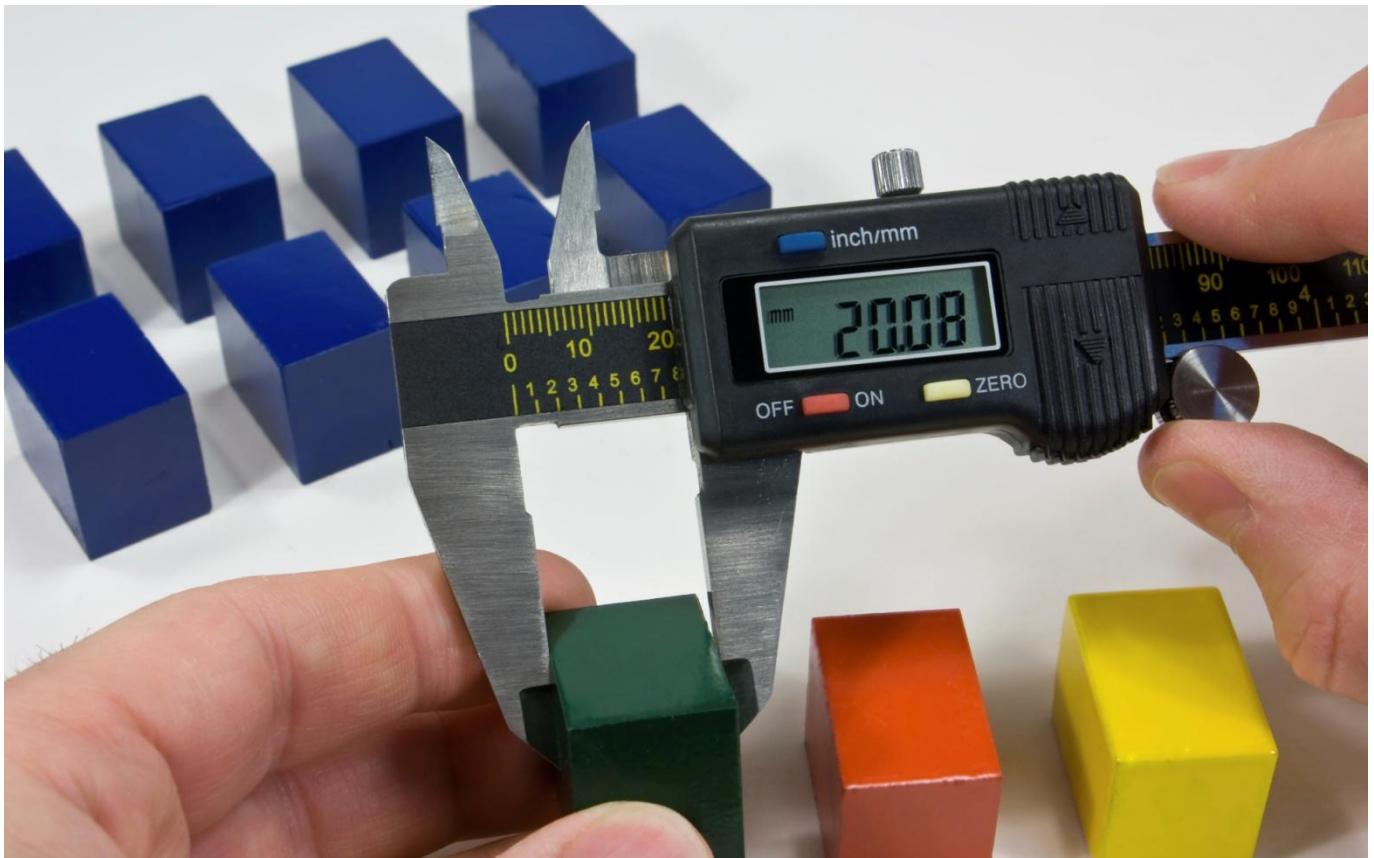




PROPERTY TAX BENCHMARKING

AN EXECUTIVE REPORT AND SUMMARY OF FINDINGS



For over 35 years, DuCharme, McMillen, and Associates, Inc. (DMA), has been working with companies to minimize the cost and administration of corporate taxation. During the summer of 2006, we started to explore new and alternative methods to provide value to our clients, one of which was benchmarking. In the spring of 2008, we launched our Property Tax Benchmark. Since the inception of our benchmarking practice, we have worked with some of the finest Fortune[®] 1000 firms in North America.

