales, after processing and investigation, constitute adequate and representative samples of evidence of market value. In other cases sales may be supplemented by other data such as appraisals. Procedures are described in the board's publications. (See footnote 2.)

Equalization personnel and cost. The State Tax Equalization Board consists of three members appointed by the Governor. The staff consists of persons trained or experienced in government administration, engineering, or business administration, and each staff member has a practical knowledge of real estate appraisals, real estate assessment, or governmental research. Functions and procedures pertaining to market value analysis are controlled from the central office in order to assure uniformity of treatment.

The board appropriation for 1947-49, the first biennium of its activity, was \$500,000, and in the spring of 1950 the board had a staff of about 50 full-time employees. The appropriation, now made on an annual basis, was \$363,000 for 1961-62. In the spring of 1962 the board staff, in addition to the 3 board members, included 18 central office personnel and 25 field representatives.

Use of equalization ratios. The Tax Equalization Board was established specifically to provide material for use in allocating school aid, as noted above. Any other use of the board's ratios—such as improvement of assessment equalization among units within counties, simplification of computations when districts consolidated, consideration by the State School Authority in planning its construction program—was indirect. Under 1961 legislation, the board market values are used in distributing State aid to local libraries, in determining limitations on real estate taxes in school districts lying in more than one county, and in determining overall limitations of tax revenues under the "Local Tax Anything Law" for political subdivisions and school districts where such values are not available from local assessment authorities. There are several other State agencies which also use the board valuations in the administration of their own programs, notably the State Department of Welfare and the Sanitary Water Board of the Department of Health.

RHODE ISLAND

The administration of the property tax in Rhode Island is a strictly local function, but the State makes equalization studies for use in distributing State school aid. The first Rhode Island school for assessors was held in 1962 at the University of Rhode Island.

Assessment organization. Primary assessing in Rhode Island is the responsibility of the major local units, 8 cities and 31 towns which cover the entire State area. The assessing is done by an assessor or, more usually, a board of three assessors, elected, and serving 1- or 2-year terms, on a full- or part-time basis. These local units assess all taxable property, including that of railroads and other public utilities. They also assess intangibles which are taxed uniformly at a rate set by State law, \$4 per \$1,000 of assessed value. In 1960 the legislature attempted to transfer the assessment and collection of the intangible tax to the State, but the law was declared unconstitutional. The State does no assessing, and no supervision of assessing.

In addition to its 39 general purpose local units, Rhode Island has a substantial, but indeterminate, number of special districts, authorities, etc., with one or more specialized functions. Such units have been created for the most part under special legislative acts, and while many of these acts provide that the districts have three elected assessors, most of them also provide for assessment in accordance with the last valuation made by the assessor of the town wherein the property is located.¹ A few districts apparently make separate assessments for their own use.

The assessment situation was described in 1959, in a comprehensive study of State-local relations made by the Institute of Public Administration,² as varying widely in adequacy and competence of organization, in the quality of assessing, and in policy among the cities and towns as to the degree of underassessment. This study secured data on the cost of administering the property tax in most of the 39 local units and related such costs to their property tax levies. The costs ranged from less than one-half of 1 percent of the levy to over 4 percent, and there was a "fairly close inverse correlation between costs of administration and the size of the municipality."³

¹ Frederick L. Bird, *Local Special Districts and Authorities in Rhode Island*, Bureau of Government, University of Rhode Island, 1962, p. 14.

² *State-Local Relations in Metropolitan Rhode Island*, Special Commission To Appraise the Financial Operations of the State Government and the Matter of State-Local Financial Relations, 1959, vol. II, p. 373.

³ *Ibid.*, p. 374.

The Institute of Public Administration, on the basis of its study, recommended complete centralization of property tax administration in Rhode Island, saying:⁴

To raise the quality of all property tax administration in the State, with special emphasis on assessment administration, at least to the reasonably satisfactory level that now prevails in some areas of the State would be a valuable contribution to Rhode Island's finances and economy. An increasing number of progressive States are adopting programs for this purpose. Their methods follow variously the three requirements noted earlier, that the assessing areas be large enough to permit the employment of full-time professional staffs, that elective assessors be replaced by the appointment of well-trained professional personnel, and that the State assume greater responsibility for the direct assessment of some kinds of property and for the supervision and equalization of all local assessment.

Rhode Island could meet the required objectives better, without duplication of administration and at less expense, by consolidating and centralizing all aspects of property tax administration in a single State agency professionally organized and equipped for the job.

Under this proposal each local unit would determine the amount of taxes to be levied for its own budget, but the assessment of property, billing and collection of taxes, and enforcement of tax liens would be centralized in the State. The taxes would be remitted to local units as collected. The institute recognized the ability of Providence and the other larger units to do good-quality, low-cost property tax administration, but believed that centralization would have advantages for them as well as for municipalities too small to afford scientific property tax administration.

The State Fiscal Commission, it may be noted, approved the institute proposal and said, in its own report, "We recommend that the State take over the assessment and administration of the property tax, to improve its fairness and workability; . . ." ⁵ The legislature, however, has taken no action on the proposal.

Assessment ratio studies. While the State does no assessing and has no authority to change assessments made locally, it carries out each year an "equalization" study. This procedure was initiated under legislation of 1956 which established a State Board of Tax Equalization to determine the equalized weighted assessed valuation of the several cities and towns and certify such valuations to the commissioner of education. The equalization is used solely in the distribution of State school aid.

The State Board of Equalization began its work in September 1956, and issued its first report about

⁴ *Ibid.*, p. 377.

⁵ *Ibid.*, p. 460.

3 years later. A second report was published in 1960. In 1961, the legislature created a new Division of Local and Metropolitan Government as one of the divisions in the State Department of Administration, and this new division was given responsibility for the tax equalization studies. The division issued reports in 1961 and 1962.

Basic to the computation of the "equalized weighted assessed valuation" required by the law is the determination of true and market valuation of property in each of the 39 cities and towns. The procedure was worked out by professional statisticians and appraisers engaged in research and property valuation. Samples are chosen to be representative of the major classes of property in each tax roll and—

The estimate of market value was computed from the weighted average of assessments on properties of which a sales record was available and certain randomly selected appraisals included in the various samples. A further estimate of market value based on regression analysis of sales and appraisals samples was also computed. Sampling errors of the weighted average and regression estimate were calculated and the final determination is based on the estimate reflecting the smaller error.⁹

In its appraisal work the division normally uses State staff for residential appraisals, but employs private professional survey teams for the larger commercial and industrial properties.

After determination of the true and market value for each city and town, a comparison is made with the assessed valuation and percentage adjustments made to arrive at the adjusted valuation for each unit, that is, the equalized weighted assessed valuation. For example, the State equalization table for 1961 tax rolls showed the assessed valuation for the 39 units totaling \$2,798 million, the full value (based on 1960 market value) \$4,174 million, and the equalized weighted assessed value \$2,798 million, the same as the assessed. The statewide rate of assessment was 67.02 percent. For the separate local units the ratios ranged from 37.69 percent to 93.38 percent.

Division of Local and Metropolitan Government. In 1961 the legislature created a Division of Local and Metropolitan Government in the State De-

⁹ *Annual Report on Tax Equalization, August 1962, Division of Local and Metropolitan Government, Department of Administration, State of Rhode Island and Providence Plantations, 1962, p. 3.*

partment of Administration, carrying out a recommendation made by the Institute of Public Administration and the Fiscal Study Commission in 1959. The new division was assigned the equalization function formerly handled by a separate board as noted above. In this connection the division was given authority to require municipal officers to report on property assessment and give testimony on local tax matters. Like the former board, the division has no power to change assessments, and it is specifically provided that nothing in the law shall be construed as giving the division any power to interfere with the duties of the local officials in determining assessments or tax rates.

This restriction, however, has not kept the division from cooperating with assessors in several projects. In the summer of 1962, at the request of local assessors, it caused to be printed *Principles and Procedures of Urban Assessing* which was distributed as a joint venture of the division, the Bureau of Government Research at the University of Rhode Island, and the Rhode Island Association of Assessing Officers. The division is accumulating a library of material on assessing for use by local officials as well as its own staff. It is also prepared to give advice and answer questions concerning records and any other matters permissible under the law, with such service available on request of the local assessors. The division cooperates in the school program noted below.

School for assessors. In July 1962, the first school for assessors in the history of Rhode Island was held at the University of Rhode Island. This was a 1-day school for assessors and boards of review, sponsored by the University Bureau of Government Research, the State Division of Local and Metropolitan Government, the Rhode Island Association of Assessing Officers, and Rhode Island Tax Officials Association. About 60 local officials attended.

The program was intensive, with most of the day having two concurrent lecture sessions, with some discussion time. Subjects considered included valuation factors and methods, commercial and industrial personal property, depreciation and obsolescence with a sample house appraisal, establishing land values, legal problems, etc. Speakers were mainly experienced assessors from Rhode Island. The school was regarded as successful and a 2-day program was planned for 1963.

SOUTH CAROLINA

The South Carolina property tax has three features especially notable for this study—the practice of State assessment of a very substantial part of the total valuation, the long series of studies pointing up inequities and proposing remedies, and the recent State action to put some of the recommendations into effect.

The State Tax Commission was created in 1915 largely to provide equitable assessment of property for taxation. The commission functions have been greatly expanded to include administration of income, sales, gasoline, and practically all other major State revenues, but the agency continues to have general jurisdiction over local boards of assessors and boards of equalization, provides technical assistance when requested, and functions as an appellate body handling appeals from local boards.

State assessment. The Property Tax Division fixes assessments on "all merchants, sundry manufacturers, printers, textile plants, oil mills, fertilizer plants, telephone and telegraph companies, railroad and power companies, and others."¹

These valuations set by the State in 1961 represented about 46 percent of the total valuation for that year. For some types of property the State valuation represents personal property only, as for merchants' inventory and fixtures, while for others the assessments include real property, the latter group including textile plants, etc. The assessments made by the State are for local purposes, as the State does not use the property tax for its own purposes. Intangibles, it may be noted, are not taxed in South Carolina.

The Tax Commission follows established formulas in its assessing. Merchants' inventory and fixtures, for example, were assessed at 18 percent of fair market value for 1961, but the percentage was to be reduced to 14 percent for 1963 and thereafter. Manufacturers, it is reported, are assessed at 42 percent of the fair market value of their taxable plant account, but after all deductions are allowed, this results in an average assessment of manufacturers throughout the State of around 13 percent of fair market value.

State assessment is regarded as a strong feature of the South Carolina property tax. A report of a subcommittee for the Tax Study Commission said, "Since the State Tax Commission is directly responsible for the assessment of corporation and

public utility property, it is generally agreed that such property is more equitably assessed than, for example, farm and city real estate."² The Griffenhagen report of 1956 was even stronger in its approval, saying, "The taxation system, and we believe particularly State assessment of business assets, has been a factor that has encouraged industrial expansion."³

The Tax Commission has a staff of about 21 persons assisting in assessing (in mid-1962). In 1959-60 the Tax Commission tabulation of its expenditures included \$61,634 for the Property Tax Division with the note that this division "produces no State revenue." The Griffenhagen report said, "The present cost of the assessing done by the State is a fantastically low amount per dollar of tax the localities collect and is not adequate."⁴ The Report recommended that an adequate appropriation for the Property Tax Division, not exceeding 1½ percent of the estimated collections (of above \$20 million), be a deduction from State aid allocated to school districts, counties, and municipalities.

Local assessing. Local assessing cannot be described adequately in few words. The Griffenhagen report noted that a review of assessing in many communities showed no two exactly alike. In general, the county auditor may be regarded as the primary local assessing officer, but all assessments are subject to review by district and county boards, appointed or serving ex officio. Original responsibility rests with the property owner, however, as he is required to file with the county auditor a list of his property with his own estimate of value.

... In actual fact, it is most unusual for property to be returned at anything even approaching its actual market value and many owners do not even take the trouble to make a 'return.' Although this makes them liable to a 50-percent penalty, the penalty is seldom applied.

When an owner fails to 'return' his property, it becomes the responsibility of local assessors to seek out, enumerate, and assign a value to the property. In cases where the property owner makes the 'return,' the local board either accepts or modifies his estimate of value and passes the return along to the county auditor. Here it is subject to review and approval or modification by the auditor and the county board. Rarely is the prop-

¹ G. H. Aull, *Property Tax Equalization in South Carolina*, report of a subcommittee prepared for the Tax Study Commission, 1960, p. 4.

² Griffenhagen & Associates, *A Report to the State of South Carolina State Tax Commission, Survey and Recommendations Relating to Equalization of Property Tax Assessments in South Carolina*, 1956, p. 2.

⁴ *Ibid.*, p. 28.

³ *46th Annual Report of the South Carolina Tax Commission*, 1960, p. 53.

erty subjected to any sort of appraisal or even a cursory inspection. . . .⁵

The cost of local assessing is low—not “more than about one-quarter of the expenditure we would have expected to find,” said the 1956 Griffenhagen report. The State, it may be noted, provides \$3,000 annually toward the salary of each county auditor.

The ratio of assessed to full value in South Carolina is notoriously low. For most of the 46 counties the average is believed to be not far from 10 percent. Since the ratio for State assessed properties is above this level, locally assessed property would average, in general, less than 10 percent—but with the usual spread. “Presently similar property is permitted to be assessed at percentages of true value varying from often less than 10 percent to greater than 40 percent, with occasional divergences much more pronounced,” according to the 1961 Tax Study Commission report.

Special studies prior to 1959. South Carolina has had a long succession of special tax studies dealing with the property tax and some of them have made significant recommendations for improvement.

For the long period from 1920 through 1959, legislative committee studies were made—but generally neglected. A committee appointed in 1939 recommended that property be assessed at actual value by full-time trained, nonpolitical personnel under State supervision. A committee appointed in 1948 recommended property assessment by the State Tax Commission and referred to the existing property tax laws as antiquated. This committee said, “. . . no criticism is directed toward the officers whose duty is to make assessments, but of the laws providing for the assessments. The task of the officers has been a difficult, and in some instances, an impossible one in view of the laws under which they have operated.” Legislative committees were appointed in 1951, 1952, 1957, and 1958, “but very little corrective action has resulted despite the fact that many inequities were pinpointed.”⁶

Since 1925 the South Carolina Agricultural Experiment Station, Clemson, has carried on a series of studies on various phases of the property tax. These studies, many of them made by or under the direction of Dr. G. H. Aull, head of the Department of Agricultural Economics and Rural Sociology at Clemson, have supplied extensive factual

data on assessments and impact of the property tax and have resulted not only in broad recommendations of general policy but in specific, detailed proposals for techniques for local assessors.

One group of the Clemson studies examined assessment-sales ratio data. For a long-range analysis more than 30,000 recorded transfers of farm real estate, over a period of 40 years through 1937 were examined, and one conclusion was that the deviations among the counties and during the 40 years were less significant than those between properties in the same county in the same year.⁷ A more recent study in this series was an intensive examination of farm real estate sales in one county over 2 years, the smallness of the sample permitting detailed study and checking of the properties involved as well as the diversity of assessment results.⁸ One effective chart in this study spotted the individual assessment ratios against a targetlike background with the bull's eye 15 percent of sales value, the average level. The report commented, “A marksman obtaining results such as shown . . . would immediately question the adequacy of his tools and techniques.” Noting the “haphazard” way in which buildings are listed and assessed, the authors observed that buildings, primarily residences, were usually assessed at \$50 each and that assessors seemed reluctant to vary from this average. Average values are also used in assessing land. The study pointed out, however:

Assessors are likewise forced by existing circumstances to make their estimates of value primarily on the basis of averages. These men, even if adequately trained and experienced, are simply not allowed sufficient time, remuneration, and facilities for doing more than a cursory inspection of the tax digests which have been copied from records of previous years. Any appraisal they may make must necessarily be based on personal familiarity with individual properties or upon an estimated average for all properties. Apparently most of their attempts at assessment are based on some average value for the district and most assessors are reluctant to depart very much from this average figure. Indeed, they have insufficient information for doing so because land is customarily described on the tax records only in terms of acres and buildings only in terms of numbers. The inevitable result is over-assessment of properties poorer than the average and underassessment of properties better than the average. This not only distributes the tax burden inequitably, but places an excessive burden upon properties that are least able to carry it and grants a partial exemption to properties that are most able to bear it.⁹

A substantial part of this 1957 study was devoted to procedures for improving farm real estate assessing—including illustrative material, land classifica-

⁵ C. C. Taylor and G. H. Aull, *Assessment of Farm Real Estate for Tax Purposes in South Carolina*, South Carolina Agricultural Experiment Station of Clemson Agricultural College, Bulletin 416, 1954, p. 9. The penalty may be waived, under legislation enacted in 1960, by any county upon the written approval of a majority of the county legislative delegation, including the senator.

⁶ The 1939 and 1948 committee reports are noted briefly in G. H. Aull, *Property Tax Equalization in South Carolina*, *op. cit.*, and in *First Annual Report of the South Carolina Tax Study Commission*, 1960. The latter report is the source of the final quotation here.

⁷ G. H. Aull, *The Sale Price and Assessed Value of Farm Real Estate in South Carolina*, South Carolina Agricultural Experiment Station of Clemson Agricultural College, Bulletin 334, 1941, p. 36.

⁸ C. C. Taylor and G. H. Aull, *Improving Farm Real Estate Assessment in South Carolina*, Agricultural Experiment Station Clemson Agricultural College, Bulletin 450, 1957.

⁹ *Ibid.*, p. 12.

tion, formulas, etc. It emphasized, too, that such basic tools as maps and records were essential. The Clemson Agricultural College has published additional reports providing procedures and techniques for assessing farm real estate.

Griffenhagen report. As a result of 1955 legislation, the firm of Griffenhagen & Associates was engaged to make a survey and "make recommendations necessary to equalize assessments of property for taxation." The report,¹⁰ submitted in 1956, proposed a program to this end under two headings: "Immediate Program" and "Complete Program." A series of notable recommendations included, in part, that the State: contract for preparation of a manual and instruction in its use; initiate a program of tax mapping, reappraisal, and records installation; establish an office for property tax statistics, including sales analysis; provide that all counties have a single countywide assessing organization headed by the auditor, to be called the chief assessor, and that all or nearly all have at least one full-time assistant with the title of assessor; enact legislation enabling, but not requiring, counties to employ one or more salaried assessors, to abolish existing boards of assessors, equalization, etc., and create a new county advisory committee and board of tax appeals with representation of city and county government and taxpayers, both locally and State assessed; amend the constitution to permit classification of property for taxation and in anticipation of this amendment select a desirable, feasible fraction of full value to which each county would be asked to equalize all assessed values, not less than 10 percent, and in general use this same percent of full market value for State assessed properties; prepare plans for in lieu taxation of timber, motor vehicles, and merchants' inventories; prepare plans to legalize nonfiling of property tax returns in counties which have adequate assessing facilities.

