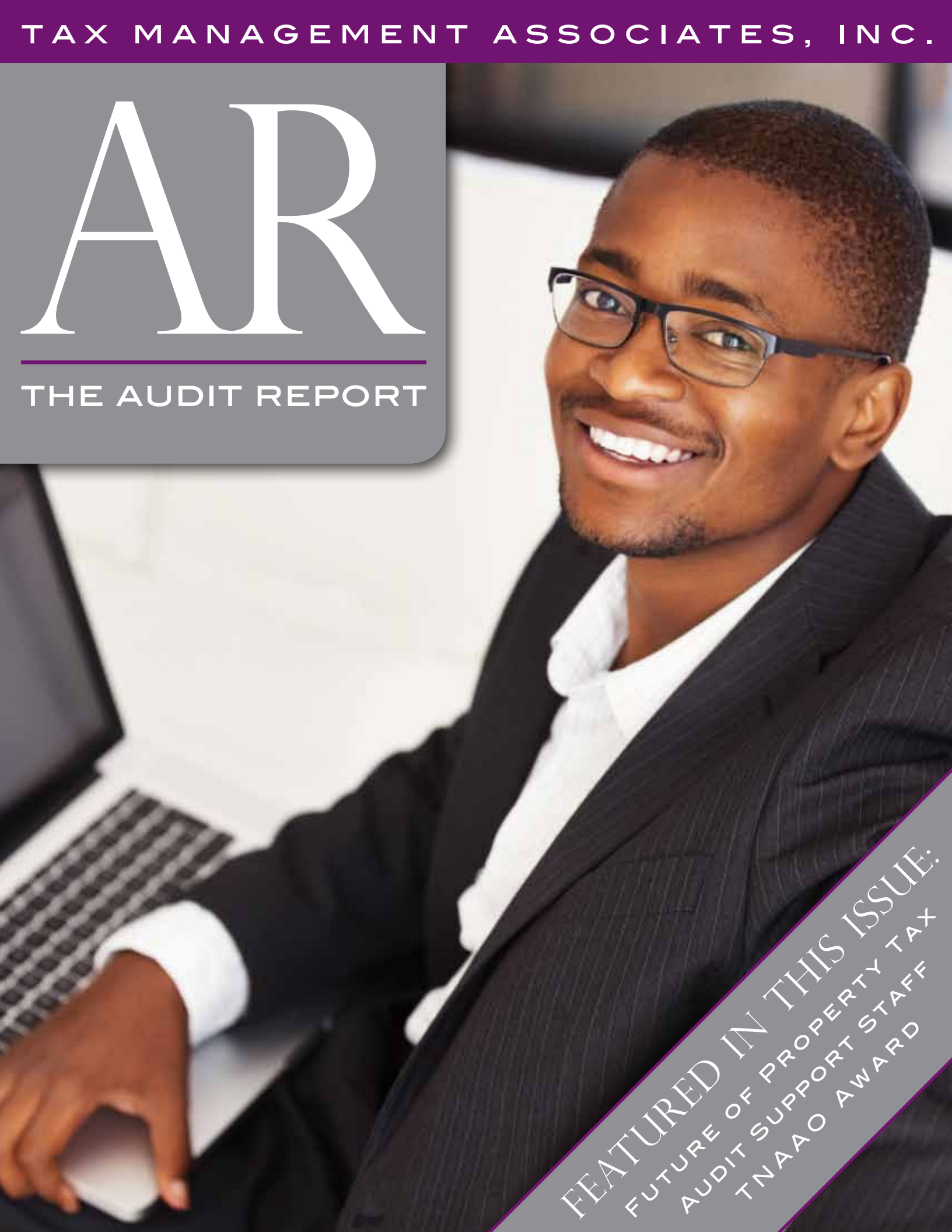


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THE AUDIT REPORT



FEATURED IN THIS ISSUE:
FUTURE OF PROPERTY TAX
AUDIT SUPPORT STAFF
TNAAO AWARD



Future of Property Tax

What does the future of property tax look like in the United States? | by Chip Cooke

Every year I have a conversation with at least one person around the idea of reducing or eliminating the business personal property tax in a certain state. In almost every instance, that individual and I can find at least a dozen compelling issues on either side of the argument, leaving us in utter deadlock to which way local jurisdictions should proceed.