What follows is an executive summary and report of findings based upon the results of the organizations that have participated in our Property Tax benchmark.

Below are several of our initial findings:

- **Staffing focus on high-value tasks:** Given the self reporting nature of personal property taxes, they are significantly more expensive to administer than real property taxes. However, personal property taxes tend to represent a smaller portion of the overall property tax burden for most companies. This leads to a disparity in spending where the majority of administrative costs tend to be allocated to the smaller tax liability.
- **Successful tax automation:** Companies who have a higher personal property tax liability have focused heavily on automating and streamlining the return process.
- **Minimizing taxes using external resources:** Companies with significant real property holdings utilize both internal staff and external consulting staff actively in their pursuit of reducing real property tax assessments.

We hope you find this executive summary of interest and value.

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Benchmarking Defined

Benchmarking (verb): the process of comparing your company to a peer group to identify areas that may need improvement and to identify your adoption of best practices.

DMA’s benchmarks probably differ from surveys or other studies you may have participated in. We have a defined and rigorous process through which our tax benchmark team guides each of our benchmark participants. One of the differentiating steps is data validation. During data validation, we examine the response to each question and confirm not only the client’s individual answer, but we also take the time to understand how their answers fit in with their overall story.

As a management tool, benchmarking can be used to:

- Identify performance gaps
- Adopt best practices
- Confirm spending levels (in the areas of staffing, outsourcing, and technology)
- Prioritize change initiatives
- Validate your intuition
- Build a business case for positive change based upon an objective source of insight

Property Tax Benchmark Scope

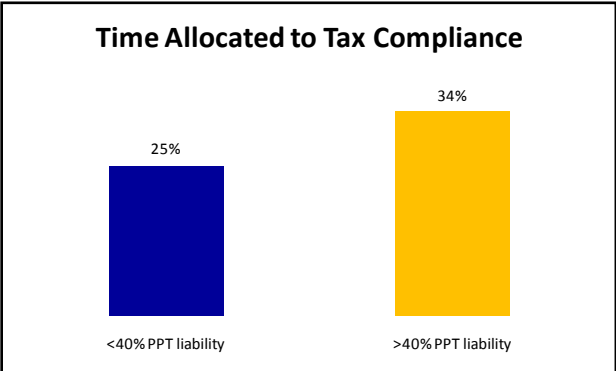
DMA has created a specific scope for all of our benchmarks. The defined scope of our benchmark provides clients with guidance in terms of what to include (or exclude) when participating in the benchmark. All of our benchmark clients use the scope document to map their own processes into DMA’s process map. This mapping process allows DMA to provide benchmark participants with valid comparisons.

Tax Planning	Tax Research	Tax Compliance	Assessment Verification	Remittance and Repository	Audit
<ul style="list-style-type: none"> • Property tax risk tolerance policy • Technology used vs. manual • Business process sourcing decisions • Training of business operations resources • Training/continuing education of tax personnel • Lobbying and regulation management • Site selection and tax incentives • Tax community and association involvement • Mergers, acquisitions, divestures (including due diligence) • Litigation • Future period budgeting • Reserve and exposure analysis 	<ul style="list-style-type: none"> • Tax rates • Determining jurisdictions where there is taxable property • Jurisdictional procedures and schedules • Site inspections to determine property specific issues • Contract management for leased equipment • Tracking of tax law changes • Tools used 	<ul style="list-style-type: none"> • Fixed asset management • Integration with ERP • Verify accuracy and category of assets • Manual versus automated returns • Internal versus outsource • Import data into tax compliance software • Conform assets to jurisdictional and policy guidelines • Tax calendar • Timing of returns • Return preparation • Reconciliation of data • Return approval 	<ul style="list-style-type: none"> • Establish fair market value • Analyze equity of assessments • Verify accuracy of assessments • Apply risk tolerance policy • Determine property to appeal • Internal versus outsource 	<ul style="list-style-type: none"> • Tax payment management • Timing of payment • Check preparation by non-tax personnel • Remittance approval • Tax history and records management 	<ul style="list-style-type: none"> • Notice response • Scheduling • Data gathering • Pre-audit planning • Self audits or desk top audits • Inform and prepare staff • Internal versus outsource