While most of the recommendations of the Griffenhagen report had already been made in the several Clemson studies, their proposal by a well-known outside source gave them new emphasis. Also, the report stressed that a program for good assessing and equalization would require money, manpower, and management at State and local levels. It pointed out that any practical plan for statewide equalization in South Carolina would require at least 10 or 12 years for completion.

Tax Study Commission. The 1958 legislature provided for a new kind of Tax Study Commission—a continuing committee to report to the legislature annually on the revenue system and proposed changes. The commission has three members for the senate, three for the house, and three appointed by the Governor. A preliminary report was submitted in 1959 and there have been three annual

reports since, each making recommendations on the property tax.

The first annual report, made to the 1960 legislature, noted ". . . some positive start toward eliminating the present inequities in the property tax structure of our State is almost mandatory." A brief but informative introductory statement is followed by specific recommendations clearly explained, and by proposals for legislation necessary to effect the recommendations. The 1960 report recommended: (1) amendment of the constitution to eliminate the requirement that property be taxed at a uniform rate, i.e., to permit the general assembly to classify property for assessment purposes;¹¹ (2) a specific directive to the State Tax Commission to provide manuals, guides, other aids and training for assessors and other assistance to counties when requested, and to designate one member as a property tax commissioner to have responsibility for property tax assistance and administration; and (3) further study of the taxation of motor vehicles and merchants' inventories. The 1960 legislature accepted part of the second recommendation, directing the Tax Commission to provide manuals and other aid to counties, and, in effect, the third recommendation.

The 1961 report noted progress made under the 1960 legislation, invited attention again to the advantage of its proposed classification approach and said, "Until South Carolina generally is willing to tackle the overall problem of our inequitable property tax system through classification, equalization, or some other form of modernization, your Study Commission is of the opinion that certain of the more serious inequities should immediately be attacked." The one recommendation made concerned the tax on merchants' inventories, furniture, etc., proposing assessment at the local level as a means of reducing the basis of assessment from higher levels used by the State to the low levels used locally. The legislature took action on this subject by providing a new formula to be used by the State in assessing merchants, reducing the ratio over 3 years, and providing for the use of monthly rather than annual inventory data.

The 1962 report, noting that the overall property tax problems remain, made three specific property tax recommendations: (1) further revision of the merchants' tax formula to eliminate the monthly inventory which had created some problems of local administration; (2) exemption from the property tax of property in interstate commerce, the "free port" plan; and (3) requirement that applications for motor vehicle licenses include a sworn state-

¹¹ Amendment of the constitution to permit classification was proposed by a 1920 tax study committee, and by practically every property tax study since then. The Griffenhagen report described the existing situation as "an unplanned and unregulated classification of property for taxation, running wild."

¹⁰ Griffenhagen & Associates, *op. cit.*

ment as to bona fide residence and an improved form of certificate as to payment of local taxes both designed to strengthen it as an aid in collecting personal property taxes on motor vehicles. The 1962 legislature enacted measures putting into effect all three recommendations.

Recent developments. That the legislatures have consistently taken favorable action on recommendations of the Tax Study Commission may be regarded as especially significant in view of the long record of inaction on the property tax. Even more significant is the result, especially of the 1960 action directing assessment aid to local units. In its 1961 report, the commission noted a property tax assessment manual had been completed, methods for training assessors worked out, revised forms and

instructions were under consideration. In its 1962 report the commission referred to the technical assistance now available as an aid to solution of troublesome property tax problems and pointed to the experience in one county using State aids. By mid-1962 several other counties were also engaged in mapping and reappraisal.

This is clearly a small start, but it is a start in the right direction. It may be that the example of those counties now working with the State and of those units which previously had undertaken action toward better assessing procedures will stimulate and accelerate further action. Certainly one real advantage is the continuing attention and consistent pressure by the informed, concerned Tax Study Commission.

SOUTH DAKOTA

With the enactment of a county assessor law in 1955, South Dakota entered a period of vigorous action directed toward improving property tax administration, with emphasis on assessing. The property tax currently is not used for State purposes and it has been so used only irregularly for a number of years, but it still constitutes a very substantial part of the overall State-local revenue system.

Organization for assessing. In 1955 the legislature enacted a county assessor law, and while this law was repealed in 1957, a new law enacted in that year also provided for far-reaching changes in assessment organization. Prior to 1955 local assessing in South Dakota had been the function of some 1,900 assessors, most of them elected annually and with only 17 serving full time. It was estimated that each year one-third or more of the assessors assessed for the first time. As a Legislative Council study reported in 1954,¹ while the State had general supervision over the administration of the assessment and tax laws of the State, "effective supervision is rendered all but impossible" with the large number of local assessors and the limited State staff. The 1954 study recommended a county assessor system, with alternative arrangements. The 1955 legislature provided for a county system, with counties to appoint a county assessor (director of assessments) or a county supervisor of assessors, the appointment to be made after qualifying examination.

In 1957 the legislature repealed the 1955 law and provided for the establishment in each county of the office of county director of equalization to direct and supervise all assessments in the county. The director is appointed by the county commissioners and, while the 1957 law eliminated provision for qualifying examination, the director "shall possess knowledge and training in the field of property taxation and his appointment shall not be dependent upon any residence requirements, but he shall reside within the county for which he is appointed during the tenure of his office."² One interesting feature of the appointment is that if the county contains a city which has 50 percent or more of the county population, the mayor of such city shall sit with the board and have a vote in the appointment of the director of equalization. With the appointment of the director of equalization, the office of assessor was abolished, but it was provided

that local taxing districts may appoint their own assessors if they wish, to serve subject to the recommendations of the director.

By the fall of 1960, 37 counties had abolished entirely the office of local assessor, others limited local assessors to those in cities, and the total number of assessing officers was 230, with 110 full time. In the summer of 1962, all 64 organized counties had their directors of equalization, there were 47 deputy directors and there were 20 assessors in the larger cities all working closely with the county directors. There were only 16 counties still using local assessors, but they had a total of 262 township and 69 city and village assessors. While the directors of equalization currently are appointed for only 1-year terms, 56 of the 64 have served 2 to 6 years.

With 64 county directors replacing hundreds of part-time assessors, a realistic State program of supervision became feasible and the 1957 legislature confirmed the appointment of a new State Commissioner of Revenue, Mr. Bruce D. Gillis. The commissioner of revenue has a duty to confer with, advise and direct assessors and boards of review and equalization, and to investigate the work of all taxing officers in the assessment, equalization, and taxation of all property subject to taxation. He also assesses the operating property of railroads and other utilities, and certifies the values to the county auditors. The Revenue Department, in addition to its property tax functions, is responsible for collection of major State revenues. Since 1957 the department has been reorganized and strengthened. Property tax operations have been consolidated under a new Property Tax Division, the staff of which now includes a director, three fieldmen, and a utilities valuation engineer, and an active program of aid and training has been developed for local assessing officers.

State aid and supervision. In this program, emphasis has been placed on direct aid by State staff and serious education. The State gives assistance on special appraisals or reassessments. At least four times a year assessors in each of the State's eight districts have group meetings, with at least one State staff member present, to discuss local problems and to review problems previously sent to them by the State director. The State issues the Assessors' Handbook with supplements as needed, explaining legislation, the duties of State and local agencies involved in assessing, suggesting procedures, etc. Additional special bulletins are issued from time to time. The State, working with the Association of Assessing Officers, develops and dis-

¹ Report of the Committee on Assessment and Taxation to the Executive Board, South Dakota Legislative Research Council, 1954, p. 8.

² South Dakota Assessor's Handbook, 1958-59, Department of Revenue, p. 27.

tributes annually a detailed and informative personal property price guide. The State has endorsed a real estate manual which is used in most counties, but where counties prefer to continue use of other manuals, fieldmen have been instructed in their use to avoid disturbing an established system. Conversion tables are supplied to keep the State manual up to date.

A major feature of the South Dakota program is the annual Assessors' School. This is a 1-week school, held at the university and sponsored by the State Department of Revenue and the State university, and having as its purpose "the assisting of the assessor in acquiring basic knowledge and skill in the field of property appraisal for tax assessment." The schools follow a course of study set forth in a syllabus prepared to cover a 5-year program. Sessions, starting at 8 in the morning, are held through the day and in some evenings, and include lectures, demonstrations, discussions, and other educational techniques. Examinations are held daily as well as at the end of the course. The faculty includes university economists, agronomists, soil specialists, and lawyers, key men from nationally known appraisal firms and outstanding assessing officials from neighboring States. The 1962 school had some sessions separated into elementary and advanced groups, the elementary classes for students of 2 or less years. The published proceedings provide an up-to-date textbook and practical reference and guide of continuing value to assessors and others concerned.

The fourth annual school, held early in September 1962, was attended by 86 students. This total included 51 county directors, 4 deputy county directors, 14 city assessors, 2 deputy city assessors, 1 city commissioner, 9 Highway Department appraisers, 2 independent appraisers, and 3 Department of Revenue fieldmen. The attendance at the first school in 1959 totaled 51, representing 43 counties; the attendance rose to 62 in 1960, and 72, representing 51 counties, in 1961.

To meet the cost of the school the legislature appropriates \$1,500 annually to cover faculty expense. The local governments pay for mileage, board, room, and textbooks of their students attending. The university charges \$30 for board and room for the period.

Ratio studies. In 1958 the State Revenue Department undertook the first official, statewide, real estate assessment-sales ratio study in South Dakota and this has now become a continuing program with annual publication of results. Basic data are collected by the chief county assessing officers. The law creating the office of director of equalization provided that these officers shall "regularly examine all conveyances of real estate in the county as filed with the registrar of deeds, and keep a record by description, of the consideration shown thereon." The State provides forms on which the director is to

record sales, including details on the property, sales price, and assessment. One card is for his own records; a duplicate is for local assessors, boards, etc. Pertinent data from such records are summarized and sent to the State Department of Revenue where they are studied and checked and compiled for analysis and publication.

The published report gives significant and useful detail. It shows by counties, separated as to rural and urban properties: the medians and frequency distribution, the ratios for various classes of property, and coefficients of dispersion. Various summary and trend data are also reported. The 1961 study showed county weighted average ratios for all properties ranging from 27.3 to 59.8, with 25 counties between 50 and 60, 23 between 40 and 50, 15 between 30 and 40, and 3 below 30 percent (the total of 66 including 2 unorganized counties). The statewide weighted average was 47.5 (up from 45.7 in 1958). Especially interesting is the coefficient of dispersion, given separately for urban and rural properties for each county. In 1958 there were 11 counties for which both coefficients were 20 or lower; in 1961 there were 15. In both years there were three counties with both coefficients over 40 (not the same counties it may be noted), but in 1958 the coefficients ranged up to 74, with only two in the 40's, while in 1961 the high was 55, with four in the 40's.

Starting with the first study, stress has been placed on the potential uses of a ratio study. It was pointed out there that the information gathered was not solely for use of the State Department of Revenue. "The primary use that these forms should be put to remains at the local level. It will be indicative to the directors, assessors, review boards, and equalization boards as a guide as to the status of the assessment of property within their districts. The copy forwarded to the department will be used . . . in the allocation of State funds, and the assessment of utilities."³ It was also noted that "when the director of equalization has a part in the collection of the sales data and in the analysis, he is likely to have more confidence in the results, than if the study is made by some outside agency. More important, he will probably be inclined to do something about the inequity if he has had a hand in the project."⁴

The South Dakota use of the sales ratio studies was described by Mr. Bruce D. Gillis, State Commissioner of Revenue, as follows:⁵

. . . Ratio studies take place on the local level, with the assistance of staff members. The studies become a

³ *First Report of Real Estate Assessment Ratio Study, State of South Dakota*, Department of Revenue, 1958, p. 5.

⁴ *Ibid.*, p. 4.

⁵ Bruce D. Gillis, "Assistance from Both Angles," in *Assessment Administration 1960*, papers presented at the 26th International Conference on Assessment Administration, International Association of Assessing Officers, 1961, pp. 81-82.

tool for local equalization, since classifications extend to township and village levels.

One result is that assessors themselves adjust their thinking, not only to individual equalization (a traditional objective), but to mass equalization. This latter phase formerly gravitated to various boards by default, and often amateur action only aggravated inequities instead of correcting them. Assessors are also becoming increasingly proficient in presenting evidence to sustain their assessments at board hearings and in the courts. In the process our average ratio has increased from 25 percent to 45 percent since 1955.

Inservice training has made the ratio study a practical tool which the assessor would not release. He no longer regards it as a theory which might have merit for deliberations of equalization boards without possessing any practical utility. The boards, for their part, now realize to a greater extent how important it is that assessors understand and believe in the concept of equalization and the mutual use of ratio study. It is comforting for us to note how the upgrading of assessors and boards becomes a concurrent phenomenon.

Assessment level. One of the important enactments of the 1957 legislature was establishment of taxable value at 60 percent of full value. All property shall be assessed at its true and full value in money, and the assessor shall retain in his files a record of such full and true value, but taxable value to be entered on the assessment rolls shall be 60 percent of the full value.

Prior to 1957, it is reported, while the legal assessment standard was 100 percent, many districts used less than one-third. In adopting 60 percent the State "made a major step toward bringing the legal basis for taxation and the practice of assessment into conformity. While assessors still have a lot of work to do before all classes of property in every district have a 60-percent assessment ratio, we have made considerable progress toward that goal."⁶

Recent tax studies and legislative action. Two of the special studies made over the past decade appear to have been especially influential in the recent developments in the property tax in South Dakota. A committee of the Legislative Research Council in 1954 recommended, among other things, establishment of a county assessor system, self-listing for personal property, setting 50 percent of full value as the assessment base, and revision of the money and credits tax to exempt uninvested funds.⁷ The 1955 legislature adopted a county assessor system, modified in 1957, and provided for

self-listing of personal property; the 1957 legislature, in addition to changing the county system enacted in 1955, provided that taxable values be 60 percent of full value, and changed the money and credits tax to exempt money on deposit not drawing interest and all money and credits up to \$5,000. The 1959 legislature increased this money and credits general exemption to \$15,000, with a special exemption for annuities and royalties.

In 1959, a Citizens Tax Study Committee reported.⁸ This committee, which had broad objectives and considered the overall tax structure, made some significant comments and recommendations on the property tax. Discussing inequality in the tax burden, the committee said, "Increased authority at the State level appears necessary in order to reduce this variation and establish the needed equality of assessments."⁹ Recommendations included: All county directors of equalization should be under jurisdiction of the State Director of Revenue; the directors should be appointed by county commissioners from qualified persons certified by the State, have 4-year terms, and be paid a salary sufficient to obtain properly qualified men; a division of property valuation and assessment should be established and an appropriation made to maintain a field staff of not less than 12 members; the State Director of Revenue should be given power to appeal the assessment of any county to the State Board of Equalization for review and open hearing, and the State board should be authorized to equalize property in the appealed county with property of other counties; when equity in assessments is improved with all assessments approaching 60 percent of true value, consideration should be given to revising limitations on mill levies and debt (but one specific mill limit should be repealed immediately); commercial flight property and house trailers should be taxed as recommended; money and credits taxation should be abandoned; a special study should be made on taxation of railroads and other utilities.

Some of these recommendations are now in effect. A Property Tax Division was established in 1961 in the Department of Revenue, but with a much smaller staff than recommended, and new laws taxing flight property and house trailers have been enacted. While many valuable recommendations remain for future action, they suggest continuing pressure toward notable strengthening of the property tax in South Dakota.

⁶ Avon M. Dreyer, "Significance of Percentage of Full Value Assessments," *Proceedings First Annual School for South Dakota Assessing Officers*, Governmental Research Bureau, State University of South Dakota, 1959, p. 6.

⁷ *Report of the Committee on Assessment and Taxation*, *op. cit.*, pp. i, ii.

⁸ *Report of the South Dakota Citizens Tax Study Committee*, appointed by Gov. Ralph Herseth, 1959.

⁹ *Ibid.*, p. 70.

TENNESSEE

Tennessee has not used the property tax for State purposes since 1949, but the State has maintained its concern for the administration of the tax. In 1955 the general assembly directed the Legislative Council to make a study of property assessment and taxes and a special county tax assessment subcommittee was created. The subcommittee emphasized that its study would be directed toward attaining equity in assessment rather than increased revenue.

Survey of 1955-56. The study made by the subcommittee is a very valuable contribution toward strengthening the property tax in Tennessee.¹

One feature of the survey was an analysis of the existing office of assessor in the State. Assessing is primarily the responsibility of the 95 county assessors, elected by popular vote for 4-year terms. About 100 municipalities have special charter authority to make independent assessments, but not all exercise this power. The report considered for the county assessors and some of the city assessors their experience and educational backgrounds, salaries, time spent on the job, assessing tools and equipment, office facilities and assistance, and other features. The office of county assessor is set by general State law, but the law then specified no minimum or maximum salary, and the salaries, usually set by private act, in 1956 ranged from \$720 to \$9,000, with a median of \$2,400. Tax assessors have now been included in the minimum salary act. The investigation indicated that only 6 of the 95 county assessors had equipment which could be considered complete and adequate, and only 4 counties had complete tax maps.

