

AR

THE AUDIT REPORT

FEATURED IN THIS ISSUE:
ARBITRARY & CAPRICIOUS
COURTESY IN AUDIT
ALABAMA, U.S.A.



Arbitrary & Capricious

Equality, uniformity, and fairness in the world of Property Tax | by Chip Cooke

Arbitrary (adjective) – 1. Based on random choice or personal whim, rather than any reason or system.
2. (of power or a ruling body) Unrestrained and autocratic in the use of authority.

Capricious (adjective) – 1. Given to sudden and unaccountable changes of mood or behavior.

Equity (noun) – 1. The quality of being fair and impartial: “equity of treatment”.

Uniformity (noun) - 1. The quality or state of being uniform. “an attempt to impose administrative and cultural uniformity”.

Yesterday I was listening to the news when I heard the decision in the much debated New York City beverage ban. As backstory, Mayor Bloomberg decided to put an ordinance in place that would prohibit sugar based beverages over sixteen ounces from being sold in restaurants and other

establishments. In effect, the Mayor was using his own personal wishes and desires in the name of public health to prohibit a now lawful product from being sold to the general public in his jurisdiction.

“Equity, uniformity and fairness in the tax system are essential to maintaining a tax with high integrity”

A New York Supreme Court judge struck down the ordinance that he found to be arbitrary and capricious in its nature. You see, the ordinance prohibited the sale of large sodas in some places, but allowed for the practice in other retail establishments. Was the ordinance equitable in its

nature? Was it uniform in its practice? The answer was quite obviously, “No” and therefore we have the judge’s decision to strike the entire ordinance before it could start. The takeaway from this ruling – treat everyone the same, or prepare to be challenged. This very issue lies at the heart of what we believe in the property tax space.

We probably all agree that treating taxpayers equally is the right thing to do. In all of the jurisdictions we have worked for, over 500 clients throughout 17 states, assessment officials want to hold to the highest standards and find ways to perform their duties better. At the same time they want to be reappointed or re-elected, and they want to be able to go to breakfast in the morning at the corner diner where the businessmen congregate. Ahhhh, there lies the problem. There is a misconception that in order to be equitable and uniform, an assessing official or local tax official runs the risk of making business owners angry and

If you have any questions or comments about this article, please contact Chip Cooke at 1-800-951-5350

may even be labeled negatively as, “anti-businesses.” At TMA, we’ve been around long enough to see, understand, and help get around those issues.

We have former assessors, former county auditors, and former state tax administrators on staff who understand your concerns about beginning a compliance program. We pride ourselves in creating solutions that are fair and effective. Our auditors are experienced at communicating with businesses and helping taxpayers feel comfortable with the auditing process. I’m sure we can all agree that accomplishing such a task requires a special personality and skill set. It absolutely does. We continually get feedback from taxpayers alluding to the fact that nothing is sure in this life but death and taxes. The audit staff has many taxpayers tell them, “If I have to be audited for taxes again, I hope you’re the one that does it next time. I feel like I was treated fairly.”

How many tax officials have business taxpayers within their jurisdiction that simply refuse to file a return and supply supporting documentation for their assessment? In some jurisdictions, we have heard the percentage is as high as 40% of the businesses within the jurisdiction borders. TMA has gone into jurisdictions that have never had business personal property compliance programs, and we’ve been able to successfully introduce and implement them. We pride ourselves on maintaining positive relationships with the business community, the assessor’s office, and county management. We treat taxpayers with dignity and fairness all while increasing equity and uniformity, and discouraging arbitrary and capricious behavior. We do this by leveraging the knowledge and experience we have from the past 30 years, utilizing best practices we have

seen in 500 jurisdictions of all sizes, and creating products such as our own Cost Analysis Valuation System (CAVS).

Is it uniform and equitable to correctly measure a widow’s home and pick up her taxable vehicle from Motor Vehicle records, while we don’t verify if the small businessman is correctly reporting their taxable assets? We don’t really have to answer that question, but we can guarantee that TMA has a solution that works and has been proven many times over.

