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A hand is shown stacking gold coins into three increasing stacks. To the right is a small white house model with blue windows. The background is a blurred blue and white.

A GUIDE TO BETTER PROPERTY TAX COMPLIANCE FOR BUSINESSES

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Overview

This knowledge brief discusses the different property tax-related challenges faced by businesses aiming to set themselves up as Best-in-Class leaders. It explores strategies for efficiently addressing all property tax needs, enhancing operational efficiencies, and positioning businesses for greater success.

Property tax management remains a complex task for businesses as the number of locations in which they manage properties continues to grow. These properties are subject not only to different state tax laws, but also different local jurisdiction laws within a state. To identify the key challenges businesses face and the actions they are taking to improve their tax and compliance processes, Aberdeen Strategy & Research conducted a survey of 199 tax professionals from businesses with substantial knowledge of property tax compliance activities. For the purposes of this research, **property tax** is defined as real estate or tangible business personal property tax on the value of property in any given jurisdiction.

Looking ahead to future organizational priorities, companies are concentrating on growing revenue, increasing sales, and broadening their customer bases. Companies are prioritizing customer acquisition and they are also identifying efficiencies across all property tax management activities including research, documentation management, filing, and audits (see sidebar). Aberdeen research has found that property tax professionals at businesses need better processes to fuel their property tax activities and position them to better support future growth. This report reveals that Best-in-Class businesses meet all their compliance responsibilities while maximizing their internal resources by:

- ▶ Utilizing solutions with automation capabilities across different property tax activities to drive better reporting and calculation accuracy to minimize risk.
- ▶ Leveraging all-in-one/single-source solutions that provide greater visibility into information across all property locations, allowing for any internal or external changes to be addressed.

More Efficient Tax Processes Drive Greater Agility

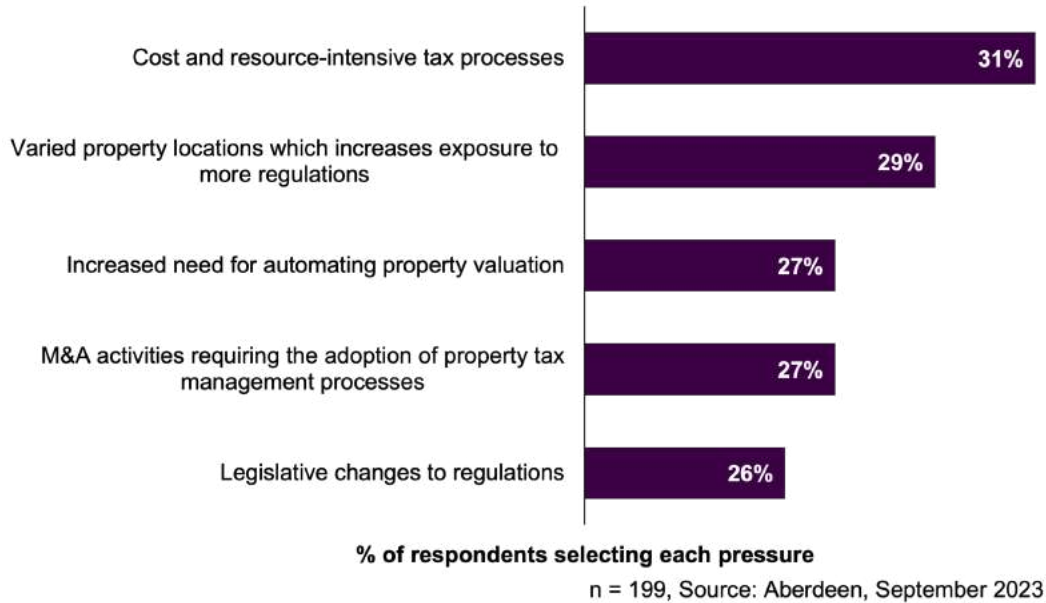
Businesses encounter a variety of challenges that impact their tax compliance activities. Specifically, they identify cost and resource-intensive tax processes as the primary pressure driving changes across

Top Organizational Priorities

- ▶ Gaining more clients and customers, **35%**
- ▶ Identifying efficiencies to minimize efforts and costs, **32%**
- ▶ Securing comprehensive data sets & analytics, **26%**

all stages of their property tax activities, including jurisdictional research, return filing, and audit management (Figure 1).

