

Property tax valuation and consulting

Your issue

Property taxes generally represent a significant, annually recurring expense for companies with asset intensive business models. Taxpayers may overpay if assessment valuation methods are inconsistent with the assets being valued, the assessment includes non-taxable property or there is a misunderstanding of provided fixed asset cost information. Potential overpayment may also be driven by the difficulties companies face in adequately addressing the complex and fluid environment affecting the property tax assessment process.

Our approach

Today's regulatory environment has made it imperative for companies to better understand the value of their tangible and intangible assets — this is also true for property tax purposes which has a somewhat unique set of valuation standards and, as a result, required skills.

Property tax assessment valuation is a different process from valuation for other purposes, such as financial reporting and federal tax. The procedures applied are generally based on property tax-specific elements of state laws and local jurisdiction rules and procedures. Deloitte's professionals understand the valuation needs associated with the development of value conclusions in this environment, which will allow companies to better quantify the property tax value of an entity, asset, or liability so they can make more informed decisions and improve the management of their property tax assessments.

Deloitte has assembled a team of skilled professional practitioners who assist clients in identifying property tax issues, better quantifying and articulating appropriate assessment values, and developing and implementing strategies for enhanced property tax solutions. We are committed to our clients, and to providing them with high-quality property tax valuation and consulting services.

Our property tax valuation and consulting services

Valuation analyses

We provide well-documented studies and valuations for property tax purposes used by clients in support of the process of estimating property tax assessment values. Our analyses are applied to tangible personal property assets including machinery and equipment, telecommunications equipment and real estate as well as intangible assets. We also perform unit value studies, which apply to assessments of integrated property or businesses as a whole. And, we provide specialty studies and reports to identify and quantify both functional and external (economic) obsolescence for many property types.



Assessment analytics

We assist companies by providing data analytics, which can help develop insight into the relative level of assessment related to both company-specific metrics and within industry sectors. By performing research and evaluations of data relating to a client's property tax assessed valuations, we can test and benchmark various relevant data against applicable standards, both internal and external. Our deep industry experience and advanced analytics capabilities can expand the value of existing client data by helping identify and harness the opportunities that their data may provide. Leveraging our analytics capabilities and advanced technologies, such as visualization tools, we can simplify interpretation of essential property tax data by:

- Representing the interrelationships between a number of metrics simultaneously and holistically
- Providing an assumption-free approach to analytics
- Facilitating interpretation by clients through a visual interface, because as the saying goes, a picture is worth a thousand words

Appeals consultation services

We assist and consult with clients so that appeal decisions are made with better and more timely information. This is an extensive, tailored process of developing and applying analyses for each client's properties and assets. Our approach is based on a broad understanding of valuation standards and property tax rules and procedures — as well as the ability to provide consultation that adds value and is aligned with our clients' requirements. We also assist our clients through virtually all elements and levels of the administrative appeal process: filing appeals, assessor reviews, case preparations, and addressing informal or formal administrative panels or boards. In addition, we provide strategic consulting services relative to appeal processes in single or multiple jurisdictions.

M&A due diligence

We provide clients with consultation and information to address property tax issues relating to M&A. This includes an analysis of and report on the tax history of potential acquisition targets; assistance, from a valuation perspective, in estimating future tax liabilities that consider the potential acquisition value; and assistance in identification of potential exposure and savings opportunities.

Property tax assessment management

We are able to assist clients through virtually every stage of the property tax assessment or "audit" process. Our services include assisting clients in the following stages of an assessment: initial planning, identifying fixed asset reporting and valuation issues to be addressed, reviewing findings and status and, if required, supporting the audit defense and appeal process.

Valuation income analysis and cost of capital studies

We analyze elements of unit value and other income based valuation models used in the assessment of property for real and personal property types. We also develop capitalization rate studies to identify and support the capitalization rates being applied in these models. Further we develop market studies for application in the income analysis and income approach to value processes.

Asset life and depreciation studies

We perform analyses to support and provide estimates of the useful and economic life of property subject to assessment valuation. We also assist in the development of depreciation factors for specific assets and categories for application in cost based assessment valuation models.