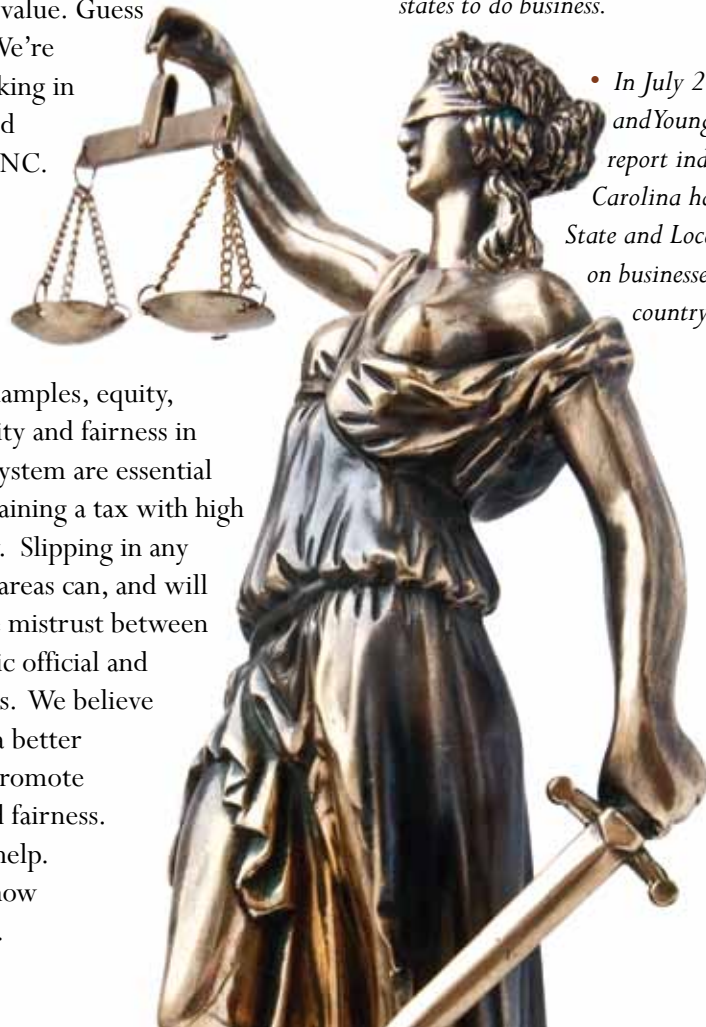
Our first audit client 26 years ago was Cleveland County, NC. They had never done business audits before (nor had anyone else). We knew that if we were not aligned with the best interests of the business community, the assessor’s office, and the elected officials, that we wouldn’t be working there very long. To date, we’ve helped them recover almost \$400 million in assessed value. Guess

what? We’re still working in Cleveland County, NC.

As you can see through the above examples, equity, uniformity and fairness in the tax system are essential to maintaining a tax with high integrity. Slipping in any of these areas can, and will promote mistrust between the public official and taxpayers. We believe there is a better way to promote trust and fairness. We can help. Let us show you how.

Consider these statistics that might indicate the effect of TMA’s auditing programs on businesses:

- *TMA has continued to expand in NC, with well over 55,000 formal audits performed in NC since 1990.*
- *We have current audit contracts in 9 of the top 10 counties in NC, ranked by personal property value.*
- *Through these contracts, those 9 counties have completed 10,000 formal audits in the last 5 years alone.*
- *Those 10,000 audits have recovered over \$3.2 Billion in unlisted business personal property value.*
- *North Carolina is consistently ranked between #1 and #5 regarding the best states to do business.*
- *In July 2012, Ernst and Young released a report indicating North Carolina had the Lowest State and Local Tax burden on businesses in the entire country.*





Alabama

We are Grateful for the Loyalty of our Clients in the state of Alabama | by Ryan Hunter

Here at TMA, we're proud that we've been in business for more than 33 years. We can attribute our success to: hard work, dedicated staff, and innovative services. But we wouldn't be here today without the loyalty of our clients. It is with gratitude that we recognize those who have worked with us over the years. Among our long time clients are several counties in the great state of Alabama.

