

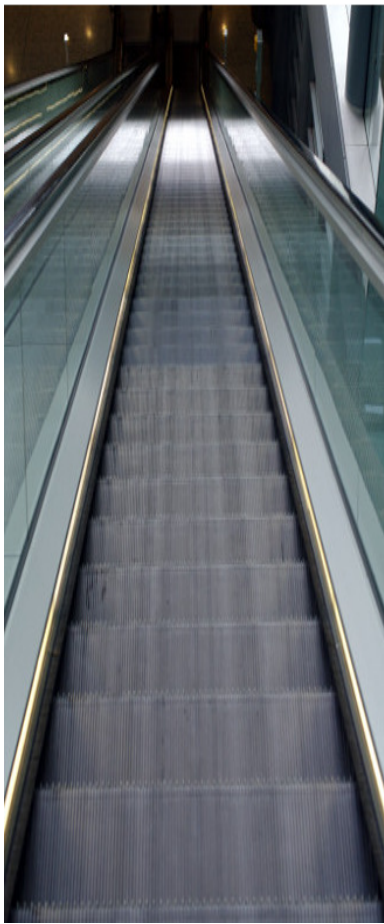


True Insight

September 2010

Creating a Strategic Property Tax Advantage

Overview



Is your property tax function effective? How do you know? A client once told us that his property tax function was effective because “the attorney handling our appeals said so.” Ever since that meeting, we have pondered the question, “How do you know?”

Whether the function is performed internally by employees or externally by consultants and attorneys, property tax effectiveness is largely a mystery. Recently, we discovered that the elusiveness of measuring effectiveness was partly tied to a general lack of corporate strategy around property taxes. Do you know if your company has a property tax strategy? We propose that every business should have a

property tax strategy, which, if executed properly, would drive significant above-the-line benefits to the organization. So why do companies lack a property tax strategy?

“I know that our property taxes are low because the attorney handling our appeals told me so.”

Recent Findings

According to recent studies published by national tax research organizations, over 50 percent of the state and local tax burden on business

is from ad valorem (property) taxes (\$215 billion)¹. Considering this significant burden on business, coupled with the above the line nature of the tax, we reasonably expect that companies should devote the same or increased levels of resources to managing property taxes as compared to below the line state income taxes (\$50 billion). However, this is generally not the

Embark on a journey to walk down the up escalator.

Calculating an effective tax rate can be challenging, considering all property is not subject to ad valorem (property) taxation in all states. However, a company can capture essential information to calculate an estimate of the effective property tax rate. We recommend using the entire tax liability for a given year in the numerator of the equation. Likewise, use the total cost of inventory, land, property, plant and equipment from the company balance sheet for the denominator of the equation.

Property Taxes

Assets

=

Effective Property Tax Rate

case. As we surveyed companies, we learned the following:

1. Companies generally use less experienced staff to handle property taxes
2. Companies are more likely to outsource or co-source property and sales taxes
3. Less than 5% of companies have a way to measure property tax function effectiveness
4. Less than 10% of companies have a clear property tax strategy
5. Most companies do not measure effective property tax rates
6. Most common property tax strategies: "File returns, review assessments and pay bills - timely."

Reaction

In response to the needs of the

marketplace, we are excited to offer a new service focused on helping companies develop a strategic approach to property taxes and providing unparalleled value to our clients. Our value proposition is simple: **We deliver short and long term property tax strategies focused on maximizing property tax function effectiveness at a fixed price.** Our clients will realize reduced property taxes, as evidenced by lower effective tax rates, elimination of penalties and interest, minimized exposures and maximized visibility over property tax function effectiveness. At a minimum, every client will have the peace of mind that the property tax function is performing at a high level. Our clients will know that the property tax function is effective!

Take your first step towards increasing effectiveness and please call us immediately. We are confident that you are a qualified candidate for our new Strategic Property Tax Review service offering.

Contacts

If you are interested in discussing this opportunity further, please contact a member of our team.

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