In order to get objective evidence of assessment levels, sales ratio studies were made for real property in 21 counties and 7 cities, the units chosen to be thoroughly representative of the State and where full cooperation was assured by local officials. Classifying assessments for each county as satisfactory, reasonably satisfactory, or unsatisfactory—depending on their relation to that county's median ratio—the survey found that on the basis of the samples used, only 3 of the 21 counties checked had 50 percent or more of their assessments in the satisfactory or reasonably satisfactory groupings. For the 21 counties the median assessment ratios ranged from 11 to 49 percent. In one county, it was found that the ratio of assessed value to actual market

value ranged from 1 percent to over 900 percent. But the report also noted that “. . . it is generally believed that considerable amounts of real property in Tennessee are escaping taxation altogether.”²

Personal property assessment, the report points out, is most irregular. During the survey in 1956, four counties were making no assessment of personalty, with the quarterly county courts in two of the counties having passed resolutions directing the assessors not to make personalty assessments. It was found that 18 counties assessed industrial and commercial personalty, but not individually owned personalty. Several types of personal property, however, are not of concern to the county assessor. There is, for example, a special merchants' ad valorem tax assessed and administered by the county clerks (except in some cities). Nor is the local assessor concerned with most intangibles as stocks and bonds are taxed not ad valorem but on an income basis, and the tax on stock in banks, insurance companies, etc., is usually paid by the institution.

Public utility property, it may be noted, is assessed by the State Public Service Commission. After the valuations have been approved by the State Board of Equalization, they are certified to the local taxing jurisdictions.

Recommendations resulting from survey. The field study director filed with the council a group of significant conclusions and recommendations. The members of the Advisory Committee decided on seven “suggestions for improvements” including, in summary, better educated and better qualified assessors with better pay and adequate office space and equipment, selection of county assessor by the county court instead of by popular election, reappraisal every 6 years, some means to include a larger percentage of personalty on the rolls, State aid in the form of schools, manuals and assistance when requested, and creation of a State agency to give leadership, training, and assistance to local officials.³

The Legislative Council recognized the merit in the recommendations made by the study director, but concluded that a major revision of an undesir-

¹ *Ibid.*, p. 41.

² For details of the Study Director's conclusions and recommendations, the Advisory Committee's suggestions, and the comment and recommendations of the Legislative Council, see *The Final Report of the Legislative Council Committee of the General Assembly, State of Tennessee, to the Governor and Members of the General Assembly, 1956*, pp. 51-63.

³ *Property Assessment Administration in Tennessee, 1955-56*, Report to the County Tax Assessment Subcommittee of the Legislative Council Committee, Cecil Morgan, Director of Field Study, 1956.

able situation which was "the result of many years of drifting in the wrong direction" should "be approached with caution and by degrees, so that the orderly procedure of government will continue with the least possible interruption and so as to avoid any violent change in well-established customs."⁴

The council therefore limited its recommendations to two: (1) Creation of an administrative agency under the State Board of Equalization to give assistance to local units on request, with the services of this agency to be expanded gradually to provide manuals, assist in reappraisals, hold schools, etc., to aid local assessors in achieving more thorough and equitable assessments; and (2) an increase in the membership of the State Board of Equalization to include one member representing the cities and one the counties, these members, to be appointed by the Governor for 4-year terms, to be qualified by experience in matters relating to local tax assessment. (Other members of the board, all ex officio, are the Governor, commissioner of revenue, secretary of state, treasurer and comptroller.)

The 1957 legislature adopted both recommendations of the council. To implement the first proposal there was established the office of executive secretary of the State Board of Equalization, a full-time position with provision for employment of staff assistants and clerical help.

Educational activities of Office of Executive Secretary. Since its creation the Office of the Executive Secretary has been very active in carrying out its duties. Personnel includes in addition to the secretary, a senior property consultant, a junior property consultant, and two office workers.

Provision of a manual was one of the first projects. By early in 1960 the office had prepared and distributed a County and Municipal Assessor's Guidebook, the first in the history of the State, and a revised edition was issued in 1961. The guidebook contains principles and procedures for mapping, appraisal, assessing, and equalization. It has forms, tables, and other useful material, including pertinent statutes on assessment.

A school for assessors, also the first in Tennessee, was held in 1960 with a concentrated 2½-day program. A similar school was held in the fall of 1961 on the theme "The Role of the Assessor in the Progress of Tennessee," with a program covering basic techniques, procedures, and practices in Tennessee, reports on new county equalization programs, etc. Attendance at the first school was 102, representing 40 counties and 11 municipalities; at the second, 103, representing 35 counties and 16 cities. The State finances part of the cost, covering remuneration for any paid instructors and reimbursing expenses for one assessing official from each taxing jurisdiction. Such reimbursement is for actual ex-

penses in accordance with State travel regulations which provide a maximum of \$12 a day for food and lodging, plus a travel allowance. In addition to the annual school, a series of 1-day area conferences have been held, 9 in 1960 and 12 in 1961, with more than 376 delegates representing 47 counties attending to discuss assessment and equalization.

In 1960 a survey was made of the 95 county assessors' offices, strengthening the earlier conclusions that too little attention was being paid to this important function. The results of the survey were published in a widely distributed pamphlet and a few counties have taken steps to improve conditions.

The office has carried on a constant program to inform local officials of the services it could give them and to encourage the development of revaluation and equalization programs. News releases are sent to newspapers, radio and television stations with a booklet on "Guideline Editorial Material on Property Equalization and Revaluation Programs." A series of 10 folders—interesting, attractive six-page pieces—were distributed, discussing equalization and describing features of a complete reappraisal. The content is partially suggested by titles, which included "Equalization, Key to Fair Property Taxes," "What Every Tennessee County and City Official Should Know" about the executive secretary's office and services, "Sales Ratio Study," "Tax Maps," "Property Record Cards," "What Revaluation of Property Means in Terms of the Tax Levy," etc. Another useful publication is "Rules and Regulations of Practice and Procedure Before the State Board of Equalization," designed to aid and instruct potential appellants or others desiring hearings or conferences.

Sales ratio studies. The office has particularly encouraged county sales ratio studies as a preliminary to reappraisals. Its folder on the "Sales Ratio Study" points out that the basic research may be done by a local citizen employed for the purpose by the county concerned, using forms prepared by, and under supervision of, the State. Analysis of the data and preparation of a report will be done by the secretary's office. Such "technical advice, assistance, and consultation by the executive secretary's office will be provided to any county upon request and without cost to the county government." Experience has shown that the county cost to conduct the survey will be about \$300, including mimeographing.⁵

By mid-1962 the secretary's office had completed 18 sales ratio studies and 4 were in process. While the State makes no direct use of the studies, they are the basis for analysis by the local unit involved and by the Tennessee Taxpayers' Association. Under 1963 legislation the Board of Equalization

⁴ *Final Report of the Legislative Council Committee, op. cit.*, p. 60.

⁵ "Sales Ratio Study," Folder No. 3, prepared by the Office of the Executive Secretary, Tennessee State Board of Equalization.

is authorized to publish annually the results of sales ratio studies conducted in the various counties, cities, and towns. The board may require each county, city, or town to furnish to the extent that it is available in usable form such information as may be needed to prepare the sales ratio studies.

Revaluation. The State has given encouragement and assistance to revaluation projects. It prepared and distributed "Suggested Guideline Material" with a list of the steps proposed for initiating and carrying through a revaluation and a set of documents—resolutions, contracts, etc.—which could serve as models for the local unit undertaking such a project. The State offers assistance whenever needed. The secretary's office has no authority to approve or to recommend consultants or appraisal firms, but it does supply a list of firms which have done work in Tennessee or have indicated an interest in work there.

A considerable number of revaluation programs have been completed over the past few years. As

of June 1, 1962, 21 counties and 5 municipalities had completed or made contracts for revaluations. Others have used private firms for mapping.

A provision which is regarded by some State officials as a helpful factor in getting revaluations voted is the law authorizing counties to use capital outlay notes to finance "property valuation, tax assessment, and tax equalization programs," subject to approval of the State Director of Local Finance (who must approve the issue of such notes for any purpose). Capital outlay notes are executed for a period of 3 years and if any notes remain unpaid at the end of the 3-year period, the balance shall be converted to bonds.

Also likely to encourage revaluations is a new law which authorizes the Board of Equalization to contract with the governing body of any county or municipality to furnish such personnel, supplies, funds, and technical assistance as may be needed to carry out a program of assessment, reassessment, or equalization of property taxes.

TEXAS

Over the past several years in Texas there has been mounting emphasis on study of the property tax and improvement of its administration. This emphasis was recently reflected in the submission of a number of recommendations for constructive action by the 1963 legislature.

Organization for assessing. Assessing in Texas is the function of some 1,500 local officers. This total includes the county assessor-collectors in each of the 254 counties who do the assessing which is the basis for State, county, and some special district taxes,¹ and the assessing officers in a host of overlapping assessment districts, sometimes in several layers. Some of the other local units—cities, school districts, and other special districts—also use the county valuations, but many such units have their own assessing organizations, which set valuations used as a base for their own taxes. The State itself does relatively little assessing, the State Tax Board valuing only the intangible assets of certain specified transportation companies.

The county assessor-collector is a constitutional officer, elected for a 4-year term. His duties include assessment and collection of ad valorem property taxes and also of poll and motor vehicle sales and use taxes. He also collects State motor vehicle registration fees. The assessor's salary is fixed by State law under a schedule based on the population of the county. The State comptroller's office has a direct interest in the property tax collections for State purposes, and this office designs and provides forms for the counties and audits their State property tax accounts. The counties receive compensation from the State, with their fees based on assessments for assessing, and on collections for collecting.

In those local units which do not use the county valuations but have separate, overlapping assessment organization, as in many cities, school districts, etc., the office of assessor is appointive. Such assessors have no connection with the State comptroller's office.

Assistance and training. The State contribution in training and other forms of aid is directed toward the county assessor-collectors. The State comptroller issues a manual which contains instructions on assessing, use of forms, answers to usual questions, rulings and opinions of the Attorney General as well as statutory requirements, and the rules and regulations pertinent to the conduct of the office of county assessor-collector. Through the Ad Valorem and Intangibles Tax Division of the comptroller's office, the manual is supplemented

by advice, interpretations of the law, etc. The Association of County Assessor-Collectors holds an annual conference, attended by staff of the comptroller's office, at which property tax matters are discussed, and special sessions are held for newly elected county assessor-collectors. The State auditors, who check county property tax records for the State comptroller, aid the local officials by answering questions on procedure and other matters.

An annual Institute for Tax Assessors is sponsored by the Institute of Public Affairs and Division of Extension of the University of Texas in cooperation with the Texas Association of Assessing Officers and the Texas Municipal League. This institute is a 2-day intensive training school initiated by the Institute of Public Affairs and approved by the International Association of Assessing Officers for meeting part of the training requirements for CAE designation. The Fourth Annual Institute, held in December 1962, was described as "an advanced-level, inservice training course designed to meet the professional needs of Texas tax assessors and their subordinate personnel in all units of local government—counties, cities, school districts, and other special districts. . . . Because the subject matter of this institute is advanced in nature, only those assessment personnel who have had prior basic training and experience should attend."²

Sessions at the 1962 institute included lectures and discussions on such subjects as trends in real estate marketing, making and using assessment ratio studies, building cost estimating, accounting procedures for tax departments, problems in property tax law, appraisal of specific types of property, etc. There was a fee of \$17.50 covering instructional services and materials, proceedings, and dinner for the one dinner meeting. A total of 212 persons attended the 1962 institute (including only 4 county assessor-collectors).

The Texas Association of Assessing Officers also conducts training schools. Courses in basic assessment techniques and procedures are sponsored by local chapters as well as by the State organization. The association is also responsible, through the Institute for Texas Assessors, for the certification of assessors who pass an examination and meet other requirements, awarding the designation Certified Texas Assessor (CTA).

Regular courses in real estate appraisal are included in the curriculum of some educational institutions in Texas, and Texas A. & M. has been

¹The State tax is levied on the county valuation less homestead exemptions. Homestead property to a value of \$3,000 is exempt from State property taxes.

²Program, Fourth Institute for Tax Assessors, Institute of Public Affairs, the University of Texas.

concerned with methods of using production data in valuing agricultural lands.

Tax studies. A Texas Tax Study Commission, reporting in 1958, pointed out not only the importance of the property tax in Texas State-local finance but also its outstanding weaknesses and emphasized the need for further study of the subject. Recognizing this need, the legislature in 1959 provided for a Commission on State and Local Tax Policy. The new commission was directed to consider various tax problems, including specific aspects of the property tax.

The commission secured the services of the Texas Research League, a nonprofit, professional government research agency financed by citizen contributions, to do the research at no cost to the State. Emphasis during the 1960-61 study period was not on the property tax, but a preliminary report on this subject was issued early in 1961³ and the study was continued through 1962. During 1962 the commission issued a series of "summary reports," clear, informative but brief discussions of the main subjects under consideration. These reports, distributed widely and used as a basis for hearings and discussion, covered such subjects as: the property tax for State purposes, intangibles, ad valorem motor vehicle taxation, need for clarification of the property tax law, and provisions for taxpayers' appeal of property assessments. A comprehensive staff analysis of the property tax laws was also published.

Recommendations of the Commission on State and Local Tax Policy were made in three brief "final reports" published in December 1962.⁴ In *The State Property Tax* the commission recommended that Texas abandon the property tax as a source of State revenue, effective in 1968. The commission recognized that serious inequity exists in the impact of the State tax,⁵ and after consider-

ing the alternative of greater State supervision and control, recommended that the State withdraw from the property tax. Related recommendations were designed to make provision for the functions presently financed from State property tax revenues, but with final action on replacement revenues left for later decision.

Under the heading "Improving the Property Tax Law," the Commission made 16 recommendations designed to strengthen and clarify the law, and bring law and practice into more realistic relationship. Important recommendations in this group included: exemption from property taxation of intangibles, with certain exceptions; taxation of leasehold interests; clear definition of real and personal property and of intangible and tangible personal property; several recommendations as to tax situs of various kinds of property; exemption of family household and kitchen furniture; etc. A major proposal in this report was for clear, statutory recognition of a taxpayer's right to appeal to the courts in matters of assessments by the establishment of procedures and regulations.

A final recommendation was that the legislature create a permanent Commission on State and Local Tax Policy composed of three senators appointed by the Lieutenant Governor, three representatives appointed by the speaker of the house, and three lay members appointed by the Governor. The commission pointed out a variety of specific tax problems requiring further study, including those on the property tax. It also said:⁶

This commission believes that the concept of a tax study commission . . . is basically sound and that it can do much to improve the tax system of our State and local governments by providing a mechanism whereby tax problems can be studied and discussed without the pressures that exist during a legislative session.

In a very interesting discussion of the State property tax—its history and other factors which affect prospective changes—Prof. Lynn F. Anderson said recently:⁷

The State property tax has been studied on numerous occasions during its lifetime, but at no time in recent years has it been brought so close to legislative and public attention as in the recent report of the Commission on State and Local Tax Policy.

"In actual fact the combination of low assessments and the homestead exemption results in changing the State property tax from a general tax to a tax that falls almost exclusively on business. When it is applied to business properties, however, the inequity becomes very real, for such properties are frequently so valuable that, even with fractional assessment, the State property tax levy can run into large sums and the differential on similar properties located in different counties can be very substantial indeed." (*The State Property Tax*, *op. cit.*, pp. 8-9.)

³ *Final Report*, *op. cit.*, p. 8.

⁴ Lynn F. Anderson, "The State Property Tax in Texas: Requiem or Rejuvenation?" *Public Affairs Comment*, Institute of Public Affairs, The University of Texas, January 1963, p. 4.

¹ *Property Taxation and Local Revenues*, Preliminary Report of the Texas Commission on State and Local Tax Policy, Austin, 1961.

² *The State Property Tax, Improving the Texas Property Tax Law, and Final Report*, each a report by the Texas Commission on State and Local Tax Policy, Austin, 1962.

³ The commission said, "Just about everybody who has ever studied the Texas State property tax agrees on one fact—the tax is poorly administered and inequitable in its application." The situation was documented by the Tax Study Commission in 1958 as "With the cooperation of local assessors, the commission demonstrated that the State tax on a \$35,000 home varied from 10 cents to \$35, depending on the county in which the home was located." The Tax Policy Commission continued:

"Although State property tax inequities for homeowners are often cited as a major indictment of the tax, the fact is that, for the majority of residential property owners, the inequity is either very small or nonexistent. This is because the counties assess residential property at a very low percentage of true value (the average is about 18 percent) and this low ratio together with the homestead exemption of \$3,000 eliminates the State property tax on many homes. . . ."

UTAH

The Utah State government maintains an active role in property tax administration. There is a State property tax for the purpose of balancing a uniform school fund, and the State has a major part in setting assessed valuations. Its concern with the property tax has been persistent and of long standing; this State issued its first appraisers' manual in 1931 and—

Utilizing this standard manual, and following standard procedures, State employed engineers appraised each and every structure in the State.—Added to a rural land appraisal program completed a few years before by the old State Board of Equalization and an urban land program making good progress, it represented an exceptional accomplishment. Utah officials were justly proud of this statewide appraisal—it was the first of its kind in the United States.¹

The State has now put its reappraisals on a regular 5-year cycle, and supplements them with sales ratio studies designed as a major equalization tool.

State assessing. The State Tax Commission is responsible for the primary assessment of a substantial part of the State's taxable valuation—mining property, railroads, power companies, and other utilities. State assessed properties aggregated \$486,320,868 in 1961, or 36 percent of the total taxable valuation (mines 21 percent, railroads 5 percent, with the remaining 10 percent covering all other categories).

State participation in setting the values for locally assessed property is very substantial, as shown in the following section. The Tax Commission also determines the State school levy.

The property tax functions are only one of the responsibilities of the Tax Commission. This four-member appointive board collects revenue from sales, gasoline, income, and other major taxes and fees, and has power to establish accounting systems for all taxing units.

State appraisal of locally assessed property. A constitutional amendment of 1930 established the State Tax Commission to replace a former Board of Equalization and, with supporting legislation, gave the commission extensive powers of review and equalization. In 1931 the Property Tax Division of the commission undertook an appraisal of improvements in one of the smaller counties, and the program was subsequently extended so that by 1939 all locally assessed real property in the State's 29 counties had been appraised by the State Tax

Commission. During the war State appraisal activities were limited to new buildings and some "hot spot" appraisals, and this continued during the early postwar period.

In 1953 the legislature reinstated the reappraisal program, requiring the State Tax Commission to appraise all tangible property on a 5-year rotation basis. "The legislature neglected, however, to give an appropriation to the Tax Commission in that year. Consequently, it was not until the year 1955 that the program got underway in earnest."² The first cycle in the program involved a complete reappraisal of all buildings in the State and almost all the land, emphasis in the latter being on urban lands where the more rapid changes were occurring.