Personal Property Tax Focus

For most organizations, the reporting of personal property taxes requires a significant investment of time and money. In some cases, the reporting of these taxes, which includes the reclassification of assets and return preparation, accounts for almost three quarters of their property tax staff's time. Even companies whose personal property taxes account for less than half of their property tax liability state that the majority of their staff time is still dedicated to personal property tax reporting.

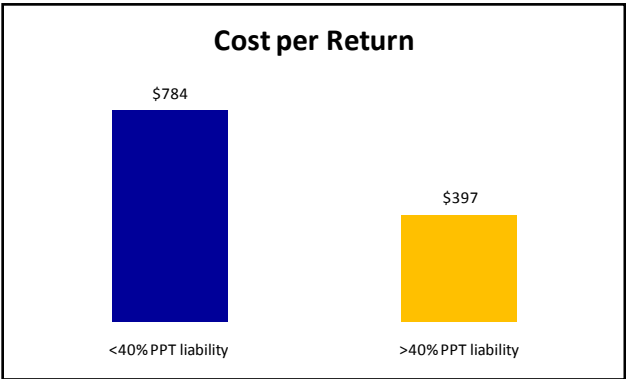
Interestingly enough, while property tax technology has helped automate the compliance process, we are still seeing a significant investment of time dedicated to this process, especially in the companies who have a higher liability in personal property.



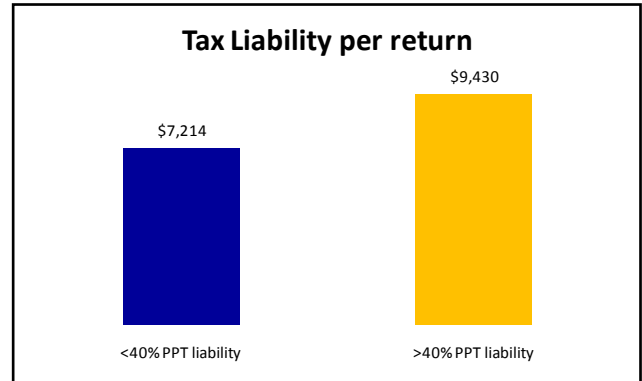
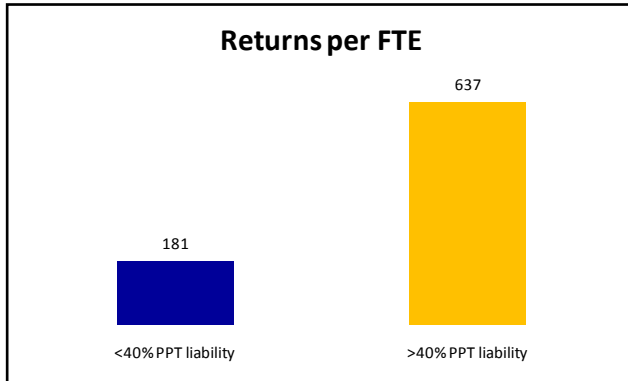
Streamlining the Return Process

Those companies that have a higher focus on personal property tax have dedicated time and energy to automating and streamlining their return preparation process. In our research, 100% of the companies with at least half of their tax liability focused on personal property have automated the Tax Compliance process.

The question remains, what type of return have they received on the investment? As you see below, the ROI is significant. Our data shows that their focus on personal property taxes has reduced their overall cost per return by nearly 50%.



In addition to the benefit of reduced costs on a per return basis, these companies are also experiencing an increase in staff productivity. Their Full Time Equivalents (FTEs) are able to process 3.5 times more returns in a 12-month period than companies who process returns manually. Interestingly, the more productive companies are not just high volume, low value filers. These companies are also responsible for managing a higher tax liability per return and they are using tax automation to their advantage.

