Avalara

Taming the Chaos

Conquering the data complexity of U.S. property tax

Carl Hoemke
General Manager, Property Tax, Avalara

Guest speaker – Kevin Permenter
Research Director, Financial Applications, IDC

Disclaimer

While we hope you’ll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.

Safe Harbor

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Meet our panel

Carl Hoemke

General Manager,
Property Tax, Avalara

Carl is a finance and tax industry entrepreneur with more than 30 years of experience developing tools to support fair tax assessments and ease the burden of property tax compliance. His mission is to positively impact organizational efficiencies and help elevate the role of property tax teams with high-quality products and services.

Guest speaker – Kevin Permenter

Research Director,
Financial Applications, IDC

Kevin is a research director covering fintech markets, including accounting, tax, treasury, payments, and revenue management. He leads qualitative and quantitative research, producing buyer and supplier insights through MarketScapes, forecasts, market shares, surveys, and analysis, with a focus on financial application trends and technology adoption.

Agenda

1. **The ultimate tax paradox**
   Why property tax is the most lucrative yet most complicated tax in America
2. **One asset, fifty-one answers**
   The fragmentation hiding in plain sight
3. **Exponential complexity**
   Why it doesn't stop at the state line
4. **The legislative storm**
   Why new laws don't mean less complexity
5. **The breaking point**
   Why manual processes can no longer scale
6. **AI + centralization**
   The path from chaos to control

The problem

The ultimate tax paradox

The most lucrative, yet most complicated

- U.S. property tax is the single largest source of state and local government revenue — funding schools, roads, police, and hospitals
- Yet it remains the most staggeringly complex tax for businesses to manage
- Income tax has one federal code. Sales tax runs on transactions.
- Property tax runs on judgment — someone's opinion of value, applied to your assets, under rules that change at every jurisdictional line

One asset. Fifty-one answers.
The most fragmented, least standardized tax in America — almost nobody talks about it.

Ask one question: "Is intangible value in the base?" — 19 states exempt it, 7 tax it, 12 partial

That's just one line in a matrix with thousands of cells.

Exponential complexity

It doesn’t stop at the state line

The ‘right answer’ you relied on last year may already be wrong

States change and cut property taxes

More than **50** different rules by state — multiplying exponentially across thousands of local jurisdictions.

Lien dates, rendition deadlines, and appeal windows have no fixed statewide dates.

At least **23 states** have lowered real property taxes.

At least **10 states** have cut or are looking to cut business personal property taxes.

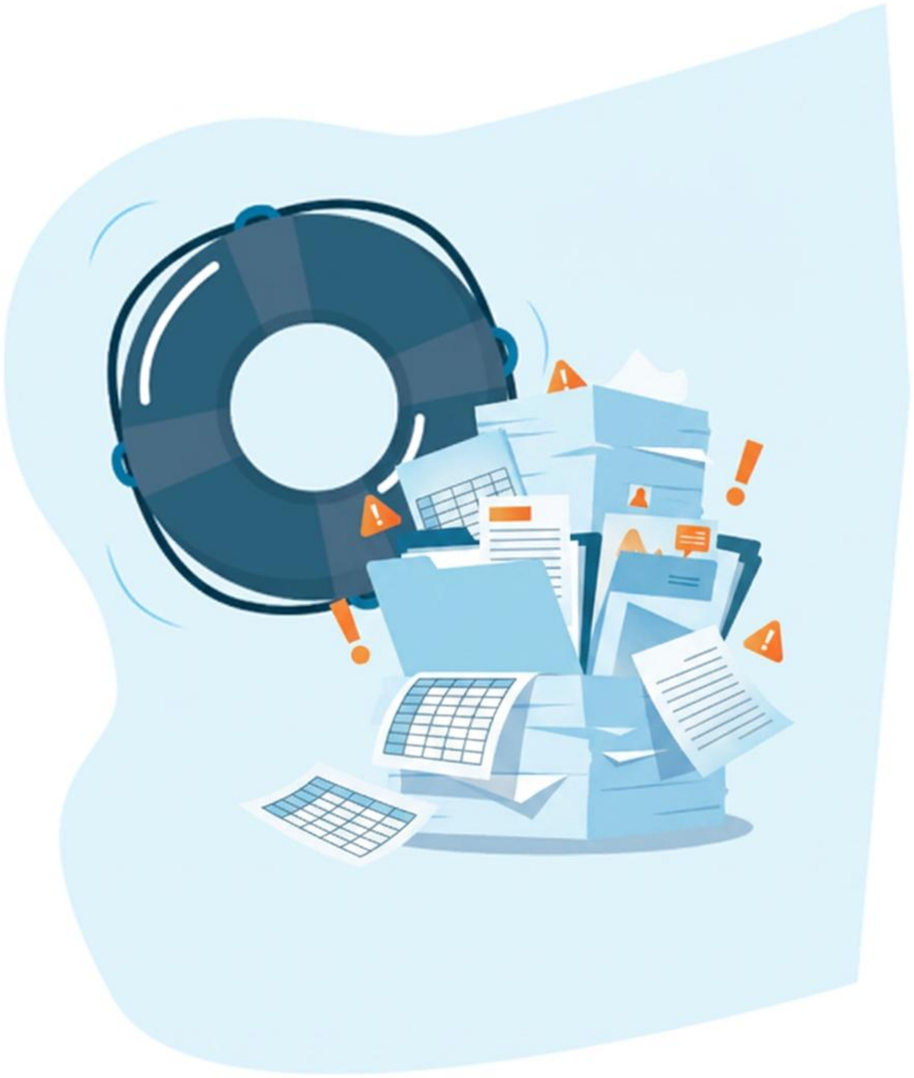
Vermont repealed its telephone property tax July 2026.
California reclassified VoIP in 2026.