A second 5-year appraisal cycle was begun July 1, 1961. Adequate appropriations were made to get the program off to a good start and by mid-1962 five counties had been completely reappraised, land appraisals had been completed in three other counties, and both building and land appraisals were well underway in the three largest counties.

For the current cycle, appraisals are made on the basis of a new manual, carefully worked out with use of 1960 costs. The formulas call for determination of value as replacement cost less depreciation, with thorough checks as to functional or economic obsolescence. The State appraisals are the basis for assessed valuation in the year immediately following the appraisal, and usually remain so until the next reappraisal.

The Tax Commission appraisals are made with State staff, supplemented in some areas by local persons especially well informed on land values in their sections. The State finances almost the entire cost, paying its staff members' salaries, supplying necessary materials and equipment, and meeting travel expenses other than meals and lodging. In the first reappraisal cycle some of the outlying counties contributed subsistence money.

The reappraisal program has placed its emphasis on real estate, but the Commission staff has been conducting extensive studies in personal property. As a result of this study it was planned that in 1963 commission appraisers would start a check on merchandise fixtures, agricultural, industrial and commercial machinery, and other forms of personal property. Household furnishings, it may be noted, have been exempt from taxation since 1959 when the legislature implemented authorization of such exemption by a 1958 constitutional amendment.

² 15th Biennial Report of the Utah State Tax Commission, 1960, p. 28.

¹ John Rackham, "The Theory and Practice of Equalization" in *Property Tax Problems in Utah*, speeches and papers presented at the Fifth Annual School for Assessors, The State Tax Commission of Utah, Salt Lake City, 1961, p. 43.

Other State aids and services. In addition to its major contribution in reappraisal, Utah provides substantial aids to local assessing. Manuals, schedules of value for motor vehicles, machinery and other equipment, forms, bulletins on laws and on special types of property, and advice on legal and other problems are all supplied.

In December 1961, the Commission initiated *Tax Topics*, a publication issued from time to time to provide interesting and timely information on special programs and events, summaries of reports, commission plans and activities, etc.

An assessors' school is held annually in accordance with a directive in legislation enacted in 1957. The sixth such school, conducted by the commission, was held in 1962. Recent schools have had a 2-day program with speakers and panel workshop discussions covering a wide range of material, including new legislation, the reduction in assessment ratio, appraisal practice, obsolescence and depreciation, equalization, personal property assessment, use of new manuals, etc. Most of the papers are published and distributed to assessors. The law requires that the county assessors attend unless excused. The counties pay the assessors' expenses.

Staff. The property tax work of the Tax Commission is carried on by 35 persons (in mid-1962). While there is some overlapping of duties, the staff may be grouped as follows: 18 engaged in reappraisal of improvements on real property; 4 in appraisal of land; 5 in mines, public utilities, and common carriers; 1 in personal property problems. Four are engaged in supervisory and clerical work, and three constitute the permanent research staff. For about 2 months of the year, during the sales survey period, some of the appraisers do research on property records and conduct personal interviews for the survey.

Level of assessment. Under 1961 legislation it was provided that taxable tangible property should be assessed at 30 percent of its reasonable fair cash value. Prior to 1961, a 40 percent ratio had been prescribed by law.

The 30 percent ratio was decided on largely to bring the legal ratio nearer to the actual practice, but the 30 percent is still well above the commonly used ratios in the State. In general, 30 percent is regarded as a maximum ratio, with 20 percent typically used.

Sales ratio study. A sales ratio study was started by the Tax Commission in July 1960, and its first phase, completed in August 1961, showed the average assessed value for the State (weighted by population) to be 16.38 percent of market value. Assessment levels for the 29 counties ranged from 15.45 to 23.16. The summary report⁸ showed the data grouped by areas in each county, such areas,

"characterized by (1) contiguity and (2) a high degree of homogeneity of building types." There was a total of about 250 such areas, the number ranging from 1 in 1 county up to 38 for Salt Lake County. The area ratios showed variations from 12.86 in what is known as Roll No. 7, an older residential area in Salt Lake City, to 32.89 in the Scipio area of Millard County. The 1962 study showed a notably narrower range. The lowest of the districts had a ratio of 13.98 percent; the highest, 28.96 percent. The State ratio, at 16.34 percent, was almost identical with that of 1961.

The ratio study generally followed the procedures prescribed in the *NATA Guide for Assessment-Sales Ratio Studies*. Almost 20,000 sales were studied, and after detailed checking, verification, etc., over 10,000 were used as a basis for the computations. The sample developed represented almost 5 percent of the total properties of the class and was "stratified by age of improvements and population distribution within areas and weighted relative to the comparable stratification of the properties comprising the universe."⁴

The potential significance of the sales ratio work was indicated clearly in the definition of its purposes. The study was designed to:⁵ (1) Check the degree of accuracy and uniformity in the building and land reappraisal; (2) determine the effect of valuation factors not inherent in the properties by measuring influences of market demand on the properties by age, type, and area; (3) provide foundations for equating the standards used for setting values on the several classes of property; (4) measure variance of assessment levels within and between the classes of property to aid in equalization.

One of the special aspects of the study was noted in the report as follows:⁶

Although the total sample comprises a variety of property types and classes, fully 95 percent of the verified sales represent improved properties of less than 3 acres. Emphasis on this class is by design. Real property parcels in Utah have for many years past been appraised for assessment purposes on the basis of market established prices of comparable properties. Accumulation of a vast number of sales of unimproved properties for equalization purposes would, therefore, be redundant. In the comparison of unit sales price to assessed valuation based upon summation appraisal, the value of land is carried as a constant.

The ratio study was undertaken under a special deficit appropriation sufficient just to start the project. The 1961 legislature, however, provided funds to put the program on a continuing basis. The research staff has been working on various supplementary studies to make full use of the data available. The ratio study material has already had significant results in the equalization process.

⁸ *Variance of Improved Property Assessment Levels Within and Between the Various Counties of Utah*, The State Tax Commission of Utah, 1961.

⁴ *Ibid.*, pp. 1-2.

⁵ *Ibid.*, p. 1.

⁶ *Ibid.*, p. 3.

Equalization. The Tax Commission has broad powers of equalization and its programs have been developed to improve uniformity and equity. While the work of the 1930's went far toward this goal, the "fair and equitable" base then achieved became increasingly inequitable with the rising costs and sharp shifts in population of the 1940's. About 1947 a land reappraisal was initiated, but major remedial action was provided in 1953 with the program of complete revaluation put on a regular 5-year cycle. Toward the close of the first cycle, the need for additional data as a basis for equalization was recognized and the Tax Commission began the sales ratio study to supplement the reappraisal program.

As a result of the ratio study, the Tax Commission in 1961 issued a series of equalization factors to local units to be applied to the assessed valuations of improvements on real property. For the 22 areas which showed assessment levels below 15 percent, such factors provided for increasing values from 1 to 17 percent to bring the valuations up to 15 percent. For five areas with ratios over 30 percent, factors were issued to reduce the assessment level to the mean for their counties. In one community a thorough physical reappraisal was made before the ratio was recomputed and an equalization factor issued. In two others with high ratios, action had already been taken, in 1960, to reduce ratios to a 20 percent level.

While the recent emphasis has been on equalization of real property, the commission has been concerned also with equalization between classes. Mr. John Rackham, director of the Valuation Division of the State Tax Commission, under whose direction the ratio studies are carried out, speaking at the 1961 assessors' school, pointed out that the replacement cost approach to valuation of property improvements is related to a fixed base, tied to historical values, while other classes of property, such as merchandise inventories, motor vehicles, and real property, can be valued only within a contemporary context, and said, "In Utah, and elsewhere, the method utilized to offset the disparities arising within the mixed system consisted of reducing, for assessment purposes, the percentage of full value of those classes computed on a current basis. This is an equalization of sorts. . . ." After discussing the ratio study analyses, he concluded his paper as follows: ⁸

In the next few years, substantial equalization can be effected in the Utah property tax picture. We feel uniformity can be attained both within and between property classes throughout the state—and the commission will diligently pursue the course that leads to this ideal.

But there is more, we want to identify the influences that brought on the state of valuation imbalance. And then we want to start correcting by adding or removing until we get equilibrium.

⁷ John Rackham, *op. cit.*, pp. 45-46.

⁸ *Ibid.*, p. 49.

VERMONT

Since 1910 the State commissioner of taxes has had statutory powers and duties concerning local taxes. They include conferring with and advising listers (assessors) on their duties, furnishing instructions, etc. He is also empowered to collect information, prescribe forms, summon listers to schools, receive appeals, etc. In August 1956, there was created the position of director of local property taxes and a staff member who had had much experience on town tax matters was appointed to the post—the title of which was later changed, under a general reorganization, to municipal tax consultant. In 1958 it was reported that after the creation of this position, "steady progress was made . . . in increasing the amount and quality of the assistance rendered by the Tax Department to towns and cities in the assessment and collection of property and poll taxes."

Starting in 1956, the department has issued a series of published materials. In October of that year it started "Tax Aids," a monthly mimeographed bulletin covering changes in tax laws, comment on litigation, reminders of dates in the tax calendar, announcements of meetings, and other pertinent material. The department also distributed in 1958 a Handbook for Vermont Listers, and in 1960 a Timberland Appraisal Guide. The handbook is described in its foreword as "the first effort ever made by the Vermont Tax Department to provide the listers of the State with a reference book in which can be found reasonably detailed instructions concerning the methods which should be followed to provide equitable listing."

An annual listers school is held. This 3-day session is sponsored by the State Department of Taxes, the University of Vermont, and the Vermont Association of Listers & Assessors. The school had been held regularly at the university, but beginning in 1960, two separate schools have been held, one at the university in Burlington and one in the southern part of the State at Castleton. At the tenth annual school in September 1959, the registration was 170, including 154 listers from 111 towns. The registration in 1960, at the 2 schools, was 255, including 230 listers; in 1962 the combined registration was 265, with 246 listers and 19 non-listers. This 1962 registration compares with 72 in 1956, 129 in 1957, 121 in 1958, and 170 in 1959.

The 1957 general assembly made two notable changes in the laws governing property tax assessments—one on the frequency of appraisal and one on the level of assessment. Prior to 1957 the law had provided for quadrennial appraisal of real property; the 1957 law provided for an annual appraisal (assessment) to be effective in all municipi-

palities after July 1, 1961, unless adopted sooner (and most units provided for earlier shift to the annual system). Legislation of 1957 also repealed the old provision that all property be set in the grand list at its "true value in money" and provided that listers shall appraise property at its "fair market value," and then list the same without discrimination on "a proportionate basis of such value" for the grand list. In addition, the listers are required to file with the town clerk the agreed ratio or percentage at which they will list real and personal property. The ratios for real and personal property were not necessarily the same under the 1957 law, but in 1959 the legislature provided that real and personal property shall be listed at the same percent of appraisal value.

Recognizing that the wide and now official variation in the basis of assessment resulted in clear-cut inequality in the application of a veterans' exemption provision, the 1961 legislature amended the law. Of concern here is the application of the exemption. Previously the exemption granted to qualifying veterans was \$2,000 deducted from the "listed value." For 1962 and later, a property exemption of \$6,000 is to be deducted from the appraisal or "estimated fair market value" and the ratio applied to that figure to obtain the "listed value."

The State has done some work on sales ratio studies. In 1957 the town clerks were asked to send to the State, on forms it supplied, data on selling price and listed value of all property sold. A number of the clerks cooperated and in November 1957, the results of the first 6 months of records were published in "Tax Aids." While sales in some towns were too few to be significant, the first study covered 99 towns. Six months later, 67 towns were covered in a similar survey. "Tax Aids" continues to invite cooperation by the town clerks, pointing out that the State will reimburse the town clerks at the rate of 10 cents per transfer reported, and emphasizing the value to local listers of the State study. For the last half of 1960, however, only about 35 clerks sent in the data. The tax commissioner, in his 1958 report, recommended that the legislature require town clerks to send in the necessary information and that the Tax Department be given funds to compensate the clerks, pointing out "Statewide coverage of sales ratio studies would be of inestimable value to the listers . . . in checking the accuracy of their work, would go far toward establishing greater equality in local property assessments, and would assist future legislatures considering problems of local finances."

VIRGINIA

The changes in local assessment of real property in Virginia since the close of World War II have been described as a quiet revolution. In 1944 the general assembly, "acutely aware of the deplorable assessment conditions existing in the majority of the counties and in many cities," directed the Virginia Advisory Legislative Council to study State and local taxation.¹ In accordance with the recommendations of the council, in 1946 the legislature provided for mandatory periodic reassessment in all local units and directed the State Department of Taxation to aid local units on a voluntary basis. The "revolution" has occurred as a result of carrying out this legislation.

Mandatory reassessment. General statutes now require all cities and counties to have periodic reassessments of all locally taxable real estate, but requirements differ for different types of local units. The cities reassess quadrennially (in 1962, with the next scheduled reassessment in 1966), but there are exceptions in favor of annual assessments. Under general law any city having a population of less than 30,000 (by the last preceding census) may provide for annual assessment and reassessment, and among the larger cities several have had charter changes or special legislation to permit annual assessment. As of early in 1963, 19 cities have annual reassessment and 15 reassess quadrennially; the 19 use regular assessment staffs; in the 15, the quadrennial reassessment is done by court-appointed assessors. The counties may reassess in any year, but must reassess in at least the sixth year after their last general reassessment. Four counties now provide for annual assessments, or reassessments, with 92 having the periodic mandatory reassessments of real estate. While mandatory reassessment had been in effect for some years prior to the early 1900's, the mandatory requirement for counties was specifically repealed in 1930, and when the new program was initiated in the 1940's some areas had not been reassessed for over 20 years.

State aid. The State tax commissioner had long had the responsibility for providing advisory aid or assistance, on request, in equalizing assessments,

but as a result of the postwar laws requiring reassessment there was a substantial increase in the amount of aid requested. Requests for aid have become the rule rather than the exception, and while such requests have been primarily in connection with mapping and reassessment, the State has been called on for advice on all sorts of assessment problems.

A special section was established in the Division of Research to carry out the advisory program, but in 1950 this section was reorganized as a separate Division of Real Estate Appraisal and Mapping. The division budget has grown from \$20,000 to about \$100,000 annually, and early in 1963 it had a central staff of 16. This staff included 5 appraisal supervisory personnel, 10 affiliated with mapping, and 1 clerical worker—but the staff was not large enough to keep up with the requests of local units.

A major service of the division is its provision of a staff for carrying out local reassessments. In addition to its central personnel, the division maintains a corps of trained real estate appraisers, who serve the counties and cities in reassessment, etc. This staff, 20 persons early in 1963, works in teams and is compensated by the localities using their services, with salaries and reimbursement for necessary travel within the employing unit.

The primary problem as it appeared in the early postwar years was the lack of basic tools for assessment and of qualified personnel. The State instituted a program to develop (1) a uniform appraisal, (2) real property identification maps, and (3) real property record cards. It concentrated its efforts on the original assessment, or reassessment, recognizing that "Review and equalization are totally inadequate substitutes for a good original assessment. Initial assessments, poorly made, inevitably find their way on to the tax rolls irrespective of the diligence and care exercised by the reviewing agency."² A major problem in reassessment was the development of mapping and meeting the cost. Experimenting showed that the preparation of adequate maps could be within the reach of any city or county. State-local sharing in the expense has been a notable factor, with the local unit meeting the expense of the real estate appraiser who serves as mapping technician and of all materials needed, while the State meets the cost of drafting, field inspection, integration of the property map, preparation of listings, etc.

² *Ibid.*, p. 14.

¹ F. C. Forberg, "Assessment: Recent Developments in Virginia," *The University of Virginia News Letter*, Bureau of Public Administration, University of Virginia, Dec. 15, 1960. This article and correspondence with Mr. Forberg, director of the Division of Real Estate Appraisal and Mapping, Department of Taxation, have been especially helpful in the preparation of this section on Virginia.

By the close of 1962, 51 counties had up-to-date real property identification maps. For 49 of these counties the maps had been prepared by joint State-local effort, in one an engineering firm had done the work, and in the other, local forces had done it. Of the 34 independent cities, 30 had real property maps, including 15 prepared with State aid, and 4 cities still lacked adequate maps. Almost all counties and cities had installed adequate record card systems by the close of 1960. While such systems varied, they were adapted to the needs of the local units involved.

In the various aspects of reassessment including mapping, etc., the division, at the request of the local unit, has aided 89 of the counties and 27 of the cities, leaving only 7 counties and 7 cities (as constituted early in 1963) which have not availed themselves of the State services.

In addition to these special services, the State Department of Taxation prescribes and furnishes various basic forms for local use, but local units may adopt their own if they include certain minimum data. Another significant service of the department is the regular publication, after each legislative session, of the Tax Code, including any new legislation.

Training. In developing its own staff, the State has had a notable impact on the training of local assessing officials. In 1960 it was reported that more than 30 appraisal and mapping technicians who had formerly worked under the auspices of the State Division of Real Estate Appraisal and Mapping were then employed by local units.

In 1956 the first Annual Assessors' Institute was held at the University of Virginia. This institute, sponsored by the Bureau of Public Administration of the University of Virginia and the Virginia Association of Assessing Officers, receives active support from the State in its planning and program. The institute program has now been developed under a consistent 5-year plan, and starting with 1961 the curriculum was divided into three sections to provide for the varying experience and qualifications of those attending. Subjects discussed in 1961 included the legal basis for assessing; the several approaches to value, maps, administration, etc.; and there were demonstration appraisals and question periods. Participants included principally experienced local assessors and university and Department of Taxation staff. Proceedings are published and provide an interesting and useful textbook on the material covered.

A significant factor in the improvement of assessing in the State is the Virginia Association of Assessing Officers, organized in 1949. The group was organized with the cooperation of the State, and State staff members have been active in its leadership. The association is responsible for publication, in 1960, of an Assessors' Manual.

Tax base and level of assessment. Under a constitutional amendment of 1928 the property tax base is segregated for State and local purposes. Local units are permitted to tax tangible property, real and personal, while the State taxes intangible property. The local tax base includes property of public service corporations, but such property is assessed by the State Corporation Commission. Assessments of these corporations are pegged at 40 percent of the value established by the commission. The assessment ratio for locally assessed property, on the other hand, varies widely as noted below.