The first item in the argument to consider is that in most cases, the business personal property tax is both locally assessed and locally realized revenue. Here's the typical process: City, County, Town and Township Assessors take rendition statements filed by local businesses, apply state approved valuation methodology and then collect the associated taxes. These monies flow into the jurisdiction's general fund where they are then allocated for uses across the entity. These taxes are supplemented with residential and commercial real estate taxes, as well as local licenses and fees

to make up the entity's total revenue stream. Between sixty and seventy percent of a jurisdiction's general fund is going to be used for local public education and associated expenses. Therefore, the local businesses are assisting with the local education system through their submission of the business personal property tax.

“Property taxes have been a local government's main source of income since this country was founded”

So what happens when a state considers eliminating the business personal property tax? First, let's examine the reasons why a state would want to pursue this course of action. The number one reason I have heard for elimination of the tax is to encourage

new business growth throughout the state, and therefore create more jobs. While this seems to be a reasonable statement, I always caution that you need to amend the statement to make it factual. The statement should read, “All other factors being equal, elimination of the business personal property tax will encourage business growth.” However, how often are all other factors equal in the business location model? When building or relocating a business, owners consider a myriad of different options – all important to their specific industry.

The first and foremost consideration for business location would be access to a qualified labor pool. If your engineers are unable to operate your conveyer lines, what does the owner care about the taxes on the same equipment? If you do not have access to the right employee base, everything else will suffer. You will want to consider access to your raw materials and the cost to get them to you. Logistics to move

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your finished product and quality of life for your employees are equally important. How about access to capital, legal, and medical assistance? What about the cost or availability of housing and schools? Tax incentives play a role, but only if all other considerations are already in place and stable.

But, to continue the narrative, let's assume that all other conditions were met; and the state has decided to move forward with legislation and remove the business personal property tax from the local revenue stream. First, realize that a state entity (legislature), that probably received little or no millage from the tax they just eliminated, have now reduced local dollars – likely hundreds of millions of local dollars each year. And, remember that sixty to seventy percent of those dollars went to the local public education system in the form of schools, teachers' salaries, transportation, etc. for local school-aged children. Well, the state will just replace the money.

With what? Folks, remember that when talking about sources and uses of revenue, we are talking about a zero sum game. If government reduces the dollars coming in, the dollars being spent must decrease by the same amount, or another revenue source (new taxes) must be created. Or, in the more likely scenario, someone else's existing taxes are about to increase. I have heard many different iterations of the same policy, but either the same state's businesses or local taxpayers are about to get a new tax to make up for the tax just eliminated. Maybe the state's manufacturers are about to get a break, through an exemption on inventory for example, but everyone else will have to make up the shortfall.

So what would be the best case scenario? I suppose it would have to play out like this:

A state legislature examines the taxes that could be reduced that might encourage businesses to move into the state. It could be the corporate income tax, franchise tax, sales tax, use tax, privilege tax, self-employment tax, employment tax, excise tax, the "custom we made up this other" tax, and the local property tax....whew – that's quite a menu to choose from. When they consider eliminating the BPP tax, here's five conclusions they come up with.....

1. BPP tax is local, it's their largest revenue source, do we want to shift that tax burden to our citizens - the homeowner? The widow with a house and a car.....is that fair?
2. BPP tax is pretty simple – the data needed is from available accounting records, and most businesses have an accountant.
3. What do the experts say? The Lincoln Institute of Land Policy published a report in June 2012 titled, "Rethinking Property Tax Incentives for Business." It's a free download. This report found, among other things, that "there is little evidence that these tax incentives are an effective instrument to promote economic development, they cost state and local governments \$5 to \$10 billion each year in forgone revenue."
4. Those same experts found that, Property tax "incentives are unlikely to have a significant impact on a firm's profitability since property taxes are a small part of the total costs for most businesses - averaging much less than one percent of total costs for the U.S. manufacturing sector."