Source: NASBO Fall 2025 Fiscal Survey

The “judgment” factor

It runs on someone else’s opinion

- Income tax: one federal code.
- Sales tax: runs on transactions.
- Property tax: runs on someone’s opinion of value, applied to your assets
- Two companies on the same block, holding the same kind of asset, can receive opposite tax bills
- Three valuation approaches — cost, market, income — each struggles to value only what the law actually taxes



Drowning in data

The weight of legacy processes

- As asset portfolios grow, tax teams are drowning in decentralized data
- Spreadsheets · PDFs · paper notices · mail-based communications · email chains
- Every misclassified intangible, every missed exemption, every blown appeal deadline is real money
- The map redraws itself constantly — last year's answer may already be wrong

The accelerants

The legislative storm

New laws don’t mean less complexity

- State rainy day funds declining for the first time in over a decade
- FL, WY, NE, OH, IN, NC actively debating property tax reduction or elimination
- Florida would need to double its sales tax rate to replace lost property tax revenue
- Wyoming projects a $644M annual gap — only $475M recoverable from a proposed sales tax increase
- 9 states broadened their sales tax base in 2025 alone — expanding to digital goods, data centers, AI services

The revenue need doesn’t disappear — it shifts and multiplies

When Judgment Goes to Court: A $150M Question

Case study – California Supreme Court, 2025

Olympic & Georgia Partners, LLC v. County of Los Angeles 18 Cal.5th 739 (2025)

Asset	Value	Ruling
TOT rebate	$80M	**Taxable** – tied to room use, not enterprise
Key money	$36M	**Taxable** – likened to prepaid rent
Hotel enterprise assets	$34M	<u>Excluded</u> – flag, franchise, F&B, workforce

Total disputed: ~$150M. The line between real property and enterprise value just got a lot more consequential.

The Rule: Revenue attributable to **enterprise activity** = non-taxable;
Revenue attributable to **beneficial use of real property** = taxable

The breaking point.

There simply aren’t enough bodies or specialized experts to throw at this problem anymore.

Tribal knowledge is walking out the door.
Overpayment and audit risk hide in the complexity.

Every misclassified asset and missed appeal deadline is real money.