TMA has worked with counties in Alabama for more than a decade. A few clients that come to mind are Marengo, Baldwin, Montgomery, Morgan, and Mobile County. We provide Audit Services to the aforementioned counties, and since we've worked with them for almost fourteen years, we must be doing something right.

TMA has worked with nearly half of the 67 counties within Alabama. Nancy Potts plays a large role; acting as a liaison between Alabama clients and TMA. Nancy is the TMA salesperson

for Alabama. She joined the TMA Sales Team in 2009 after serving Davidson County, TN as Personal Property

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Supervisor for 11 years. She also served as Revenue Commissioner in Lauderdale County, AL for 14 years.

Nancy's prior experience in state and local government tax administration gives her a unique perspective in addressing the needs and goals of our clients.

Most recently, Nancy visited with clients in Alabama at the AATA, Alabama Association of Tax Administrators. Typically, Nancy visits with clients about once a quarter to maintain positive, professional relationships and to ensure all programs are progressing on schedule.

Here is some information on a few of our many Alabama clients...

Baldwin County is the largest County in Alabama, by landmass, and the current Baldwin County Revenue Commissioner is Teddy Faust. The Revenue Commissioner's Office is responsible for mapping, appraising, and assessing each parcel of property and then collecting taxes based upon each parcel's assessed value.

If you have any questions or comments about this article, please contact Ryan Hunter at 1-800.951.5350. TMA

Teddy's term as the Baldwin County Revenue Commissioner became effective October 1, 2009. Faust is a lifelong resident of Baldwin County. Before being elected as Revenue Commissioner, he served as a Certified Real Estate Appraiser with R.L. Farmer & Co. for 15 years. Baldwin County has worked with TMA since June of 2000.

Marengo was the first county in Alabama to contract with TMA for an audit program. Bo McAlpine, Revenue Commissioner, agreed to be the first to start the audit program in 1998.

Bo retired several months ago and Governor Bentley appointed Sharon Barkley as the new Revenue Commissioner. We are proud to share that Marengo County is still one of our clients today.

Janet Buskey is the Montgomery Revenue Commissioner in Montgomery County. Janet has been in office since 2008. TMA also works closely with Allyson Holland, Chief Clerk, on the Audit Program, which has been in progress since 2010.

Morgan County has been a client of TMA since October 1999. Amanda

Scott, CPA is currently the Revenue Commissioner in Morgan County and has held the position since 1996. The Revenue Commissioner is elected by the people of Morgan County for a six-year term. The office collects approximately 55 million dollars annually.

Marilyn Wood is currently the Revenue Commissioner in Mobile County and

has worked with Mobile County since 1999.

These are just a few of the jurisdictions we work with in Alabama. We are so appreciative of all our clients. Not only do they give us feedback in order to improve our services, but also they assist us with creating new ones. When a client voices a concern, TMA will create a solution. The processes utilized between TMA and our clients are intended to improve the efficiency of everyday tasks, and to hopefully

make life a bit easier for

everyone involved. TMA

has worked with more than 500

jurisdictions and

continues to

increase our

number

of client

relation-

ships every

year. We

are proud

of what

we do; and

we look

forward

to assisting

more

jurisdictions

whether they are

state, county, or

citywide.



has been since 2003. Almost 47% of the property tax collected is for public education in Mobile County. TMA

Alabama has played such a huge part in the success of our company today. I would like to once again say thank you for the loyalty of our clients. Do you have questions about TMA or the services we provide? Please contact Ryan Hunter for more details.



Courtesy in Audit

Courtesy is an Auditor's Best Asset while Communicating to Taxpayers | by Taylor Ennis

With hundreds of clients and an audit program boasting more than 25 years of history, TMA knows a thing or two about auditing.

Have you ever considered the characteristics about a truly successful audit? Here are a few that may come to mind: A well-prepared auditor and taxpayer always make for a less stressful experience. The auditor should be professional and efficient in time management. This will prevent taking up too much of the taxpayer's time. The audit should be conclusive and comprehensible in its findings.