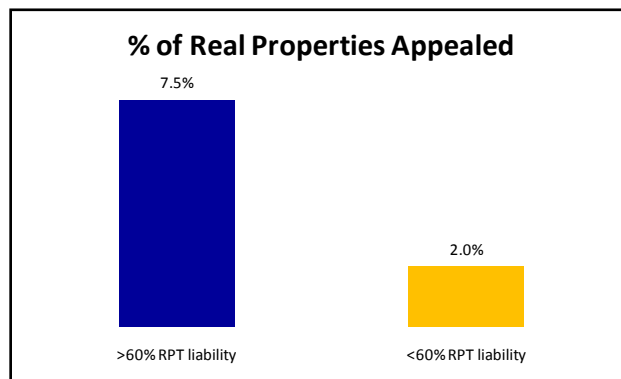


Aggressive Real Property Appeals

On the other hand, there are companies who are paying more in real property taxes. The compliance process and activities required of real property tax is vastly different from personal property. Companies attempt to be as proactive as they can be, but are still, in some ways, at the mercy of their reporting jurisdictions.

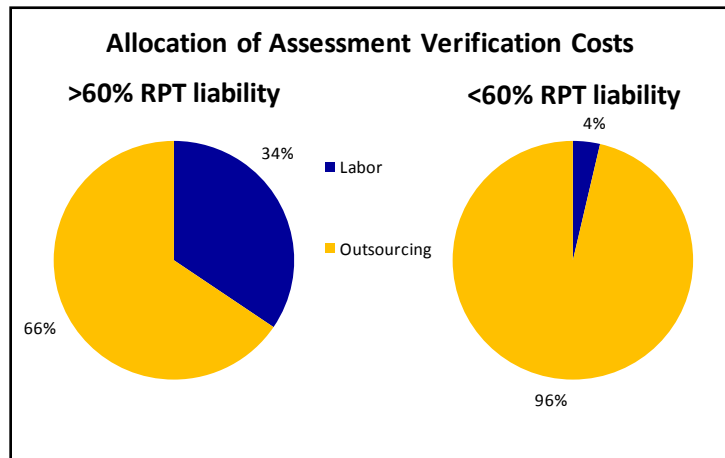
In our research, companies who have the majority of their tax liability focused on real property are spending a larger portion of their budget on Assessment Verification. DMA has defined this process to include the establishing of fair market values and determining properties to appeal. As you would imagine, this is an integral part of the real property tax compliance process.

These companies are also more aggressive on filing property appeals. They are filing 73% more appeals than companies with a smaller real property tax liability.