5. What happens in the real world? Isn't the real proof in what we can observe in the real world? According to most surveys of best states to do business, the top 10 all currently have a BPP tax. This article from the third quarter of 2012 even applauds these 10 states for having "low taxes." Yet they all have a BPP tax. What does that say about the significance of the BPP Tax among all other business taxes?

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Property taxes have been a local government's main source of income since this country was founded. No matter how you stir the pot and reallocate sources of funding, the same result will occur; businesses and individuals will pay for the services they consume. You may be able to shift the burden, but you will never negate the obligation. So what is the future of the business personal property tax? I imagine it will stay right where it is if our legislatures are truly interested in attracting businesses, not just appearing to want to attract businesses.





TnAAO Award

Preferred Partnership with TnAAO exemplifies our strong commitment | by Ryan Hunter

Tax Management Associates, Inc., is proud to announce our recent receipt of the Preferred Partner award from the TNAAO, Tennessee Association of Assessing Officers. The award was presented at the 2012 Winter Conference for “Celebrating the long-standing relationship of superior service to the Assessors of Property throughout Tennessee.” Dale Baker, Nancy Potts, and Connie Brigham attended the TNAAO Winter Meeting, and Dale accepted the award on behalf of TMA.

The Tennessee Association of Assessing Officers is the professional organization that represents the Assessors of Property in all of Tennessee’s 95 counties. The TNAAO exists to support these elected officials in better performing their duties, to work with other organizations and governing bodies on issues that affect the assessment of property, and to promote excellence among the membership.

Will Denami is the TNAAO Executive

Director and has held the position since 2007. Mr. Denami was delighted to present the award to TMA for

“TMA is a nationwide industry leader in tax services and has worked with Tennessee Counties for over 15 years. We are proud to provide such services to the counties of Tennessee, and we look forward to working with them for many years to come”

its continued relationship with the TNAAO. He believes that TMA goes above and beyond the association’s

standard and is proud to bestow the award on their behalf to recognize TMA’s continued efforts. Tax Management Associates is a nationwide industry leader in tax services and has worked with Tennessee Counties for over 15 years. We are proud to provide such services to the counties of Tennessee, and we look forward to working with them for many years to come.

TMA has been a sponsor of TNAAO since 1997. Our relationship with the TNAAO has always been one of mutual benefit and support. Working closely with the organization and the executive director has always been a priority with the TMA team. Our number one job is making sure that the Assessor of Property has the support that he or she needs.

The TNAAO Winter Meeting is one of the most beneficial events we participate in, and in addition, we look forward to the TNAAO’s Summer

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Conference. These meetings offer an opportunity for TMA employees to re-connect with long time Assessors and to meet new ones. The platform also provides a way to showcase new products and services in the tax industry. We are always excited to promote our new and existing services to those who may not have previously heard of them. TMA sales staff does an incredible job of working with Tennessee Assessors to assist with implementing TMA services in order to support Assessors with making their offices run more efficiently.

TMA's goal when we began working in Tennessee, or any jurisdiction, was to assist each county with their Audit Program with the same level of services for each County. Our original sales force of W.L. "Bubba" Ricketts and Bill Rippetoe made sure that we were a full-service company to all counties, whether we were doing 4 reviews or 1,000 reviews per year. Partnering with each county in this manner has allowed us to truly be an extension of their office. TMA always strives to provide the highest level of professionalism and support when contacted for assistance by our clients.

In addition to conducting the cost reconciliation reviews for the counties, TMA has reviewed the industrial development bond agreements, assisted with desk audit programs, and provided discovery programs. TMA has also been readily available and utilized to recommend suggestions for issues that have arose over the years. Since 1997,

TMA has had several state-wide and regional meetings to ensure that we are still communicating directly with the Assessor's office.

The award is currently displayed at Tax Management's corporate office in Charlotte, NC. This honor represents not just our sales team, but also every facet of TMA. We are proud to say that our motto is Quality by Design, which means: the highest levels of quality in service and workmanship are achieved through careful attention to detail and commitment to listening to our clients' needs. We partner this design with the finest professionals in this industry to bring solutions that will provide value well into the future. This award embodies our commitment to the TMA motto, and we are extremely grateful for the recognition by the TNAAO.