But what else makes the audit tolerable for all parties involved? A seasoned auditor quickly learns courtesy and respect are the essential tools in order to assist a taxpayer with embracing the audit process. Let's be honest, most taxpayers would rather endure a root canal that have a stranger look through their confidential financial information. So how can an auditor alleviate the

taxpayer's initial fears over an upcoming audit? Why not treat them with a dose of courtesy? You may be surprised at how far it gets you today. Here are a

"TMA has hundreds of audit clients and our audit program has been active for over 25 years, so we know a thing or two about auditing and how it should be done"

few simple guidelines of respect and kindness to use before and during an audit to provide for a mutually rewarding experience.

It is important for auditors to not take up more time than necessary. However, if you take the time to get to know the taxpayer and their business it becomes easier to expedite any issues further in the process.

A quality practice is to offer to meet with the taxpayer at a time suitable to their needs. By meeting before hours, after hours, or at some other acceptable time, you provide flexibility that assists the taxpayer. This also starts out the professional relationship on a more positive note.

Always travel to the taxpayer's place of business or where their records are kept when conducting the audit. The taxpayer does not want to send confidential information through the mail; and by visiting the business, you can judge issues of obsolescence or depreciation for yourself.

While going through the audit process, never accuse a taxpayer if the numbers

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do not match. Ask more questions, be polite and attempt to search for common ground. If you accuse a taxpayer, it may prompt them to lash out and become more difficult to work with. Auditing is a process, and by working with a taxpayer rather than against them, it can greatly reduce stress, complications, and confusion.

While the process of an audit is not always easy and auditors aren't typically welcomed with open arms by taxpayers, it is their job to audit and educate the taxpayer. Here is an audit experience that was less than ideal for, TMA auditor, Jennifer Lilly:

The audit was a numerous appointment, meaning we could not reach the taxpayer, so I "showed up." As I arrived the first time, the taxpayer wasn't there. After meeting him for the second time, he stated "I've been in business 15 years and have never heard of business personal property taxes – when did this begin?" As I continued to explain business personal property he said, "I pay sales tax on my stuff, so why would I also need to pay business personal property taxes?" Any questions I asked him pertaining to his assets, his reply was always, "That's not worth anything." As I left, I explained the BPP reporting process again, and that it was required by all companies. Needless to say, while his acceptance wasn't the warmest, I wanted him to be informed about the reason I was there and what my duties were.

Auditors should attempt to ensure that all inconsistencies are resolved before leaving the site. This way nothing comes as a surprise later in the process.