Figure 1: Top Pressures Driving Property Tax Compliance Activities



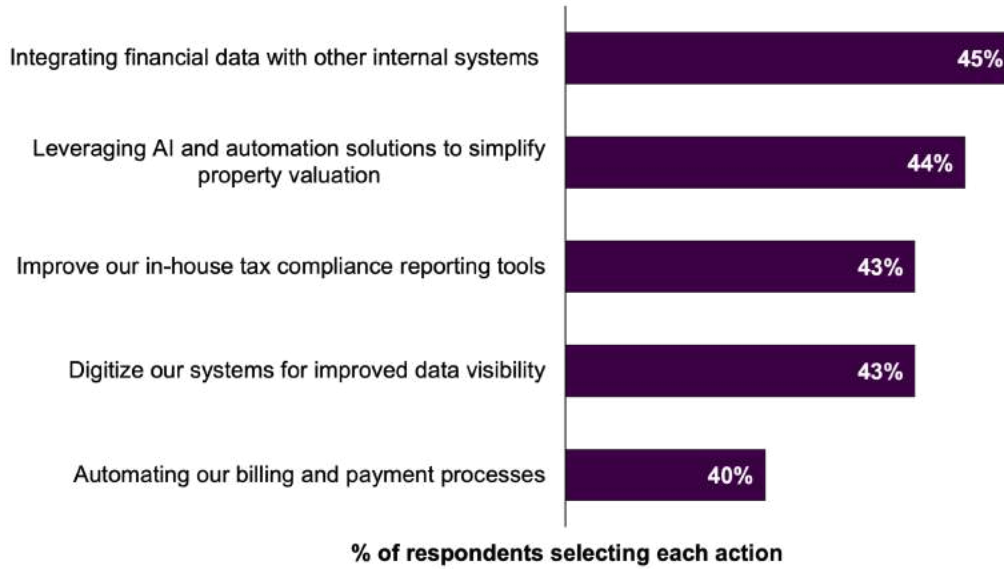
Furthermore, another key pressure driving new compliance processes is the increased need for automating property valuation. Establishing processes that automatically gather all relevant market and property information to accurately calculate property value and complete tax documentation minimizes errors associated with manual data entry.

Addressing a variety of internal and external changes adds an additional layer of challenges that businesses must consider. Internally, maintaining varied property locations requires businesses to stay current not only on state regulations but also on local jurisdictions. Moreover, businesses find M&A activities to be a top challenge, necessitating new processes to account for the additional locations they need to manage. Externally, businesses must also adapt to legislative changes across all locations where they have properties. With more properties to manage and regulations to follow, having the right process and technologies is important for businesses to effectively manage property tax compliance in a rapidly changing economic landscape.

Creating improved processes through the automation of certain activities and improving data visibility is crucial to addressing the different challenges and pressures that businesses face. One key action that businesses are taking to address these challenges is integrating their

financial data with other internal systems, allowing them to utilize the most up-to-date and accurate information for their calculations (Figure 2).

Figure 2: Top Actions to Alleviate Pressures Faced



n = 199, Source: Aberdeen, September 2023

In addition, businesses are also digitizing their systems for greater data visibility, ensuring that all relevant property-related information is centralized, allowing them to generate reports with lower latency. Lastly, by improving the accuracy and speed of data, businesses enhance their internal reporting processes, reducing traditionally resource-intensive processes.

Another action businesses are taking is automating different activities to better meet their compliance needs across the various locations where they manage properties. Tools that automatically calculate property value based on past property attribute data entered in the system, such as square footage and location, provide the most accurate valuation for tax calculations. Additionally, businesses are automating billing and payment processes to avoid any missed deadlines. By automating manual tasks and improving data quality across the business, businesses ensure that all their tax responsibilities are met with minimal errors without putting the burden on internal tax teams.

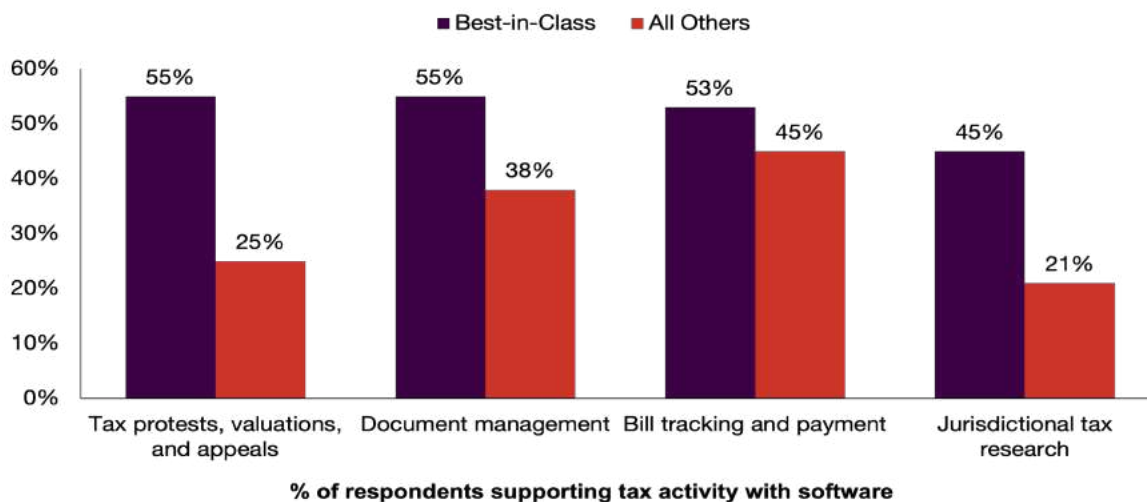
The Best-in-Class Have the Right Tools and Processes to Better Manage Their Activities

