Ethical Considerations in the Assessment Process

Brenda Arnold, State of Wyoming
Don Boehm, Basin Electric
Jason Butterworth, Ernst & Young

Moderators: Dave Schneider, Ernst & Young
Mark Semerad, Level 3 Communications
Ethical Issue 1

A corporate tax manager reports a large amount of property on a return to a local assessor. When the tax manager reviews the work papers of the assessor, it is noticed that a large amount of property was omitted from the assessor’s calculation of taxable value.

Does the tax manager have an ethical duty to inform the assessor of this error?

Would it matter if the discovery is before or after the finalization of values?
I.A.A.O. says:

Canon 1. Members shall conduct their professional duties and any activities as a member of I.A.A.O. in a manner that reflects credit upon themselves, their profession and the organization.

ER 1-1. It is unethical for members to conduct their professional duties in a manner that could reasonably be expected to create the appearance of impropriety.
I.P.T. says:

Canon 1. It is unethical to engage in any conduct that discredits IPT, its membership or the tax profession.

Canon 12. It is unethical in the performance of a tax assignment to knowingly furnish or knowingly rely upon inaccurate, deceitful or misleading information, or to knowingly withhold information which lawfully should be revealed.
Ethical Issue 2

An assessor reviewing the return of a corporate taxpayer suspects that a significant amount of property was double-reported.

Does the assessor have an ethical obligation to inform the taxpayer and give them an opportunity to amend the return?
I.A.A.O. says:

Canon 1. Members shall conduct their professional duties and any activities as a member of I.A.A.O. in a manner that reflects credit upon themselves, their profession and the organization.

ER 1-1. It is unethical for members to conduct their professional duties in a manner that could reasonably be expected to create the appearance of impropriety.

ER 1-3. It is unethical for members to knowingly violate applicable laws and regulations in the performance of their duties or to apply such laws and regulations in an inequitable manner.
I.P.T. says:

Canon 1. It is unethical to engage in any conduct that discredits IPT, its membership or the tax profession.

Canon 12. It is unethical in the performance of a tax assignment to knowingly furnish or knowingly rely upon inaccurate, deceitful or misleading information, or to knowingly withhold information which lawfully should be revealed.
**Ethical Issue 3 (3 parts)**

Is it ever ethical for a taxpayer to withhold information from an assessor that would be relevant in the determination of that taxpayer’s value?

Is it ever ethical for a consultant to withhold information from a client that would be relevant in the determination of that client’s value?

Is it ever ethical for an assessor to withhold information from a taxpayer that has influenced the ultimate determination of that taxpayer’s value?
I.A.A.O. says:

ER 1-3. It is unethical for members to knowingly violate applicable laws and regulations in the performance of their duties or to apply such laws and regulations in an inequitable manner.

ER 1-4. It is unethical for members to refuse (by intent or omission) to make available all public records in their custody for public review, unless access to such records is specifically limited or prohibited by law, or the information has been obtained on a confidential basis and the law permits such information to be treated confidentially. Assessing officers must make every reasonable effort to inform the public about their rights and responsibilities under the law and the property tax system.
I.P.T. says:

Canon 5. It is unethical to disclose confidential employer or client documents or information except with the consent of the employer or client or as required by law.

Canon 12. It is unethical in the performance of a tax assignment to knowingly furnish or knowingly rely upon inaccurate, deceitful or misleading information, or to knowingly withhold information which lawfully should be revealed.
Ethical Issue 4

You are at a conference with state and local officials, corporate tax managers and consultants discussing various appraisal and assessment issues for communication, energy and transportation companies. But you know that. During the week, receptions with free drinks and snacks are held at the conference hotel provided as part of the registration fee for all attending the conference. Outside of the reception, a sign states “Reception Provided by a Donation by ABC-XYZ Business Tax Consultants”. At the reception, government officials are asked to go to dinner by corporate tax managers. Corporate tax managers are asked to go to dinner by consultants. Government officials are asked to go to dinner by other government officials to escape all of this.
Do we have any ethical problems with this all-too-familiar scene?
I.A.A.O. says:

Preamble. Public trust in our performance is the foundation of our credibility. Assessment professionals support IAAO because they trust us to be good stewards of their resources, to uphold rigorous standards of conduct and to serve as a catalyst for excellence in the assessment profession.

We must do more, however, than simply obey the rules. We must embrace the spirit of the governing documents, and go beyond stated requirements making sure that what we do is matched by what the membership perceives and expects.

ER 1-1. It is unethical for members to conduct their professional duties in a manner that could reasonably be expected to create the appearance of impropriety.
I.P.T. says:

Canon 1.  It is unethical to engage in any conduct that discredits IPT, its membership, or the tax profession.

Canon 6.  It is unethical to offer or give anything of value to a public official to induce that official to take any action with respect to a tax matter.

Canon 7.  It is unethical to offer or give anything of material value to an individual in an employment, advisory or representative relationship with a business to induce that individual to recommend the purchase of goods or services by the business, and it is unethical for such individuals to receive such value.
Ethical Issue 5

Government:
You are employed by the state property tax division to write regulations, among other duties. You have been assigned to draft regs regarding appeals in a certain property tax program. You are aware of a rather obscure statute that allows appeals after the receipt of tax bills that has been clearly upheld by the courts in a series of old cases. You include this procedure in the regs. Your boss, the property tax director, who you feel is one of the best people in the profession and has always treated you well, says “let’s get rid of that provision and say you can’t challenge the assessment after the appeal period. No one knows about it and if we put it in there, the assessors will be up in arms because of the potential disruption of the assessment process. If someone figures this out, they can challenge it in court and knock out the reg.”

What do you do now?
I.A.A.O. says:

Statement of Values
Commitment to the improvement of the property tax system worldwide.

Exceptions:
If compliance with or adherence to any Canon or Ethical Rule set forth in the IAAO Code of Ethics and Standards of Professional Conduct would constitute a violation of the law of any jurisdiction, such Canon or Ethical Rule shall be null and void and of no force or effect in such jurisdiction.
I.A.A.O. sayeth further:

ER 1-3. It is unethical for members to knowingly violate applicable laws and regulations in the performance of their duties or to apply such laws and regulations in an inequitable manner.

ER 1-5. It is unethical for members to refuse to cooperate with public officials to improve the efficiency and effectiveness of the property tax in particular and public administration in general.
Ethical Issue 6

Corporate:
One of your duties as corporate property tax manager is to prepare accrual estimates for the upcoming year. Although property tax is hard to estimate early in the year, it is necessary that publicly traded corporate taxpayers accrue the estimated tax in each period and report as part of SEC filings. SEC filings are public record and affect stock price. There are voluminous laws, regulations and ethical standards prohibiting understatement of liabilities on public filings. Your boss tells you the desired property tax accrual number that senior management wants to see and asks if you will approve it. You feel that number is too low given the higher capital expenditures and income figures for the past year. Your boss, who you respect and feel is fundamentally an honest and professional person, says you always manage to achieve lower values than you anticipate and asks again if you will approve the estimate.

What do you do now?
I.P.T. says:

Canon 11. It is unethical in the performance of a tax assignment, to fail to exercise independent judgment in advising and representing a client.

Canon 12. It is unethical in the performance of a tax assignment to knowingly furnish or knowingly rely upon inaccurate, deceitful or misleading information, or to knowingly withhold information which lawfully should be revealed.

Canon 18. It is unethical for a member having supervisory responsibility for another tax professional to knowingly authorize, direct, permit or ratify any subordinate’s act or omission that is declared unethical by this Code, regardless whether the subordinate is a member of IPT.