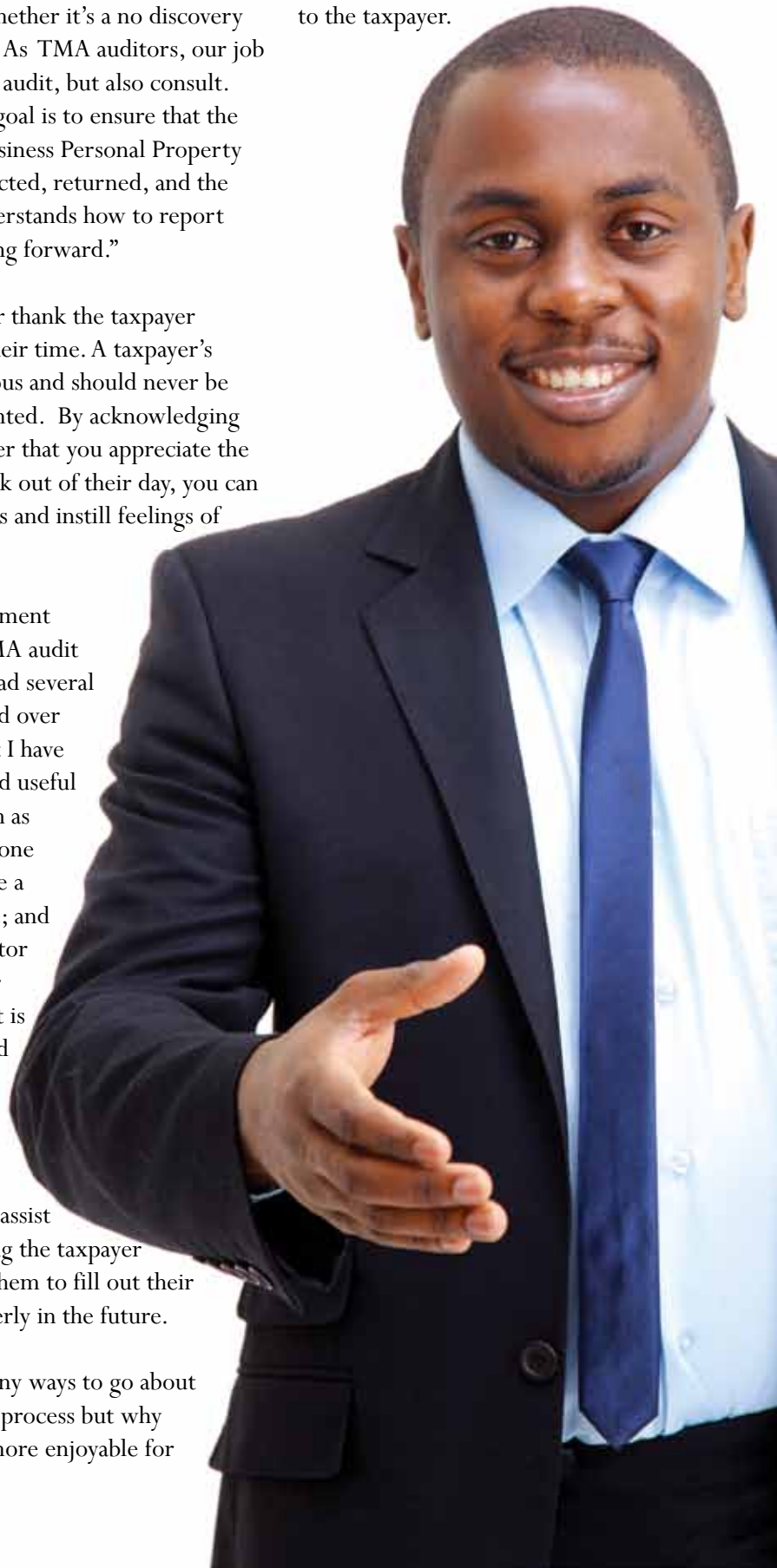
Jennifer Lilly said this when asked about her approach on audits, "When completing all audits, and conducting the exit interview, I always make any necessary recommendations to the taxpayer – whether it's a no discovery or discovery. As TMA auditors, our job is to not only audit, but also consult. My ultimate goal is to ensure that the taxpayer's Business Personal Property form is corrected, returned, and the taxpayer understands how to report correctly going forward."

You can never thank the taxpayer enough for their time. A taxpayer's time is precious and should never be taken for granted. By acknowledging to the taxpayer that you appreciate the time they took out of their day, you can alleviate stress and instill feelings of gratitude.

This is a statement made by a TMA audit client, "I've had several clients audited over the years, but I have never received useful feedback such as yours." Everyone can appreciate a job well done; and when an auditor is thanked for their effort, it is rewarding and encouraging. This example proves it is important to assist with educating the taxpayer in order for them to fill out their returns properly in the future.

There are many ways to go about completing a process but why not make it more enjoyable for

everyone involved? By choosing to be courteous and respectful you can make the process easier and reduce the anxiety of the taxpayer. Courtesy is an auditor's best asset while communicating to the taxpayer.





TAX

MANAGEMENT ASSOCIATES, INC.

Since 1987, TMA has performed revenue enhancement services for over five-hundred (500) state and local government clients in seventeen (17) states including statewide programs for both the Kentucky Revenue Cabinet and the Michigan Department of Treasury. Over 120 employees and 33 years of experience, TMA is the nation's number one source for excellence in property tax assistance.

To date, TMA professional auditors have performed over 159,000 audits for our clients. In addition, TMA has discovered over \$37 billion in unreported or under-reported taxable business personal property value. This translates to over \$900 million dollars raised for our clients. What's more is that these audits have been completed in a timely manner all while retaining an overall appeal rate of less than one half of one percent. Please call and find out what services would benefit your jurisdiction at 1 (800) 951-5350.