With the numerous challenges that businesses face and the various actions they are taking to address these challenges, it is evident that having the right technologies and capabilities is critical to successfully managing all their property tax needs. But how can businesses leverage the ideal tools and resources to achieve these efficiencies?

To answer this question, let's examine what Best-in-Class businesses are doing. Best-in-Class businesses are defined by Aberdeen as the top 20% of companies based on their performance on key compliance metrics (see sidebar). Best-in-Class businesses are spending less money on audits (including fines, penalties, and corrective labor) compared to All Others, who are spending much more. In addition, the Best-in-Class are dedicating 28.3x less time and resources to monthly tax processing activities. As a result of having less costly audits and more efficient resourcing, the Best-in-Class achieve a 15.9x greater improvement in operating margins.

With timely payments being increasingly important for continued success, businesses use both internal and external resources via third-party software solutions (see sidebar on page 6) to ensure that all their property tax needs are met. However, the Best-in-Class leverage software solutions more frequently when it comes to the following property tax activities (Figure 3) and, as a result, see better compliance management.

Figure 3: The Best-in-Class Use Software at a Greater Rate



n = 199, Source: Aberdeen, September 2023

Best-in-Class Scoring Metrics

Operating margins (average YoY change)

- ▶ Best-in-Class: **+23.8%**
- ▶ All Others: **+1.5%**

Time/resources dedicated to monthly tax activities (average YoY change)

- ▶ Best-in-Class: **+22.6%**
- ▶ All Others: **+0.8%**

Total cost of audits (average YoY change)

- ▶ Best-in-Class: **+16.7%**
- ▶ All Others: **-1.3%**

Best-in-Class businesses are also 2.2x more likely to manage tax protests, valuations, and appeals with a software solution (55% vs. 25%). This ensures that businesses can easily compare assessed property values against market values and create appeal packages, resulting in fewer overpayments. Furthermore, the Best-in-Class are 2.1x more likely to support jurisdictional tax research (45% vs. 21%) with software technologies. In doing so, they can ensure that all relevant regulations and forms are being accounted for when filing, leading to fewer audit penalties. By outsourcing their tax research and protest needs, businesses ensure that they are maximizing their tax returns.

The Best-in-Class also leverage software solutions to address all their monthly property tax responsibilities. Specifically, the Best-in-Class are 31% more likely to support their document management (55% vs. 38%) and 15% more likely to support bill tracking/payment activities (53% vs. 45%) with software. By automatically combining all relevant tax documents in a single hub and tracking due dates for any bills, businesses reduce the amount of manual effort needed from internal teams to manage and reconcile their monthly tax compliance activities. Using software to manage different activities across the tax compliance lifecycle gives businesses the ability to meet all their property tax responsibilities and gain the operational efficiencies needed to continue to grow.

Key Takeaways for Better Property Tax Compliance

Businesses need the right technologies and solutions to efficiently handle all property tax compliance tasks, freeing up internal tax teams for strategic initiatives. To enhance tax processes successfully, two crucial points stand out:

- ▶ Automation of manual and error-prone property tax activities helps businesses manage their compliance responsibilities while saving time and resources.
- ▶ All-in-one solutions provide businesses with a 360-view of all relevant information in their property portfolio, allowing for better management and minimized risk.

By following in the footsteps of Best-in-Class businesses and strategically leveraging both internal and external resources across different tax compliance activities, businesses set themselves up for growth while minimizing risks.

Top Tax Activities Supported by a Third-Party Software Solution

- ▶ Legal research, **48%**
- ▶ Jurisdictional research, **43%**
- ▶ Tax protests, valuations, & appeals, **36%**

About Aberdeen Strategy & Research

Aberdeen Strategy & Research, a division of Spiceworks Ziff Davis, with over three decades of experience in independent, credible market research, helps **illuminate** market realities and inform business strategies. Our fact-based, unbiased, and outcome-centric research approach provides insights on technology, customer management, and business operations, to **inspire** critical thinking and **ignite** data-driven business actions.

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18657