The constitution "provides that real property shall be assessed at its fair market value and . . . that all taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax. . . . There is no constitutional justification for the practice in Virginia of assessors establishing ratios of assessed values to true values, but the courts have approved this system, if uniform. This affords tax advantages when applied to higher assessment ratios made by the State Corporation Commission on public service corporations. It is the tax assessors' haven, since it obscures inequities."³

The wide range in assessment ratios used by the local units in Virginia is shown by the real estate assessment ratio studies made for 1956 and 1962 by the Department of Taxation through its Divisions of Research and Real Estate Appraisal and Mapping. For 1962 the ratios in the counties ranged from 6.2 percent to 36.7 percent, and in the cities, from 11.6 to 84.7 percent. The weighted-average ratio for the State as a whole was 32.1 percent. As compared with 1956 the ratios were higher in 70 units, lower in 58 units, and unchanged in 1, and there were 3 new cities in 1962 for which no comparison could be made. For the study the selling price of each usable and identifiable 1961 transfer was compared with the 1962 assessed valuation, except that in cities and counties with more than 1,000 usable items, a representative sample of approximately 1,000 was used. The published results are brief, giving, for 1956 and 1962, for each of the counties and cities, the assessment ratio, average nominal tax rate, and "average effective true tax rate." The primary use of the State ratio study is to determine true values in order for the State to ascertain the eligibility of local units to share in certain educational grants-in-aid.

The State ratio study as published does not include data on intra-area uniformity, and it is there-

³ Ernest P. Gates, "Virginia Code Provisions Relating to Real Estate Assessments," *Proceedings of the Sixth Annual Virginia Assessors' Institute*, Bureau of Public Administration, University of Virginia, Charlottesville, 1962, pp. 64-65.

THE ROLE OF THE STATES IN STRENGTHENING THE PROPERTY TAX

fore pertinent to point out that some Virginia units have a record of high-quality assessing, as shown in the assessment-sales ratio data collected and published by the Census Bureau as part of its 1957 Census of Governments. The Bureau, reporting on single-family nonfarm houses, gave coefficients of dispersion for 395 assessing areas of over 50,000

population. Of this group, 22 percent had coefficients of 20 or better. There were 11 Virginia units reported in the total and of them, 7, or 64 percent, had coefficients of 20 or better. Of a total of 27 units reported having coefficients of 16 or lower, 5 were in Virginia, a larger number than for any other State in this select group.

WASHINGTON

Over the past decade Washington has made special efforts to improve the administration of the property tax and has made considerable progress in this direction, but recognizes that it still has much to accomplish. The State's own use of the property tax is limited, with approximately 5 percent of the total State-local property tax revenue designated for State purposes.

Organization for Assessment Administration

Assessment administration in Washington is largely the responsibility of the elective county assessors in the State's 39 counties, but the State's participation is of importance. The State's share of the work is handled by the State Tax Commission, which, through its Property Tax Division, assesses major public utilities and makes certain services and technical aid available to local assessors. The Commission's regulatory powers over local assessing are limited, but it does serve as a board of equalization.

State Tax Commission. The State Tax Commission is a board of three members appointed by the Governor. The chairman serves at the pleasure of the Governor; the other two members are appointed for 6-year overlapping terms. The commission's responsibilities include administration of such major taxes as sales, business and occupation, cigarette, etc., as well as various property tax functions. Commission members have specific areas of responsibility, with one assigned the Property Tax Division. The State Tax Commission is also the State Board of Equalization and in the latter capacity equalizes property values as a base for determining the amount of State property taxes to be collected in each county.

The commission's Property Tax Division has two major sections, the Valuation Section and the Assessment Standards Section. The former fixes the values of private car companies and the operating properties of interstate and intercounty public utilities—properties which represent about 10 percent of the assessed value of all taxable property in the State. The Assessment Standards Section is concerned with the functions involving locally assessed property and the work of the 39 county assessors.

In valuing utilities the procedure involves determination of the total worth of each company, allocation of a systems value to the State, apportionment of this value to counties and taxing districts, and "equalization of full value so as to produce an assessed value to which tax levies can be applied."

This last step is the work of the Board of Equalization. Since 1951, when studies showed that the ratios used in setting values for State assessed property were much higher than the levels for locally assessed real estate, in order "to achieve uniformity between State assessed and locally-assessed property and at the same time not have an adverse effect on the tax base of the local taxing districts, a program of gradual ratio reduction was initiated. Since that time the 'fixed ratios' have been lowered each year."¹

In addition to its work on utilities, the Valuation Section does advisory valuations of industrial plants for the counties which ask for this service. The plan was initiated in 1936 for pulp and paper plants, but through 1955 seldom more than 30 plants had been valued by the State in any year. The number has increased since then and the Tax Commission report shows 83 plants valued in 1962 (28 pulp and paper, 42 sawmills and plywood plants, and 13 others) with a combined "advisory value" in excess of \$700 million. Under the program the Valuation Section "secures a report from the company and proceeds to use trended cost figures, inventory and physical appraisals, earnings, stock and debt and/or other data available to arrive at a 100 percent value of the property. This result is certified to the assessor, who then applies his assessed value percentage level to the full value as determined by the Valuation Section to obtain his assessed value."²

The Assessment Standards Section operates "toward eliminating inequality and nonuniformity in valuation of all classes of locally assessed property for tax purposes . . . and to generally supervise revaluation statewide."³ To this end it provides a variety of aids and technical services.

General aids to county assessors. The Assessment Standards Section provides forms for use by local assessors and has issued a series of manuals and price schedules. The manual for residential, commercial, and industrial buildings was revised by a private appraisal firm in 1959 and further up-

¹ 19th Biennial Report, *State of Washington Tax Commission*, Olympia, 1962, pp. 19-21.

² G. Merton Dick, "Assessment Procedures of Regulated Utilities as Compared to Locally Assessed Industrial Property," address at the WSATA Convention, Sept. 9-12, 1962, p. 5.

³ Chas. W. Hodde, "Technical Assistance Programs To Help Local Assessors," *Revenue Administration, 1962*, National Association of Tax Administrators, Chicago, 1963, p. 54.

dating is planned. A personal property manual was issued in 1961 and a timber manual issued several years ago is under further study. A new land manual is to be published in 1963.

Training schools, sponsored by the Tax Commission and the Washington State Assessors' Association, have been held regularly since 1959. Classes are held for 4 days, with examinations on the fifth day. The schools, approved as to material presented and instructors by the International Association of Assessing Officers, have been held for real property (with three separate courses) and for personal property. A special school on land appraisal is planned when the new manual is issued. "Active wholehearted participation in the schools by the 39 counties led to greater equity and efficiency in property appraisal of all types both within the counties and statewide," according to the Commission.⁴

The section gives direct technical aid to the assessors, on request, in appraisals and in auditing for personal property work. Where limited work is done, the service is free, but for extensive work a contract is usually negotiated. The State staff includes personnel trained in appraisal of land, buildings, timber, and other classes of taxable property. Other special service includes study of office procedures and management, preparation of budgets, and other administrative aids.

When the Tax Commission receives appeals from decisions of the county boards of equalization, preliminary work is done by the Assessment Standards Section. Frequently a staff member makes a field trip to secure material for the commission's consideration of appeals.

A public relations program is a significant part of the work of the Assessment Standards Section. In addition to keeping assessing officials informed on developments through a *Newsletter*, schools, and personal conferences, the section aims to broaden the interest and knowledge of the public. Besides distribution of news releases and popular and technical material on revaluation, participation in meetings, etc., the commission has prepared several films on the property tax for use at meetings and/or by television stations.

A major phase of the section's activity is the general supervision of, and aid in, the revaluation program, discussed below.

Use of Study Committees

Assessment study of 1953-54. In 1953 the State Legislative Council, through its Subcommittee on Revenue and Taxation, initiated a study of real property assessments in Washington. Various other groups also sponsored the work and a Property Tax

Advisory Committee was formed. The result was a comprehensive assessment sales ratio study, with the published report giving extensive details by classes of property and by counties. The report, in its introduction,⁵ describes its purpose and notes also existing provisions of law on assessment levels.

While the determination of the relative level of assessment in each of Washington's 39 counties is one of the primary objectives of this study, the most important concern of this analysis is the degree of assessment uniformity which prevails within each county. The Fourteenth Amendment to the *Washington State Constitution* states that 'all taxes shall be uniform upon the same class of property . . .' and 'all real estate shall constitute one class' . . .

All property shall be assessed at 50 percent of its true and fair value in money. In determining the true and fair value of property, the assessor shall not adopt a lower or different standard of value because it is to serve as a basis of taxation; . . .

A material aid in the work was the availability of actual sales prices. A law of 1951 had authorized counties to impose an excise tax on real estate transactions with the filing of affidavits of sale. All counties had such excise taxes in effect when the study was made.

The study used 41,713 sales of 1953—representing all usable sales in most counties and a scientifically selected sample in the large counties. It showed a State average assessment ratio of 19.6 percent, but with ratios for 10 different types of property⁶ ranging from 18.9 for single-family dwellings and 19.1 for motels to 32.6 for industrial improvements and 37.7 for warehouses. Average assessment ratios for the 39 counties ranged from 13.3 to 38.5 percent. Coefficients of dispersion in the counties ranged from 33.4 to 79.8, with only 9 counties having such coefficients of 40 or better and with 10 counties having coefficients of 60 or higher.

In discussing the ratio study, Prof. James K. Hall, speaking at the National Tax Association meeting in 1956, said:⁷

Although there was a general realization by property owners and public and private groups in the State that substantial discriminations in real property assessments existed, nevertheless it was with no small sense of 'shock' that the quantitative record of assessment maladministration was received.

Revaluation. Following publication of the assessment study in December 1954, the legislature in 1955 enacted the revaluation of property law which directed that all real property in the State

⁴ *A Study of Real Property Assessments in the State of Washington*, Report of the Subcommittee on Revenue and Taxation of the Washington State Legislative Council, 1953-55 Biennium, Olympia, 1954, p. 1.

⁵ Single-family dwellings, vacant land, miscellaneous improvements, rural property, retail stores, duplex dwellings, multiple family dwellings, motels, industrial improvements, and warehouses.

⁷ James K. Hall, "Equalization of Property Assessments in Washington," *National Tax Association, Proceedings of the 49th Annual Conference*, 1956, p. 211.

⁴ *1962 Progress Report to the Legislature on Property Revaluation*, Tax Commission, State of Washington, Olympia, 1962, p. 7.

be revalued by June 1, 1958, with a continuing program thereafter to provide a complete inspection of every parcel of property at least once every 4 years. By the close of 1962 only 2 of the 39 counties had actually completed the revaluation of all property, but many counties had completed revaluation of some classes of property and were working on the second round in those classes.

The 1955 law provided not only for supervision by the State but also for State participation in revaluation when so requested by the counties, with such participation to be both operational and financial. The Assessment Standards Section, which was created early in the revaluation program, works in cooperation with the counties. The State and counties may enter into agreements for appraisals under contract, with the State reimbursed in full or in part for the services rendered. For less extensive work, when State staff is available, direct assistance is given without the formality of a contract and without reimbursement. The appraisal assistance contracts have been effective in accelerating revaluation in counties needing specialized appraisal or financial aid.

It is significant, however, that the work of the Assessment Standards Section "is largely persuasion, advice, and cooperation, since statutes (and several court decisions) place major responsibility for administering local assessment laws on elected local officials."⁸ In this connection it is pertinent that in two counties where substantial work was done by the State at the request of the counties, only limited use was made of the State valuations. While the State program had been set up carefully with the aid and approval of local officials and community committees and with educational publicity, one county curtailed the equalization by reducing values on certain classes of property and another county ignored the State established valuations.

The law requires the Tax Commission to report to each biennial legislature the progress of the revaluation. The latest report, an interesting and informative document, summarizes background and gives for each county a two-page description with details as to the valuations by classes, the number of properties in each class, the percentage revalued, the budget and staff, and also a short description of records and tools such as maps, form of rolls, equipment, etc., and recommendations. The report points out in its summary that "This revaluation program has now been in effect for 7 years and revaluation and equalization of all property has not been achieved," and states that the job cannot be done without adequately trained staffs, adequate budgets, and "a clearly defined judicial determination of the duties and authority of the county as-

essor and the State Tax Commission." The commission believes equalization between counties virtually impossible as long as each county sets its own level of assessment, and says, "To achieve equity in the taxation of all local property and the distribution of State funds used for local purposes it may be desirable to require a common level of assessment ratio for all classes of property to be uniformly used by all counties."⁹

One line of possible action to be taken in the event of the failure of the 1955 revaluation program was suggested by Professor Hall early in that program. He proposed vesting the original assessment of property in the State Tax Commission, with this agency to be removed from politics as far as possible by the requirement of high professional standards for appointment, long-term appointments, and responsibility of reporting to the legislature as well as the Governor. The plan involved a technically qualified State staff responsible for original assessments under standardized procedures, with such staff under civil service and with salaries reasonably competitive with equivalent positions in private employment.¹⁰

Tax Advisory Council. A Tax Advisory Council of representative citizens was established in 1957 to survey the State's tax statutes and their administration. The council, under the chairmanship of Mr. Harold S. Shefelman, reporting in 1958 made notable recommendations on the property tax, saying:¹¹

A vigorous effort must be made to rehabilitate the property tax, to make it more equitable as among property owners, and at the same time make it more responsive to the revenue needs of the various units of local governments. . . .

The council pointed out that "the main problem is the all-too-prevalent lack of uniformity in assessments" with the lack of uniformity within the county more pressing than intercounty uniformity. Recommendations included: continuation of the system of elected county assessors, but with provision that the deputies "who do the actual job of appraising" be required to meet standards of competence set by a State board within a reasonable time after their appointment and that tenure and adequate salaries be provided; that assessors be given the right of access to personal property records of any taxpayer for inspection by employees whose qualifications are certified by the State Tax Commission; that the Tax Commission be given funds to audit annually, without county request, a 5- or 10-percent sample of personal property tax returns in each county; that improvements be made in procedures for appeal.

⁸ 1962 *Progress Report on Revaluation*, *op. cit.*, p. 11.

⁹ James K. Hall, *op. cit.*, pp. 213-214.

¹¹ *Financing State and Local Government in Washington, a Program for Action*, Report of the Tax Advisory Council of the State of Washington, Olympia, 1958, p. 11.

⁹ Fred Wilson, "The State of Aid in the State of Washington," in *Assessment Administration: 1960*, International Association of Assessing Officers, Chicago, 1961, p. 88.

The council said that "the role of the State Tax Commission in the property tax must be strengthened," and advocated continuation of its activities under the revaluation law. It also proposed that the commission equalize utility assessments to the levels of local assessments found in its ratio studies.

To make the property tax more responsive to local needs, the council program was summarized as follows:²²

First, the county assessor should no longer have the responsibility for determining the assessed valuation of property, but rather should be responsible only for the determination of the full, true and fair value. This value would be the actual value of the property as estimated by the assessor in accordance with the valuation manuals supplied by the Tax Commission. Second, the Tax Commission should determine the average relationship between the value found by the county assessor and the actual value of the property in the county by analysis of sales, test appraisals and other appropriate factors. The valuation rolls of each county should then be adjusted to a true 100 percent value on the basis of the findings of the commission. Third, a newly created board of assessment, consisting of the three county commissioners, one representative of the incorporated cities in the county selected by the governing boards of the various cities, and one representative of the school districts in the county selected by the directors of the various school districts, should meet annually to set the level of assessment for taxation purposes for the ensuing year. It is anticipated by the council that the level of assessment would be set sufficiently high to provide an adequate tax base for the various units of government. Any excess of tax base which might be provided by the assessment board could be compensated for by the individual districts through a reduction in their millage rates. There is no need whatsoever for this plan to result in a wasteful increase in property taxes.

While something of the same result might be achieved by elimination of the 40-mill constitutional tax limitation, the council believed "that the millage limitation may even serve a useful purpose by providing an incentive for vigorous action in the improvement of assessments."²³

One recommendation of the council, which had also been advocated by the Tax Commission, was adopted in 1961 when the legislature enacted a law permitting assessors and their deputies to examine books and records of personalty of taxpayers to ascertain values. These powers were limited to persons qualified for such work. By the close of 1962 some 20 or 25 local staff members, mostly deputy assessors, were regarded as qualified through schools and inservice training, and about 7 of them were doing audit work.

²² Tax Advisory Council, *op. cit.*, pp. 31-32.

Personal property program. The commission has recently inaugurated an extensive program to determine the actual ratio of assessed to full value for personal property and the relationship of personal to other types of property. Prior to the enactment of the 1961 law which gave county assessors the right to examine the books and records of taxpayers, the assessors had to rely on the taxpayer's estimate of the value of his personal property. There developed a general practice of assessing personalty at a higher ratio than other property.

The current study involves an audit by the State of the personal property of taxpayers selected by a random sampling method. Personal property listings in each county are grouped by assessed value (as \$0-\$999, \$1,000-\$1,999, etc.). The number of audits necessary for each county having been determined, the listings to be audited are selected from the valuation groupings. In some counties all listings over \$50,000 will be audited.

Since personal property represents about 22 percent of all locally assessed property, the program for improving assessment of personalty is of major significance.

Proposed ratio study. There has been no large-scale, comprehensive assessment ratio study since that of 1953-54. The Tax Commission has made limited studies annually, primarily for its use in the equalization of county valuations to determine the base for the State property tax, and also to equalize the values of the State assessed utility properties. The commission, however, has been seeking appropriations to make a more complete study. It put the case strongly in its latest biennial report, indicating that the 1955 revaluation program has fallen short of its goal and that wide variation in the level of assessment continues. It says:²⁴

While the Assessment Standards Section has done as much as possible to correct these disparities through consultation with and assistance to the assessors, the fact remains that significant gains can be achieved only through a comprehensive study of ratios of assessment to full value for all major classes of property in each of the 39 counties. While such a study would rely to such an extent as possible on sales, actual appraisal of certain types of property for which sales data are limited or not available would be required. In terms of present budget limitations, however, this type of study is not possible. *The commission feels that the gains from such a study would far outweigh the costs. The importance of a comprehensive ratio survey cannot be over-emphasized. The only way in which equity can be achieved is through such a program.*

²⁴ 19th Biennial Report, *op. cit.*, p. 22.