Non-taxable cost studies

We understand how to estimate the cost basis and/or value of nontaxable, nonseparately stated costs that may be embedded in a client's fixed asset cost records. These capital costs can include software, overhead, licensing, warranty, permits and other intangibles. These studies can be used to verify exclusion of such costs from the taxable base of property in accordance with the laws, rules and procedures of jurisdictions throughout the country.

Pollution control studies

We identify and quantify qualifying capital costs and additions relative to state-specific statutory exemption and special classification requirements¹. In our experience, property tax exemption and special classification benefits for qualifying additions may include:

- Pollution control (air, water, land, noise)
- Thermal efficiency
- Resource recovery/recycling
- Concurrent federal tax certification: Internal Revenue Code Section 169 provides rapid amortization of qualifying pollution control additions that are certified by state and federal agencies
- Eligible pollution control additions, including retroactive analysis, new plant construction and prospective analysis

Fixed asset management strategy

Implementing efficient and disciplined asset management processes can contribute to more successful management of property tax costs. For property tax purposes, we help clients analyze their capitalized asset base and consult with them on issues related to taxable cost base. This includes specific items such as asset rebuilds, overhauls and upgrades.

Litigation support and dispute consulting

We provide a number of services related to property tax valuation litigation and disputes. Property tax litigation is among the most specialized of litigation areas, and requires advisors and expert witnesses who fully understand its specific environment and standards. Our valuation specialists are often engaged as fact or expert witnesses related to valuation and classification matters for property tax purposes. In addition, we can directly consult with taxpayers and assessors related to both real and personal property valuation disputes.

We offer our clients virtually a full range of analysis as well as expert (or fact) testimonial services. Many of our professionals have qualified as expert witnesses in federal, state, and local courts and before U.S. and international regulatory, taxing, and administrative authorities. Presenting and defending numerous valuation and cost studies has provided our professionals with significant experience.

¹ Should interpretation of such statutes be desired, we recommend seeking appropriate legal counsel. Our services are strictly consultative in nature.

Who we are

Our professionals include financial analysts, accountants, economists, statisticians, engineers, and industry specialists. Many of our consultants have earned professional designations including Accredited Senior Appraiser, Member of the Appraisal Institute, Certified General Appraiser, Chartered Financial Analyst, Certified Public Accountant, Professional Engineer, Certified Cost Engineer, and Counselor of Real Estate. Within Deloitte there are more than 600 professionals dedicated to providing valuation-related services. Our people possess technical valuation skills and an understanding of the property tax assessment process as well as strong personal qualities. Above all, they are committed to producing high-quality results. As one of the nation's leading professional services firms, we can efficiently assemble a team of deeply experienced and highly skilled professionals to address your property tax valuation and consulting needs across the country.

Technical and industry specialties

Our professionals are both technical and industry specialists. Through internal training and client-facing experience our professionals develop proficiency in industry sectors while also developing deep technical knowledge. This strategy supports our ability to serve clients in a wide range of industries and jurisdictions. We believe that the quality and qualifications of our people, and our approach to staffing client engagements, set us apart and enable us to provide more informed, responsive and higher quality service.

Thought leadership

Our professionals have extensive experience, and strive to stay abreast of the latest issues and developments in property tax assessment valuation. They are directly involved in many of these matters throughout the country. Our professionals contribute to professional publications, serve on advisory groups and panels, and frequently speak at leading industry events such as those sponsored by the Institute for Professionals in Taxation, Association of Professionals in Property Assessment and Taxation, Broadband Tax Institute, The Wichita Program on Appraisal for Ad Valorem Taxation, International Association of Assessing Officers and the National Association of Property Tax Representatives — Transportation, Energy and Communications.

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Representative industries served:

Complex and regulated industries

- Alternative energy
- Cable
- Minerals and mining
- Oil and gas
- Power and utilities
- Technology and biotechnology
- Telecommunications
- Transportation

Manufacturing and other

- Automotive
- Chemical
- Metals
- Pharmaceutical
- Pulp and paper
- Waste management

Real estate

- Contaminated sites
- Healthcare
- Hospitality
- Industrial
- Land
- Multi-family
- Office
- Resort and golf
- Retail