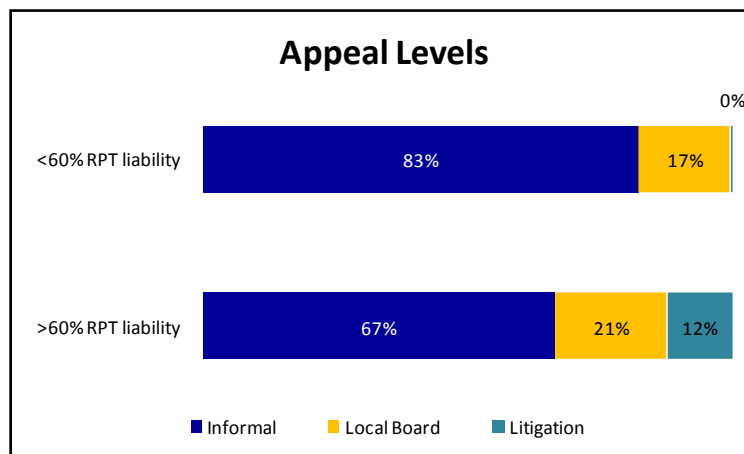


*RPT – Real Property Tax

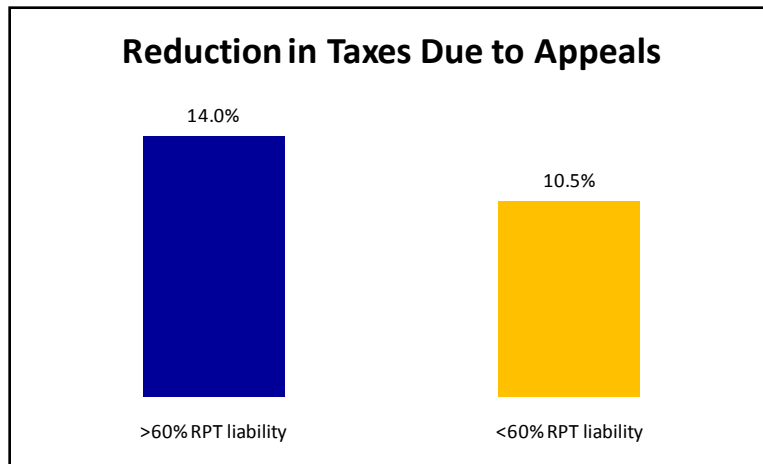
More often than their counterparts, the companies with the majority of their tax liability concentrated on real property view themselves as valuation experts. They are confident in their calculations and property values. Interestingly, these same organizations are also looking externally for expert advice.



Not only are these companies appealing more properties, but they are also challenging the jurisdictions and assessors for greater reductions. A third of this group's appeals are being reviewed in front of a local board or even being formally litigated. The decision for formal litigation indicates that companies do feel they are being over-assessed, and the potential financial benefit of the assessment reduction outweighs any legal or litigation fees.



The aggressiveness has paid off for these companies. Our research shows that while they have been equally successful in reducing their assessed values, those that are more aggressive have reduced their assessed values by an additional 25%.



Looking Ahead

There are definitely two sides of the coin when it comes to property tax. We believe companies will continue to find themselves spending at least a third of their time supporting personal property tax returns. On the real property side, companies with the higher liabilities will continue to invest time in identifying and reducing property assessments. Sometimes this work is done internally, but more often than not, tax departments are outsourcing a portion of this work.

Those companies who are focused primarily on personal property taxes have found a way to automate and streamline their process enabling them to complete returns significantly faster than their counterparts. The ever evolving technology will continue to play a dominant role in their productivity. Merging data from the fixed asset system with jurisdictional guidelines from the tax system will be a necessity. Rolling the fixed asset information into tax forms for filing is step two in the automation. Preparing the property tax returns electronically completes the process. Leading edge companies are taking automation further and linking tax bill payment with their tax software further reducing administrative costs and leveraging technology to the fullest.

Aside from the obvious technology benefits, one of the most forgotten benefits of automation is the amount of time it frees up for your staff. Leading companies are utilizing that time for more proactive planning. This extra time to verify and correctly classify assets has helped reduce errors and eliminate overpayments.

For those who find themselves focusing on real property assessments, they are becoming more aggressive in their fight to reduce their assessed values. They have spent more time doing their research and know the values they expect to be assessed.

Leading companies are proactively working with the jurisdictions to share their research on a more proactive basis. Working with the assessors prior to the assessment being issued has been a successful strategy for many. While companies with a large number of small properties may not find this to be a viable solution, those with larger, more unique facilities have found the effort to be worthwhile.

Whether your focus as a Property Tax Department falls primarily on the personal property or the real property side of the coin, the most successful organizations are those that have created a process which affords them the opportunity to be proactive. The processes these organizations have created allows them to allocate the appropriate time to making correct decisions, as well as appropriately prepare for the work that will follow.

About DMA's Benchmarking Practice

DMA's Tax Process Benchmarking is a service used to identify and quantify improvement opportunities within tax departments at large, complex organizations. The findings of a benchmark provide the factual and objective basis for creating a business case to drive the change necessary to prevent unnecessary spending on tax-related processes. The benchmarks provide insight and recommendations into the deployment of people, processes, technology, and the adoption of best practices.

DMA offers Tax Process Benchmarks in the following areas:

- Property Tax
- Transactional Tax
- State & Local Income and Franchise Tax