WEST VIRGINIA

In 1958 West Virginia initiated a statewide revaluation program, with appraisal of all nonutility property to be made by the State tax commissioner. After some setbacks in the early stages, the program is now progressing well and it is estimated that all 55 counties will be completed in 1965 or 1966. The revaluation is financed 90 percent by the State and 10 percent by the counties.

Property tax base. Consideration of the property tax in West Virginia requires reference to the constitutional amendment of 1932 which classified property and set a tax rate limit for each class. There are four classes of property which, very briefly described, are: I. Tangible personal property employed exclusively in agriculture; products of agriculture (including livestock) while owned by the producer; all notes, bonds, bills and accounts receivable, stocks and other intangible personal property; II. Property owned, used, and occupied by the owner exclusively for residential purposes; farms, including land used for horticulture and grazing, occupied and cultivated by owners or bona fide tenants; III. All real and personal property outside of municipalities exclusive of classes I and II; IV. All real and personal property situated inside municipalities, exclusive of classes I and II.

The constitutional tax rate limits as fixed in 1932 were, on each \$100 of assessed valuation: 50 cents on class I, \$1 on class II, \$1.50 on class III, and \$2 on class IV. The legislature apportioned these rates among the State and the county courts, county boards of education, and municipalities. The limits may be exceeded to provide for certain debt service and, subject to restrictions, when the excess levy is approved by 60 percent of the voters. Under the better schools amendment approved in 1958, more liberal provisions govern excess levies for school purposes.

Assessing. The counties are the primary assessing unit in West Virginia, and except for public utilities, all property is assessed by the county assessor. Public utility assessments are made by the State Board of Public Works, an ex officio body of which the Governor is chairman, with the aid of the State tax commissioner through a special division in his office.¹ The State tax commissioner,

who is appointed by the Governor, has in his office several divisions concerned with the property tax, including revaluation, and he is responsible also for administration of major State taxes.

The county assessors are elected officials and their work is subject to review at the local level by the county court, sitting as a board of review and equalization. The assessors are elected for 4-year terms and listings shown in the Blue Books of 1952, 1956, and 1960 showed tenure relatively stable in about half the counties. For 21 counties, assessors in office in 1960 were serving their first terms.²

A survey of the assessors' offices made in 1957 by the Division of Property Evaluation³ showed that of the 55 county assessors, only 14 had full-time field deputies, such deputies ranging from 1 to 22 in number. Where part-time fieldmen were employed, they usually collected only personal property data, indicating "practically no real property appraisal in 41 counties." In 47 counties there were no sales data files or real property survey cards. There were no tax maps in 39 counties and "only 5 counties had mapping that could be termed adequate." While telephones, typewriters, and calculators were adequate in most counties, the space provided most assessors "did not permit efficient office operation." Assessors' salaries reported in 1961 ranged from \$1,800 to \$7,500, with 18 of the 55 counties paying \$5,000 or more.

Until a few years ago the assessors had received relatively little assistance from the State. In 1956, the State tax commissioner, in cooperation with West Virginia University and the Assessors' Association, sponsored a 2-day training school which has become an annual project. A revised manual, issued by the State in 1958, is described as "designed for an assessor who knows nothing of assessing work, covers such subjects as an assessor's duties, the forms he must use, tax maps, classes and types of property, and the various State laws pertaining to assessment."⁴ In the course of the spot check program, described below, State staff members cooperated with assessors and gave some assistance, but in view of the nature of this program, such assistance was very limited.

The revaluation, however, under one broad program, provides a variety of special aids to local

¹ A Tax Study Commission reporting in 1960 recommended that utility assessing be transferred from the Board of Public Works to a new three-member commission under the chairmanship of the tax commissioner, such commission to be an agency in the commissioner's office. *West Virginia Taxes. Final Report of the State Tax Study Commission, Charleston, 1960, p. 13.*

² Claude J. Davis, *West Virginia's State-wide Reappraisal Program*, Bureau for Government Research, West Virginia University, Morgantown, and West Virginia Association of County Officials, Charleston, 1961, p. 13.

³ As reported in Davis, *op. cit.*, p. 12.

⁴ Davis, *op. cit.*, p. 15.

units. The county assessors are receiving a complete valuation of all property and the appropriate maps, records, and filing equipment to facilitate use. Equally important is their opportunity to work with professional appraisers and learn techniques not only in appraising but also in explaining procedures to questioning property owners. The assessors also receive practical training in working with the State staff in checking results and records.

Spot appraisal. In 1947, in order to aid in allocating State aid to schools, the legislature directed the tax commissioner to make surveys of the several classes of property to determine the true and actual value thereof. The program, known as the "spot appraisal" or more commonly the "spot check" program, calls for the actual appraisal each year of a sample of the property in each county and comparison with assessments to determine the estimated actual value of property in each county. (A specified tax rate is applied to 50 percent of this estimated value to ascertain what such rate should produce as the "local share" of the cost of the school program.) This spot check is to continue in each county until its revaluation is completed, when the spot check will be discontinued.

To conduct these appraisals a Property Evaluation Department was created in the office of the tax commissioner. A private appraisal firm was retained to aid in setting up procedures and training staff members. Services of private appraisal firms are still used for complex industrial properties, etc., but other work is done by the State staff. This State staff, in mid-1962, included 10 appraisers (under civil service since July 1, 1961) and the department director.

*Imposition of penalties.*⁵ By computing the local share of school costs on the basis of 50 percent of the full value of property as estimated by the Evaluation Department, it was anticipated that the counties would increase their assessed valuations to meet this ratio. While this occurred to some extent, in 1955 the legislature sought to expedite the process by requiring a gradual increase to this level and imposing a penalty on counties which failed to meet requirements. As described by Dr. Davis, effective with the assessment year 1956:

... for a county to qualify for its full allocation of State aid for schools, the assessed valuation of all non-public-utility property must be not less than 50 percent of the appraised value of such property as determined by the tax commissioner in his annual "spot appraisals." Under this law, whenever for any year a county failed to raise the assessed valuation of the non-public-utility property to the required assessment level, State aid to that county was to have been reduced by the same number of percentage points by which the county failed to reach the required assessment level. For instance, if in 1959 a county's assessment level was only 43 percent instead of the required 50 percent, the State aid to that county's

schools would be 7 percent less than it would have been had the assessment level been raised to 50 percent.

During the 4 years this law was in effect, 16 different counties lost some school aid (1 county in all 4 years). There was considerable feeling that the schools were penalized for what they could not remedy, since fixing the valuation was the responsibility of the assessor and county court, and the 1955 penalty provisions were repealed in 1960.

Under a new law enacted in 1960, the penalty for failure to meet the prescribed assessment level was charged to the county court. This law, Senate Bill 29, prescribed that assessments be at least 50 percent of appraised value in each of the four classes of property, not including public utility property. Failure of the assessors and county courts (as the boards of review and equalization) to meet the requirement was made grounds for removal from office. Moreover, the county courts were required to transfer to the school boards sufficient county taxing power to make up the difference between the computed local share of school costs (which determined State aid) and the amount provided by the valuation as fixed by the county. With this enactment, 13 counties were liable for transfers of taxing power to the school boards in 1960-61, in amounts totaling \$393,000. Transfers were made by six counties, the total aggregating about \$273,000. The other county school boards did not press for the transfers.

New legislation was enacted in 1961—House Bill No. 75—which provided similar penalties but, in effect, gave the counties 3 years to reach the 50 percent level. Under this legislation no county court would be penalized if it raised its nonutility assessments a stated percentage each year so that in 1963 the total valuation met the requirement of equaling 50 percent of the appraised value set by the tax commissioner.⁶ The appraised value set by the tax commissioner would be the new revaluation figure in counties where this program is completed and the value estimated by the spot appraisal in other counties. For 1961-62, the first year under the 1961 law, no county was required to transfer any of its levying power to the school board.

The Revaluation Program

Revaluation. Raising valuations under penalty provisions was clearly not a real solution to the

⁶ Under legislation passed in March 1963, it is provided that until completion of the appraisal in all 55 counties, when an appraisal is complete and delivered to a county, and when the assessed valuation is less than 50 percent of the appraised valuation, the county shall increase the assessed valuation, in approximately equal steps, so that in the third year after delivery of the appraised value, the assessed valuation in each class is not less than 50 percent of the appraised valuation as delivered by the tax commissioner. Thus the requirement of the 50-percent level by the 1963 assessment year appears to be superseded.

⁵ This description of the penalty provisions is based largely on the material in Davis, *op. cit.*, pp. 24-25.

problem. A different, and drastic, action was needed. Tax Commissioner Battle, summarizing the situation and the resulting decision, said⁷ that the spot appraisal program—

indicated that many real estate improvements were omitted from the property books or assessment rolls and that glaring inequities in assessments as between counties and also within counties existed . . .

The best and perhaps the only way to bring assessments up to statutory requirements and to equalize assessments . . . was obviously complete reappraisal. The only drawback was the problem of who was going to do it and who was going to finance it. . . . [In 1958] the West Virginia reappraisal program was 'born' with the passage of senate bill 34. The pertinent provision of the law is: 'The tax commissioner shall make or cause to be made an appraisal of all nonutility property, both real and personal, in the several counties of the State. Such appraisal shall be based on the true and actual value of said property.' Cost of the program is borne 90 percent by the State and 10 percent by the county government.

To carry out the program there was established in the office of the tax commissioner a new Division of Assessment Equalization under a director.

The revaluation program is organized into four separate phases to be carried out in each county: microfilming, tax mapping, appraisal, and certification. The first three steps are handled by private firms under contract, subject to continuous State supervision, and the fourth step is done directly by the State staff.

The first step is to microfilm all property tax records in the county. This includes deeds, wills, maps or plats and related records maintained in the office of the clerk of the county court. The microfilm negatives are stored for safekeeping and the positive film is cut into strips of 10 book pages, mounted in a cellophane jacket, clearly marked, and readily available for use in an enlarger. The microfilm is submitted to the State tax commissioner for inspection and approval and then delivered to a mapping contractor.

The second step, mapping, involves aerial photographs, development of maps showing natural and manmade features, drawn to scales ranging from 1 inch for 50 feet for urban commercial areas to 1 inch for 800 feet for State gamelands and forests. The maps are completed from the microfilmed records to show property lines, dimensions or acreage, and improvements, with lots and parcels identified so that ownership may be checked through reference to accompanying property index records and a property owner's file. The mapping usually results in finding large numbers of properties not previously on the tax records.

The film, photography, and original copies of tax maps are the property of the State and any reproduction, copying, or sale thereof, without written permission of the tax commissioner, is pro-

hibited. The tax commissioner establishes procedures for reproduction and sale of maps, etc.

For appraisal, the third step in the program, a private professional appraisal firm investigates building costs, land values, and other pertinent factors in the county under consideration and carries out the detailed appraisal. Results are on record cards showing separately values of land, buildings, equipment, etc. In the case of complicated industrial structures, such cards may be supplemented by pages of work data. During the appraisal the company is required to train and instruct Tax Department employees and the county assessor may assign deputies, not more than two at any one time, to receive similar training.

The statute requires appraisals to be made on the basis of true and actual value as set forth in the West Virginia Code, which requires emphasis to be placed on the historic and fair concept of willing buyer and willing seller, and rental income that it might be expected to earn, must be considered in the appraisal of residential and farm properties in the locality where situated, if rented. However, in order to provide uniformity, not only within, but among, the several counties, the first guide post for structures remains reproduction cost as of the year the appraisal is being made, less the appropriate depreciation. In the case of personal property, a present day sound value is established by appraisers. . . .

Special provision is made for appraising mineral properties, using formulas worked out by mining engineers familiar with the area involved, and much painstaking work is required especially in determining the smaller mineral interests.

The fourth and final step, certification, is carried out entirely by the State Tax Department staff. This involves a team of two to five workers who check details, correct obvious errors, bring items up to date, compare record cards, etc. They compile data for districts by classes of property and arrange cards to facilitate their use by the assessor.

When the certification is complete, the tax commissioner officially notifies the county court and the county assessor, giving them the valuations by class and stating the requirements for the use of the data under State law.

State officials are forthright in describing mistakes made in the early stages of their program and are thus extremely helpful in indicating pitfalls to be avoided in other revaluation projects. For example, in their eagerness to get started, they were too sanguine about all companies performing according to their contracts and did not investigate adequately the qualifications of bidders. Some firms did not fulfill contract terms and work had to be done over, in part or in whole. However, inferior firms have been eliminated and the number of mapping firms used has been reduced from

⁷ G. Thomas Battle, "Survey of Reappraisal Projects," *Revenue Administration, 1962*, National Association of Tax Administrators, Chicago, 1963.

⁸ G. Fairfax Brown, "Supervision of Revaluation Projects," *1962 Assessment Administration*, International Association of Assessing Officers, Chicago, 1963, p. 98.

14 to 4, and the number of appraisal firms from 7 to 4. Contracts are no longer awarded on a low-bid basis, but following negotiation with proven companies, and performance bonds are required for all contracts. In addition, contracts provide for withholding by the tax commissioner of part of the fee pending satisfactory completion of contract requirements.

Another development has been the constant supervision and checking by the State at all stages of the work. At the start of 1961 the Assessment Equalization Division administering the revaluation program had nine employees including six fieldmen, "only three of whom had sufficient training to the point where they were dependable and could be utilized." By the fall of 1962 the division had a staff of 25, including 18 fieldworkers of increased experience and ability, and the division was able to check 25 percent of all work during the progress of a contract.

The cost of the revaluation program, as noted above, is met 90 percent by the State and 10 percent by the counties. Under a 1963 amendment to the law, it is provided that payments made by the counties for their share shall be deposited to the appropriation account from which the State's expenditures were made. Formerly such repayments were placed in the State's general fund.

Progress of revaluation. The first county to be completely revalued was certified in June 1961. By mid-October 1962, a total of 12 counties had been completed and certified, and 8 more were in process of certification. Appraisals were under way in 7 counties, and it was anticipated that contracts for appraisals in another 12 counties would be awarded before the close of 1962. Mapping was completed or under way in 51 of the 55 counties.

Estimates of time required for completion of the revaluation have differed, but in October 1962, Mr. G. Fairfax Brown, director of the Assessments and Levies Division, reported that on the basis of experience to that time, the program could probably be completed in 1965, at a total estimated cost of \$10 million.

Revaluation results. Among the notable results of the revaluation is the finding of much property previously not on the assessment rolls or listed in the wrong class and paying taxes on a lower tax rate than it should have. Early in 1962 it was reported the appraisal work to that time showed "flagrant examples of assessment omissions," common to all counties, which seemed to have existed for years, attributed primarily to roll copying. The most common omissions were: (1) parcels never on the assessment rolls; (2) parcels assessed as unimproved while homes and other structures had been on the property for many years; (3) properties in-

correctly classified—primarily properties listed in class II or residential, when they were class IV or income-producing property carrying a higher tax rate.

In Mineral County, the first to be certified, the total assessed valuation after the appraisal, based on the minimum 50 percent ratio of assessed to appraised value for each class required by law, was some \$6 million higher than the previous valuation. If the same average levy rates were used, approximately \$129,500 would be realized in additional taxes—more than enough in 1 year to cover the \$96,000 cost of the revaluation in that county. More important, however, is the fact that approximately one-half of the increase could be attributed to the recording of formerly omitted properties, so that such properties would finance the cost of the revaluation in less than 2 years.

After the appraisal was complete and Mineral County tax bills based on the new values were mailed, there were, of course, complaints. The State Tax Department staff members spent several weeks aiding the county in taking care of such complaints and it reports "90 percent were satisfied when the procedures were fully explained and they were shown that each taxpayer was treated alike . . . approximately 5 percent had complaints . . . which were justified and the necessary adjustments made. The remainder was comprised of individuals who will never be satisfied as long as there are taxes to be paid."⁹

One aspect of the law which could have significant effect on the results of the revaluation should be noted. The law provides that when the appraisal is delivered to the county, the assessor and the county court, sitting as a board of equalization and review, "shall use such appraised valuations as a basis for determining the true and actual value for assessment purposes of the several classes of property. The total assessed valuation in each of the four classes of property shall be not less than 50 percent nor more than 100 percent of the appraised valuation of each said class of property." As Mr. Brown put it:¹⁰

It is the position of the Tax Department that the assessor and the county court . . . has the power, and in fact it is their duty by statute, to make such changes and revisions as are necessary to assess property at its true and actual value. They are bound by appraisals only to the extent that the totals for each class must equal the minimum 50 percent of the total appraised valuations certified to the county. All changes made by the assessor and board of review and equalization are to be reported to the department on the form provided for this purpose. These changes will be reviewed—and where

⁹ *Report of Statewide Reappraisal Program* (House Bill No. 75), Dec. 31, 1961, Office of State Tax Commissioner, Charleston, 1962, p. 19.

¹⁰ G. Fairfax Brown, *op. cit.*, p. 101.

approved—the appraised values delivered to the county will be revised. All previously existing appellate procedures remain undisturbed.

Thus it appears that there is nothing to prevent the counties from making substantial changes within classes and thus materially weakening the equalization effected by the State revaluation program.

Future program. The law specifically provides that the tax commissioner shall maintain the appraisal, and State officials are well aware that unless adequate provision is made for maintenance, much of the work already done would be at least partly wasted. The director of the Assessment Equalization Division in his 1961 report said, "With the program steadily forging ahead, maintenance continues to be a problem which looms larger each day and must be resolved promptly." One constructive step was taken by the 1962 legislature when, at the request of the tax commissioner, it provided that all property owners must file with the county assessor notice of any improvement valued at \$1,000 or more. While no appropriation specifically for maintenance activities had been made through 1962, the tax commissioner's office was working on plans and procedures.

A major aspect of a maintenance program, unless it is to be carried out entirely by the State, is

the office of the county assessor. As the 1961 report significantly stated in its conclusion:¹¹

When the statewide reappraisal program is carried to its proper conclusion, West Virginia assessors will have, for the first time, all the tools needed for an equitable and uniform assessment of property. To complement this tool, the State needs experienced, qualified assessors who are trained to do the job without fear of loss of position at the hands of property tax evaders.