The solution

AI: The new compliance partner

From judgment calls to intelligent decisions

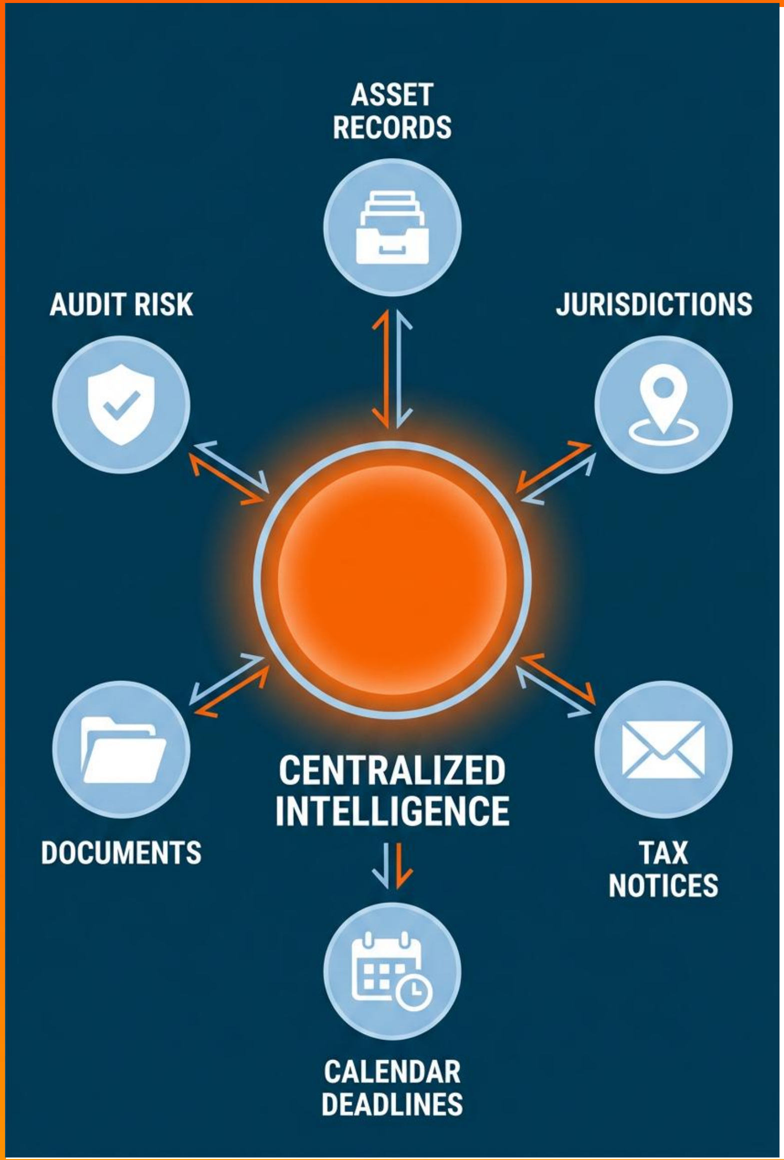
The old model:

- Find documents manually
- Read and re-key notice data by hand
- Track deadlines in spreadsheets
- Match assets to jurisdictions manually
- Validate records one by one
- Experts spend time on data entry, not strategy

The new model with AI and automation

- ✓ AI reads and extracts data from notices automatically
- ✓ AI identifies anomalies, misclassifications, and missed exemptions
- ✓ AI tracks moving deadlines across thousands of jurisdictions simultaneously
- ✓ AI surfaces missing information before it becomes a missed deadline
- ✓ Experts focus on strategy, appeals, and financial impact

AI amplifies expertise — it eliminates low-value work so professionals focus on high-value decisions



Making sense of the chaos

The need for centralized intelligence

- A centralized system of record brings all this complexity into one tool
- Tracks moving deadlines · interprets localized rules · connects fragmented workflows
- One source of truth across documents, notices, returns, and asset records
- Empowers tax teams to do more with less — not by working harder, but by working smarter

In a system with fifty-one answers, knowing is your entire advantage

Complexity is exponential

Property tax is fragmented by state, county, city, industry, and valuation method. Legislative volatility is accelerating complexity, not simplifying it.

The breaking point is here

Manual processes and brute-force labor cannot scale with modern business complexity. The talent gap is real and growing as experienced professionals retire.

Centralization + AI is the answer

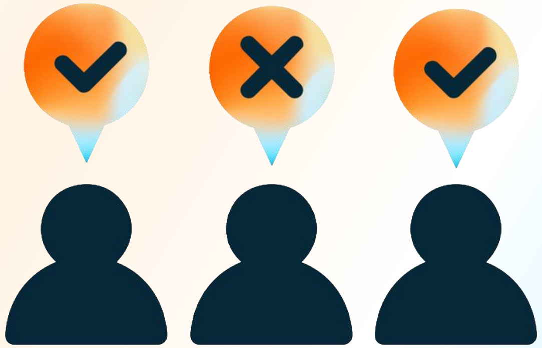
An intelligent system of record manages the data, mitigates risk, amplifies expertise, and scales with your business.

Stop guessing. Start knowing.

Knowing is your entire advantage — consolidate your property tax data and centralize your system of record.

Visit avalara.com/propertytax to learn more

Next steps



Would it be helpful to have one of our property tax specialists walk through how other organizations are centralizing their data and workflows?

A	**Yes**, I'd like a personalized workflow review
B	Not right now
C	I'll keep exploring on my own first by visiting **avalara.com/propertytax**

Q&A

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Tax compliance done right