Tax Management is honored to accept the award from TNAAO as it is always gratifying to be recognized for our continuous efforts and hard work. With over 33 years of experience, we are still in business due to our partnering with local and state government. TMA prioritizes the needs of our clients by

providing a consistent professional staff that listens and responds to their needs. We look forward to continuing to go above and beyond our own standards in order to exceed expectations of our current and future clients.

For more information about the TNAAO or TMA Conference attendance, please feel free to contact Dale Baker at 888-577-3777.



Preferred Partner

Celebrating the longstanding relationship of superior service to the Assessors of Property throughout Tennessee.





Audit Support

Accuracy behind the audit for over two and a half decades | by Taylor Ennis

“We couldn’t do our job without them.”

“Not only do they make my job easier, but they also make my day more enjoyable.”

These are the commonly sung praises about Tax Management Associate’s Audit Support staff.

More often than not, the folks who work behind the scenes go unnoticed. Here at Tax Management Associates our Audit Support staff are an integral part of what we do. TMA Audit Support staff are the first point of contact with taxpayers, the first point of contact with clients, and caretakers of audit files from the time the audit is started to when it is completed. There are few people who know the ins and outs of the audit process as well as our full-time audit support employees.

Located in five branch offices as well as the Charlotte headquarters, these 20 individuals assist audit teams in

everything from contacting taxpayers, scheduling audits, and keeping track of detailed audit reports.

“On average, 1,200 audits are completed per month. This means all 1,200 must be entered into our central database, every taxpayer must be contacted regarding their audit appointment, and 5,000 written correspondence are sent”

When you enter their offices, they are typically hidden behind stacks of folders, typing away on their computer

while on the phone with a taxpayer. They are never short of work, and their dedication is impressive as well as inspirational. Their positive attitudes make them fun to be around, and their teamwork is second to none.

Tax Management Associates completes on average 1,200 audits per month. This means all 1,200 must be entered into our central database, every taxpayer must be contacted regarding their audit appointment, and 5,000 written correspondence are sent to all involved parties. This work is conducted by our Audit Support Staff in addition to assisting auditors with scheduling appointments for the following month.

Audra Eury has been with TMA for more than eight years. Here’s what she has to say about her Audit Support role. “I enjoy my work each and every day. My tasks are always different; and with set challenges, it makes what I do that much more rewarding. I work closely with many contracted counties, and it

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has been a great experience. There are numerous steps involved when it comes to an audit, and the folks who work in Audit Support know how to get through all of those steps seamlessly. We work together as a team and are more like family than co-workers. Currently we are working on completing hundreds of audits by June 2013, along with our additional daily duties. This is an extremely busy time for support staff; but with our team, we always meet and aim to exceed our goals.”

Our success is built on establishing and maintaining positive professional relationships. When Audit Support is the first point of contact with tax payers they represent our company and what TMA stands for. We could not ask for a more wonderful group of individuals to work here.

Emily Rose has worked with TMA for more than five years and said, “I really enjoy coming to work as a member of the audit support team. The work we do requires a level of efficiency and accuracy that challenges and motivates me daily.”

In Bryan Fawcett’s previous role, he worked closely with Audit Support. Here’s what he had to say about working with their department, “Without our Audit Support individuals, I’m confident TMA would not be as successful as we are. It would be impossible to perform the number of audits that we do without their hard work and dedication. I’m proud to have the opportunity to work with such a talented group of people.”

The Audit Support staff is currently tackling countless projects across the United States.

It’s not easy, but this is for sure, without a dedicated backbone of professional support personnel, every other piece of the company becomes obsolete. TMA’s support staff are trained in the details of individual states and local jurisdictions as well as states that may or may not border their own. Flexibility is one of the greatest strengths of this department. The TMA Audit Support Staff is the backbone of TMA, and we are grateful to our wonderful employees.

If you have questions or comments about our Audit Support staff please contact Tom Tucker at 800-951-5350.





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