The problem was expressed forcefully by Mr. Richard Shelton, executive secretary, West Virginia Association of County Officials, in his foreword to Dr. Davis' study when he said, in part:¹²

As good as this program is, and as necessary as it is, it only covers one phase of the improvement of local assessments in this State. There still is no provision of the law which requires the equalization of individual parcels of property. . . . The office of assessor, basically, is the foundation of the assessment program in West Virginia. While we are improving the information that we give the assessor, we still are doing very little to improve the office of assessor. The pay scale of the assessor and his deputies still remains a scandal and a disgrace. . . .

The statewide reappraisal program is a good beginning. But it is only a beginning. Carried to its proper completion, I think that West Virginia will have the best property assessment program in the Nation. . . .

¹¹ *Report of Statewide Reappraisal Program, op. cit.*, p. 52.

¹² Claude J. Davis, *op. cit.*, p. iii.

WISCONSIN

Wisconsin's long-established reputation as a leading State in the quality of its property assessment administration is related to more than 60 years of active State supervision by an able administrative agency. While the agency's resources have tended to lag behind its responsibilities from time to time, the sound principles of supervision established in the early years have had a good degree of continuity.

State supervision in Wisconsin places its greatest emphasis on interarea equalization of assessments on a full value basis, using methods that have been very successful in eliminating the inequities and uncertainties that are generated by a lack of uniformity in assessing among assessment districts. The State agency also directs its attention, to the extent that its resources permit, to help improve the quality of assessing within the individual assessment districts, although the statewide organizational set-up of the districts is not conducive to effective supervision.

Recent property tax developments in Wisconsin have included, most notably, additions to the State supervisory agency's staff that are permitting some of the needed expansion of its equalizing and supervisory functions, and, in the field of tax policy, adoption of a unique and large-scale property tax relief program.

Organization for Assessment Administration

The State maintains three levels of assessment administration. The cities, towns, and villages comprise the primary assessment districts. The county boards, the second level of assessing agencies, do no actual appraisal but are responsible for determining the relative value of the total property in the several taxing districts within their respective counties. The distribution of the county tax to municipalities is based on the county board's assessment. The State Department of Taxation assesses railroads and most public utility properties subject to ad valorem taxation, determines the full market value of locally assessable property by taxing districts, and recommends full value assessments to the county boards.

There are over 1,800 primary assessment districts in the State, identified with its cities, villages, and towns. Since only 20 of these places have populations of over 20,000, and only 41 over 10,000, there are numerous 1-man assessing staffs and the great majority of the districts are served by part-time assessors. While there are some appointive profes-

sional assessors, mainly in the cities, the great majority of assessors are elected for 2-year terms, and there is a turnover of about 25 percent every 2 years. The Department of Taxation's supervisory responsibilities cover these primary assessing units and also the boards of the 71 counties.

State Department of Taxation

The continuity of active State supervision goes back to the turn of the century when an appointive Tax Commission replaced an ineffective ex officio Board of Assessments. With distinguished and energetic leadership the Tax Commission was able within a few years to become an effective influence in the quality of assessing throughout the State. Initially it worked through 71 locally appointed county supervisors of assessments, but in 1911 these supervisors became State employees. This supervisory system has continued without interruption, but over the past several years it comprised only four supervisors, each responsible for a multicounty district. In 1962 the number of supervisors and districts was increased to six.¹

In 1939 a Department of Taxation, headed by a single commissioner, assumed the administrative functions of the former tax commission, and a Board of Tax Appeals took over the judicial functions. The Department of Taxation, which administers the State's major taxes, handles its property assessment equalization and supervisory functions through a Property Tax Division.

The Property Tax Division, under a director, has, in addition to its central staff, a field staff assigned to six field offices, each having jurisdiction over a group of counties. The offices are so distributed about the State as to make them readily accessible to all local assessors. The staff of each office comprises a supervisor, four or five professional aides, and a few clerical assistants.

The Equalization Process

The State Department of Taxation is required by law, before September 15 of each year:

From all the sources of information accessible to it . . . to determine and assess the value of all property subject to general property taxation in each county, city, village and town . . . which shall be the full value according to its best judgment. (ch. 70, sec. 70.57.)

¹ For a good description of the system and its operations, see Clara Penniman, "Property Tax Equalization in Wisconsin," in *National Tax Journal*, June 1961, pp. 182-187.

Also, not later than November 1 each year, it—
shall total the assessments of counties made . . . pursuant to section 70.57, and such total shall be known as the State assessment and shall be the full market value. . . . (sec. 70.575.)

Since 1911 the law has required that the State's full value assessments be presented to the county boards when they act as equalization bodies. Although they are recommended rather than mandatory figures, for over a quarter of a century every one of the 71 county boards, with only a very few exceptions, has adopted the State's assessments each year for intracounty equalization.²

In addition to providing the counties with a dependable means of equalizing local assessments, these full value figures give the State a sound, uniform regulatory and measurement base for many purposes. A compilation by the Department of Taxation in 1961 disclosed over 80 statutory uses for which it was being employed. It is used, for example, to apportion the State tax levy, to establish the statewide average full value tax rate for railroad and utility taxation, to apportion taxes in joint school districts, to distribute equalizing fiscal aid, to determine when a town may become a city, and to limit local taxing and borrowing.

The Procedure for Equalization

Compliance by a relatively small staff with a statutory requirement for annual full value assessment has called for ingenuity in developing a system that can be made to produce reasonably accurate results by a combination of the department's version of mass appraisals and continuous study of sales of property. Instead of conducting assessment ratio studies by scientific sampling methods, the department, through its field offices, analyzes all transfers of property in the State as a guide to market value levels and trends, accumulates and evaluates all other available sources of information that are the customary tools of appraisers, and carries on continuous field appraisal throughout the State. Each district office is expected to assess all property within the district on a 6-year cycle, but because of inadequate staff the period has been running to about 8 years.

Use of sales. Each district office obtains and screens sales data as follows: Local personnel are employed in each county to copy on standard cards from the records in the office of the register of deeds all pertinent data respecting recorded sales of real estate. In the district office these sales cards are sorted by cities, villages, and towns; all those obviously unusable are rejected; for the others, questionnaires are sent to the buyers or sellers requesting verifying information; on the basis of the

information received, the usable sales are selected, classified by taxing districts and types of property,³ and compared with assessed valuations; and the completed sales cards and questionnaires are filed for use in the equalization process.

The sales ratios are used as evidence of the assessment levels of the classes of property for which they are available, their year-to-year trends are studied to help determine whether assessments are keeping pace with economic changes, and sales over a period of years are analyzed to determine trends in going value. These sales data are recorded on annually compiled district value cards, one for each taxing district, on which are recorded also summaries of change in dollar value, by classes of property, as determined by mass appraisals, changes due to such factors as new construction, fire losses, changes in land use, etc., and other pertinent data. These value evidences, set up by land and improvements separately for each statutory classification of property, are compared with the full values determined for the previous year and such increases or decreases made as the evidence appears to warrant. Actual appraisal evidence is available only at about 8-year intervals; sales evidence is the chief dependence in intervening years.

Mass appraisal. The district supervisors of assessments and their staffs are required to revalue the entire State every 6 years by field appraisal in every city, village, and town. (The cycle, as noted, has been taking about 8 years.) The actual process is a combination of "windshield appraisal" of classes of property for which representative sales data are available and more intensive appraisal, to some extent on a sampling basis, of classes of property for which representative sales are not available.

When an appraiser goes into a rural town he is equipped with a plat map for each section on which are spotted the properties sold over the past 3 years, with the pertinent sales data. In cities and villages, sales are spotted similarly for plots and subdivisions. By analyzing the sales the appraiser establishes value levels for land and improvements that can be used for rapid valuation of similar classes of property, with due consideration given to any unusual factors that cause deviations from ordinary or general values. For classes of property lacking representative sales, appraisals are made by use of the most appropriate professional methods. In the larger urban places sample appraisals are made, but with large samples taken from every area.

Personal property. Of the assessed valuation of property subject to the general property tax, tangible personal property accounts for about 16 percent. While tangible personalty is broadly tax-

² See Penniman, *op. cit.*, p. 184.

³ The statutory classification for real property is: (1) residential, (2) mercantile, (3) manufacturing, (4) agricultural, (5) marsh, cutover and waste land, (6) timber.

able, subject to the exemption of some classes that are most difficult to assess, 96 percent of the State assessment of such property in 1960 comprised livestock, merchants' stock, manufacturers' stock, machinery and tools, and furniture, fixtures and equipment. The State's job of full value assessment of this property is difficult because of the year-to-year fluctuations in the amount and value of much of it and the greater dependence than in the instance of real property on what the local assessors discover and assess. The interval between the May 1 local assessment date and September 15 when the department is required to present its assessment for the year to the county boards gives the supervisors little time for personal property assessment, but they follow procedures that produce more than perfunctory results.

The supervisors have separate procedures for valuing a dozen different classes of personal property.⁴ For example, for manufacturers' and merchants' inventories, the two largest classes, each office maintains as complete lists as possible of the owners of such property and tabulates annually the inventories reported, studies and compares inventory trends by trades and industries, and has the advantage of the so-called form 10 law. As part of their income tax returns, persons and firms are required to file for each taxing district in which they have inventory a form showing the inventory at the beginning and end of the calendar or fiscal year and the amount of merchandise purchased and total sales during the year. This information goes to the supervisors for tabulation and then to the local assessors. With adjustments to allow for differences in inventory at the assessment date and form 10 date, and with other adjustments based on study and experience, the supervisors and their staffs seem able to do a reasonably satisfactory job of valuing inventories.

Validity of the full value assessments. The methods and procedures used by the Department of Taxation are designed to produce the full market value assessment mandated by law and to achieve this standard for personal property as well as real property. This administrative agency undertakes to administer the law as written, rather than to interpose its own revised version of the law. While some of the mass appraisal and personal property valuation methods that have been developed may produce less than precise results, they have experience and skill in their support and are dictated by the demands placed on a relatively small staff to do a very large job.

⁴ These procedures, some of them no more than ingenious and experienced estimates and assumptions, were well described by Forrest W. Gillett, in a *Report to Committee Appointed To Study Present Process of Determining Full or Equalized Values of Property*, Wisconsin Department of Taxation (Mimeo.), 1956.

In postwar years many local assessment districts have had reassessments by independent appraisers in order to correct internal inequities, and the market value findings of these appraisers have in most instances been very close to those of the Department of Taxation. A comparison made in 1956 of 226 such reappraisals in the years 1949-55 found that the full value assessments as determined by the outside experts averaged 100.7 percent of the State's recommended full value figures.⁵

That the people of the State have confidence in the State determined full value figures is of considerable significance. They are adopted by the county boards and become the county assessments only after equalization committees of the boards have met with the field staffs, examined the proposed figures and supporting data, and had opportunity to present factual information that would justify altering the figures. The use of equalized figures for very many regulatory, measurement, and apportionment purposes is a protective factor for all local governments and removes incentives for competitive underassessment, while equalization at the full value level not only identifies clearly the taxable resources of all of the State's taxing districts but gives the legislature a meaningful base on which to establish regulatory and measurement standards relating to property values.

State Supervision of Local Assessing

The Department of Taxation has been placing primary emphasis on interarea equalization, but it is well aware that the key to true uniformity of assessment is high-grade primary assessing by the local assessment districts themselves. It has extensive powers to supervise local assessment and uses them effectively in a number of ways to the extent that its resources and the character of local organization for assessment permit.

Local assessing has had for many years the advantages of constructive State direction and guidance. The system of district supervisors of assessments extends back over more than 50 years. The requirement that assessors break down taxable property by specified categories for assessing and reporting stems from the early 1920's, and the State Tax Commission issued the first edition of its assessors' manual in 1930. Also influencing the quality of local assessing have been such intangibles as a strong pride in local government, demand for integrity in public office, and a cooperative relationship between the State supervisory authorities and the local assessors. The larger Wisconsin cities are all recognized as having outstanding assessment administration, and the State as a whole is regarded

⁵ See Gillett, *op. cit.*, pp. 33-40.

to rank high in this respect;⁶ but according to a Revenue Survey Commission reporting in 1960, "Substantial inequities in the burden of the real property tax result from the wide variations in the level of assessments among properties within assessment jurisdictions."⁷ The report did not specify how widespread this condition is among the State's myriad of assessment districts, but a study of the situation for the legislature is in progress.

Supervisory Powers and Duties

The Department of Taxation is authorized by law to supervise assessors, boards of review, and the assessment work of county boards. Among the statutory powers and duties specifically assigned to supervisors of assessments are those to provide instruction to local assessors, to test the work of local assessors, bring action against assessors for violation of duties, hold annual meetings of assessors, and make an annual report to each county board on the work of local assessors.

The department's power to supervise local assessing, in fact, is so broad that the amount of control to be exercised is largely a matter of policy. It can reassess a parcel or class of property upon complaint of a local taxpayer, and invoke court action against, or even dismiss, local assessors, though such drastic action is rarely used. Reassessments of the taxable property in any district may be obtained upon a written appeal to the department by owners of not less than 5 percent of the assessed value of property in the district, upon public hearing and proof that the assessment complained of is not in substantial compliance with law. The department may order a reassessment and appoint persons to conduct the work, or it may order special supervision of succeeding assessments either by a department employee or other qualified person. Some use is made of this means of minority protection.

The department's services to assessors and local boards of review include the publication of bulletins, reports, and manuals, and professional aid by the field staff. In addition to providing manuals and guides for assessors, the department prescribes standard forms for the valuation process. The department's annual statistical bulletins carry a wealth of analyzed statistical data on assessments and taxes, useful to taxpayers as well as tax officers, and these

are supplemented by the individual county reports of the supervisors. Here may be found, for example, comparative full value tax rates and the relation of assessed to full value by classes of property—the latter having a greater potential than has yet been developed for aiding taxpayers aggrieved by inequitable assessment.

The district offices, with their constant accumulation and analysis of valuation data for their respective areas, and their staffs of technicians engaged in continuous field appraisal, are admirably situated to aid local assessors. For many years the field staff has held annually a 1-day assessors' school in each county, in which new legal, economic, and procedural developments are reviewed and such specific issues as livestock price schedules are determined. Throughout the year the staff works with local assessors, assists boards of review, and deals with questions and problems of taxpayers. For some years the field staff has been far too small to deal adequately with these supervisory functions in addition to its demanding task of equalization; thus the recent increase in number of offices from four to six and moderate increase in staff is a hopeful omen, though more drastic organizational steps would appear to be needed to establish on a statewide basis the high-quality assessment standards now maintained in numerous areas.

Central Assessment and Taxation of Utilities

The operating property of railroads and most classes of public utilities is taxed ad valorem in Wisconsin, with the railroads, and the utilities owning and operating property in more than one municipality, assessed by the State on a unitary basis and taxed only by the State.⁸

The properties are assessed at full value and taxed at the average full value tax rate for the State. This rate is determined each year by dividing the aggregate levy of State, county, local, and school taxes for the previous year by the full value of all taxable general property in the State for the current year. Thus each company pays just one tax bill, at the State average overall local rate equalized to full value.

Under this tax plan, the State has no problem of allocating the unitarily assessed valuations among the local taxing districts. With respect to the railroads, it also has no problems of allocating the tax proceeds, as they are retained by the State except for terminal taxes returned to five lakeport cities. Air-carrier taxes are also retained by the State, for the use of the State Aeronautics Commission in constructing and improving airports.

⁸ Telephone companies, rural electric cooperative associations, and freight line companies are taxed on the basis of gross earnings.

⁶ The assessment-sales ratio study of 1,263 selected local assessment districts in 48 States conducted by the Census Bureau in conjunction with its 1957 Census of Governments found that 72 percent of the 40 Wisconsin districts included in the study had a good to high degree of uniformity of assessment (coefficient of dispersion under 20), compared with only 20 percent for the group as a whole. (U.S. Bureau of the Census, *Taxable Property Values in the United States* (1957 Census of Governments, vol. V), table 19.)

⁷ Revenue Survey Commission, *Final Report* (to Governor and State Legislature), 1960, p. 21.

Some or all of the proceeds of the property taxes levied on the other classes of utilities are distributed to local governments, necessitating allocation formulas; but the procedure is less onerous than the more customary one of allocating assessed valuations.

A Property Tax Relief Program

Concern in Wisconsin over the effect of the State's tax structure on economic growth and over the most suitable means of revising the structure produced pertinent tax studies in 1959 and 1960 and a major revamping of the structure in 1961 that included novel measures for property tax relief. The property tax had been supplying about one-half of the State-local tax revenues.

A University of Wisconsin Tax Study Committee, in a background study of impact, incidence and tax revision alternatives designed to provide basic information rather than recommendations, found no conclusive evidence that the tax structure was seriously hampering economic growth, and observed that for one State to accept an obligation to conform to the tax pattern of other States "would reduce tax sovereignty to a fiction"; but indicated that the State's dependence on property taxes was slightly above average for neighboring States, that taxes paid by manufacturers apparently were the highest in the Midwest, and that in any program for business tax relief the tax on manufacturers' inventories deserved high-priority consideration, with owners of livestock and householders also claimants for relief. The committee pointed out, however, that exemption or partial exemption of particular classes of property merely redistributed the property tax burden and might create new problems, and, expressing concern over the wide territorial inequality in the distribution of the property tax—aggravated by the State's system of distributing shared taxes—indicated some feeling that any fundamental tax reform should await "an overhaul of the whole system of territorial distribution of existing taxes."⁹

As possible sources of additional or replacement revenue, the committee listed an increased individual income tax, four versions of a retail sales tax, and a miscellaneous package that included an ad valorem tax on motor vehicles as a constructive means of redistributing the property tax burden which would lessen its regressivity. The committee seemed to have no great enthusiasm for a sales tax.

The Continuing Revenue Survey Commission, in its December 1960 report, declared that property taxes were disproportionately heavy, and that

the burden should be reduced, by other revenue sources, on homes, farmers, and business. In brief summary, the commission recommended that merchants' and manufacturers' inventories and farm livestock should be exempt from the property tax,¹⁰ and that by offsetting this local revenue loss with State aid, adding to other State aid, and having the State take over the administration and financing of public assistance, roundly \$100 million of property tax relief be provided. A vital feature of the recommendations, however, was insistence on drastic revision of the system for distributing State aid, and introduction of an equalizing factor, to narrow the disparities in local tax burdens.¹¹ To finance this increased State aid and an increase in other State budget requirements, the commission recommended mainly a combination of a general sales tax of 2 percent and an increase in the income tax.

Late in 1961, after various measures had failed to obtain adoption or had been vetoed by the Governor, the State legislature adopted compromise provisions representing the first major revision of the Wisconsin tax system in 50 years and providing a substantial amount of property tax relief. (Ch. 620, Laws of 1961.)

No change was made in the property tax structure; no new exemptions were provided. The property tax relief plan adopted was a tax credit device. On tax bills covering merchants' and manufacturers' inventories and farmers' livestock, the taxpayers, beginning with payments due in 1963, were to receive a credit of 50 percent. The aggregate amount of this credit was estimated to be initially about \$30 million. For owners of other taxable property the legislature provided a specific aggregate tax credit of \$55 million annually. This was to go to the railroads and utilities and to the more heavily taxed other taxpayers.

The portion of this amount to be distributed to public utilities (about \$5 million) is based on the ratio of the total tax levy on utility property to the total tax levy on all property in the State, after deducting from both figures the personal property credit. The remainder of the \$55 million (about \$50 million) goes to municipalities to provide tax credits for property other than utility property and property receiving personal property tax credit. To qualify for a share, a municipality must have an overall full value tax rate in excess of 14 mills. To determine the amount to which each municipality is entitled, the excess over 14 mills (computed against the average rate for the 3 preceding years) for each municipality is multiplied by its full value assessment (less personal property eligible for credit). The \$50 million property tax credit fund is

⁹ University of Wisconsin Tax Study Committee, *Wisconsin's State and Local Tax Burden*, Madison, 1959. See particularly ch. V, *Wisconsin Property Taxes*.

¹⁰ Ten of the 19 Commission members took exception to complete elimination of this tax.

¹¹ Revenue Survey Commission report, *op. cit.*, pp. 9-16.

then prorated among the municipalities on the basis of these products. This amount is in turn apportioned as credits to the taxpayers by each municipality.

The revision and expansion of the State tax system that accompanied the property tax relief program included mainly extension of the corporate income tax to certain financial institutions, an increase in the personal income tax and adoption of

provision for withholding, and adoption of a 3-percent sales and use tax on specified commodities and services levied on the gross receipts of the seller. Missing in the overall program was the constructive overhauling of the formulas for distribution of shared taxes which the University of Wisconsin Tax Study Committee and the Continuing Revenue Survey Commission had considered so vitally essential for property taxpayer relief.

WYOMING

A distinguishing feature of property tax administration in Wyoming is the high percentage of the total valuation assessed directly by the State—53 percent in 1961 according to the Census Bureau, higher than in any State except Hawaii where all property is State assessed. Recent searching studies by the Wyoming Legislative Council of local assessment administration and its State supervision have led to some reinforcement of State supervisory facilities.

*Organization for assessment.*¹ The property tax in Wyoming is under the direct supervision of the State Board of Equalization. This board has been composed of three members appointed by the Governor for 6-year terms, but under 1963 legislation the membership is increased to five. The board has broad property tax duties, including the fixing of a State general fund tax levy, direct assessment of public utility and mineral producing properties, supervision of assessment by local officers, and equalization of assessments. The board's other functions include two of major importance; it serves as the Public Service Commission, regulating common carriers and other public utilities, and it has jurisdiction over the Department of Revenue, which collects sales, gasoline, cigarette, and other taxes.

Local assessing is primarily the responsibility of the 23 county assessors. The county assessor is elected for a 4-year term and must be an elector and property owner in his county. Each year counties are divided into assessment districts by the county commissioners. The county assessor does the assessing in the district of his own residence, and for each of the other districts he appoints as deputy assessors residents of the respective districts. The county commissioners, besides setting up the assessment districts, act as the county board of equalization, hearing appeals by local taxpayers and equalizing assessments in the county.

State supervision and aid. Among the duties prescribed by Wyoming law for the Board of Equalization are supervision of local assessment; prescription of a system for establishing valuation of properties, real and personal; classification of land for assessing purposes; equalization among counties; and the making of changes in the original assessments of individuals, firms, and corporations. Some of the actions taken by the board in recent years in carrying out its duties are noted briefly in the following paragraphs.

¹ In this description of the assessment organization and in the following comment included here on Wyoming, extensive use is made of the very valuable study of Allyn O. Lockner, *Property Taxation in Wyoming*, Wyoming Legislative Research Committee, Cheyenne, 1960, and *The Wyoming School Foundation Program, Volume II, A Proposed Revision of Property Tax Administration*, Wyoming Legislative Council, Cheyenne, 1962.

In 1945 the legislature directed the Board of Equalization to prescribe a uniform valuation system to be installed in all counties by 1949. The board provided that for assessing improvements all counties should use the Boeckh system of appraisals—a system already used in some counties. Mr. Allyn Lockner, in his 1960 study of property taxation in Wyoming, says: ²

With the use of the Boeckh system, remarkable progress has been made in the assessment of improvements. In most cases, an inventory of buildings has been taken and made a permanent record. Detailed data concerning many buildings are a matter of record. The most revolutionary development has been that appraisals in many cases have been made according to a definite system. It is quite evident that such assessments could not help but improve over the preexisting procedure of haggling between the assessor and the property owners.

But, as Mr. Lockner notes, the counties vary in their adherence to the system.

Seventeen counties use this system voluntarily, two use it reluctantly, one county is using it partially, and another county is using a modified system in part. One county employs the Boeckh system, but does not allow any depreciation. Finally, one county does not use the Boeckh system at all.

Moreover, there are notable departures from the system, including the failure to use appropriate current indexes, and Mr. Lockner states, "As implemented in Wyoming, the Boeckh system is unrealistic and inequitable. . . ."³

The need for equalizing urban land valuations resulted in the board, in 1955, ordering the counties to revalue all city and town lots. It was recommended that committees of local citizens be appointed to assist the assessors—such committees to set up zones within each community and establish relative values in each zone. By the fall of 1962, 17 counties had completed the lot revaluation, 3 others had started, and 3 had done nothing. It is hoped that with additional staff members authorized by the 1963 legislature, it will be possible to expedite the lot appraisal project.

The board is required to classify the land in the State and to suggest values per acre for each type. In 1962 the board revised its valuation figures for dry farmland and for grazing land, the first notable revisions since 1948 and 1952, respectively. For the several classes of irrigated lands, however, the values suggested have not been changed since 1933. Mr. Lockner, writing in 1960, noted that the suggested values are, in most cases, employed by the county assessors. While the values suggested by the board have not always reflected current values, their widespread use should contribute to uniform-

² Allyn O. Lockner, *Property Taxation in Wyoming*, pp. 121 ff.

³ *Ibid.*, p. 6.

ity. The board is required also to set values on livestock and this it does annually, with specific values set on various types and classes, largely on the basis of average market prices in the previous year as reported by the U.S. Department of Agriculture, but "no recognition is given to variations in the quality or grade or to the distance from the livestock market centers."⁴ Various other types of personal property are covered in schedules prescribed by the board, including oil field and construction equipment, household furniture and appliances, farm machinery, etc.

State law provides that merchants' inventories shall be listed for taxation, and in estimating the value the merchant shall take the average value of such property during the year next previous to the time of listing. The Board of Equalization has instructed the county assessors to use 60 percent of the average inventory as the basis for taxable valuation. In a paper presented in September 1962, Mr. E. A. McKay, director of the Ad Valorem Tax Department, Wyoming State Board of Equalization, said, "Our assessors agree that inventory assessments are our most difficult problem. . . ." He went on to point out that not all assessors used the State prescribed system, and in this connection made a comment which has broad significance for the enforcement of any type of State regulation of assessing:⁵

. . . No doubt the first question you think of is why does the Board allow this disregard of its orders. I assure you that we have studied this problem and while the Wyoming Board of Equalization has broad powers over assessors, the penalty for noncompliance with its orders is rather severe as it provides for removal from office [by the Governor] for misconduct or neglect of duty and to my knowledge no assessor has been removed from office for failing to comply with a Board order.

A major feature of the State's aid to local assessors is the complete appraisals made by the State staff. The board reported in 1962 that over the 2 previous years appraisals had been maintained on 52 industrial plants. This represents all the major installations in Wyoming. Appraisals are based on inspections and factual cost data supplied by the companies involved, and the counties are required to use the State appraisals as a basis for assessment. When the industrial plant appraisals were started by the State, four appraisers were engaged on the project, but the staff for this purpose was later reduced by two. The State staff also does extensive appraisal work on other buildings and structures.

Level of real estate assessment. Prior to 1925 there had been statutory provision for assessment of real estate at full value, giving consideration to quality, natural advantages, improvements, etc. A

⁴ Lockner, *op. cit.*, p. 7.

⁵ E. A. McKay, "Problems Involved in Merchandise Inventory Assessment and Equalization," a paper presented at the Conference of Western States Association of Tax Administrators, Denver, Sept. 9-12, 1962.

constitutional amendment of 1955 and subsequent legislation provided that real and personal property be valued and assessed at fair value as set forth by the Board of Equalization. Mr. Lockner said:⁶

Apparently, with only a fractional assessment accomplished in practice, the legislature and the board felt that full value assessments were not possible. Accordingly, in 1955 they adopted the fractional basis of assessment of real property, with the intent of legalizing the existing practice and of achieving consistency in the statutory treatment of real and personal property.

Sales ratio study. An assessment-sales ratio study, made by Mr. August Shopin at the University of Wyoming,⁷ showed for real estate a statewide median ratio of 18.8 percent in 1957 and 17.9 percent in 1958. Classified as to urban and rural, the median ratios were 19.4 and 18.1, respectively, in 1957, and 19.6 and 15.9 in 1958. For the 23 counties the median ratios were shown to range from 14.8 percent to 28.9 percent in 1957, and from 14.4 to 24.9 percent in 1958.

Legislative Research Committee Study of 1960. In compliance with the State legislature's directive that its Legislative Research Committee study the Uniformity of Property Valuations and the Equitableness of Relative Tax Levies, a staff report prepared by Allyn O. Lockner was presented in 1960. This document⁸ described in detail the existing property tax system in Wyoming and analyzed procedures and policies. Mr. Lockner gave attention, too, to basic principles, commenting, for instance, that "underassessment tends to disguise the true burden of the tax, serves as a cover for various types of inequities, and misplaces the legislative function of fiscal control," and he stressed the continuously changing pattern of both the level of property values and comparative values, so that "Given the rapid change in our present-day economy, and if assessed values are several years behind current values, serious inequities are inevitable."⁹ He discussed each type of property, State assessed as well as locally assessed, describing practice, indicating inequities, significant discrepancies in assessments shown by the sales ratio study, widening differentials between assessed and actual values for certain types of property, and raising many questions. To improve the property tax in Wyoming, Mr. Lockner proposed two "feasible approaches to the problems."

The first of these approaches involved changes to be made under existing administrative framework, and included action by the board to: order

⁶ Allyn O. Lockner, *Property Taxation in Wyoming*, p. 25.

⁷ August Shopin, *A Study of Relationship Between Assessments and Selling Price of Real Estate in Wyoming, Years 1957, 1958*, Division of Business and Economic Research, College of Commerce and Industry, University of Wyoming, Laramie, 1959.

⁸ Allyn O. Lockner, *Property Taxation in Wyoming*, p. 10.

⁹ *Ibid.*, pp. 63-64.

complete revaluation of town lots and provide assistance if necessary; review the Boeckh system, putting it on a current construction basis and adjusting depreciation provisions, and order all assessors to use the system for valuing improvements; revalue the several types of lands, county by county, on the basis of current market values; suggest procedures for better inventory valuation; and employ additional nonprofessional office personnel to perform elementary accounting checks and clerical work. The board has statutory authority to carry out many of these suggestions, "but for various reasons—for example, inadequate staff and noncompliance on the part of county assessors—have not been able to effectuate this authority."¹⁹ (It is pertinent that since the publication of the study, the board modified depreciation schedules for buildings, increased the prescribed values of some types of land, and asked the 1963 legislature for, and received, funds to expand its staff.)

For a more comprehensive, long-range, approach, the report suggested: (1) Curtail duties of the Board of Equalization so that the members can concentrate on property tax administration, continually scrutinize procedures, and provide well-informed leadership in introducing changes as needed; (2) have professional evaluation of procedures used in assessing public utility property; (3) employ a team of professional appraisers to carry on continuous, systematic revaluation of all local property with complete revaluation every 3 to 5 years, to give on-the-job training and other assistance to local assessors, and to gather information pertinent to valuations for their own, central staff, and Board of Equalization uses; (4) provide for continuous gathering, compilation, and distribution of factual material on values for different types of land, construction cost indexes, and other pertinent data; (5) maintain continuous sales ratio studies by a group not directly connected with property tax administration with data on a moving 3- to 5-year basis to offset the relatively infrequent sales in the State, provide wide publicizing of results in simple layman's language, and make use of the studies in property tax administration. Such a program, it was noted, would take time for proper implementation, probably 3 to 5 years, and would increase costs.

It was designed, however, to "permit Wyoming to most nearly approach the 'uniformity of property valuations and the equitableness of relative tax levies,'" and coincidentally strengthen the local tax base, for "it is advisable to make more complete and equitable utilization of existing taxes than to arbitrarily impose new taxes."²⁰

Property tax study of 1962. In 1961 the legislature directed the Legislative Council to study school finances. The resulting study, *The Wyo-*

ming School Foundation Program, included one volume on the property tax. This report, *Volume II. A Proposed Revision of Property Tax Administration*, stressed the dependence of the school foundation program on the property tax and the need of strengthening the program by improving the property tax. The study discussed such features as: exemptions; the level of assessment; increased authority for assessors or aid from the State in assessing inventories; reorganizing and enlarging the State Board of Equalization; expanding the staff of the Board of Equalization; making the office of assessor appointive and/or requiring appropriate qualifications; requiring the Board of Equalization to promulgate written rules and regulations on the administration of the property tax, including specific assessment procedures; and making annual sales ratio studies. The report said:²¹

In short, available evidence indicates that a correction of the inadequacies and inequities of the property tax would assure every Wyoming school child at least a basic program of instruction as outlined by the Wyoming school foundation program.

The 1963 legislature took favorable action on two of the council proposals. It increased the membership of the Board of Equalization from three to five, thus permitting some members more time to concentrate on the property tax. The legislature also provided for increasing the board staff by four members.

Veterans' Exemption. Wyoming took a notable step toward strengthening its property tax base when it revised its veterans' exemption provisions in 1955. Before this change the law had provided for an exemption of \$2,000 on property owned by veterans or their widows. This system was adopted in 1917 for Civil War veterans and was extended from time to time to cover others. The only limitation prior to 1955 was the requirement that veterans of World War II and the Korean War had to have been residents of the State at the time of their entering service. This last provision was made applicable to all veterans in 1955.

More important, however, was the establishment in 1955 of a limit on the total tax benefit a veteran could receive. The 1955 law declared that the tax exemption was a bonus for military service and set a ceiling of \$800 over a lifetime. The ceiling does not apply to widows of veterans during their widowhood, and special provisions were made for disabled and partially disabled veterans.

In 1955 the total veterans' tax exemption amounted to \$25,052,092 (3.3 percent of the total taxable valuation) and represented actual tax benefits of \$1,479,448. By 1961 the exempt valuation was down to \$11,221,365 and the tax benefit was \$882,774. The loss in local tax revenue is reimbursed from the State general fund.

¹⁹ *The Wyoming School Foundation Program, op. cit.*, p. 3.

²⁰ Lockner, *op. cit.*, pp. 9-10.

²¹ *Ibid.*, pp. 13-14.

PUBLISHED REPORTS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS¹

- Coordination of State and Federal Inheritance, Estate and Gift Taxes.* Report A-1. January 1961. 134 p., printed.
- Modification of Federal Grants-in-Aid for Public Health Services.* Report A-2. January 1961. 46 p., offset.
- Investment of Idle Cash Balances by State and Local Governments.* Report A-3. January 1961. 61 p., printed.
- Intergovernmental Responsibilities for Mass Transportation Facilities and Services.* Report A-4. April 1961. 54 p., offset. (Out of print)
- Governmental Structure, Organization, and Planning in Metropolitan Areas.* Report A-5. July 1961. 83 p., U.S. House of Representatives, Committee on Government Operations, Committee Print, 87th Cong., 1st sess.
- State and Local Taxation of Privately Owned Property Located on Federal Areas: Proposed Amendment to the Buck Act.* Report A-6. June 1961. 34 p., offset.
- Intergovernmental Cooperation in Tax Administration.* Report A-7. June 1961. 20 p., offset.
- Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments.* Report A-8. June 1961. 67 p., offset.
- Local Nonproperty Taxes and the Coordinating Role of the State.* Report A-9. September 1961. 68 p., offset.
- State Constitutional and Statutory Restrictions on Local Government Debt.* Report A-10. September 1961. 97 p., printed.
- Alternative Approaches to Government Reorganization in Metropolitan Areas.* Report A-11. June 1962. 88 p., offset.
- State Constitutional and Statutory Restrictions Upon the Structural Functional and Personnel Powers of Local Governments.* Report A-12. October 1962. 79 p., printed.
- Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas.* Report A-13. October 1962. 135 p., offset.
- State Constitutional and Statutory Restrictions on Local Taxing Powers.* Report A-14. October 1962. 122 p., offset.
- Apportionment of State Legislatures.* Report A-15. December 1962. 78 p., offset.
- Transferability of Public Employee Retirement Credits Among Units of Government.* Report A-16. March 1963. 92 p., offset.
- **The Role of the States in Strengthening the Property Tax.* Report A-17. June 1963. (2 Volumes) printed.
- Industrial Development Bond Financing.* Report A-18. June 1963. 96 p., offset.
- **Tax Overlapping in the United States, 1961.* Report M-11. September 1961. 136 p., printed. (\$1.00)
- Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas.* Report M-15. May 1962. 80 p., offset.
- Measures of State and Local Fiscal Capacity and Tax Effort.* Report M-16. October 1962. 150 p., printed.
- **Directory of Federal Statistics for Metropolitan Areas.* Report M-18. June 1962. 118 p., printed. (\$1.00)

¹ Single copies of reports may be obtained from the Advisory Commission on Intergovernmental Relations, Washington, D.C., 20575. Those marked with an asterisk (*) may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402.

