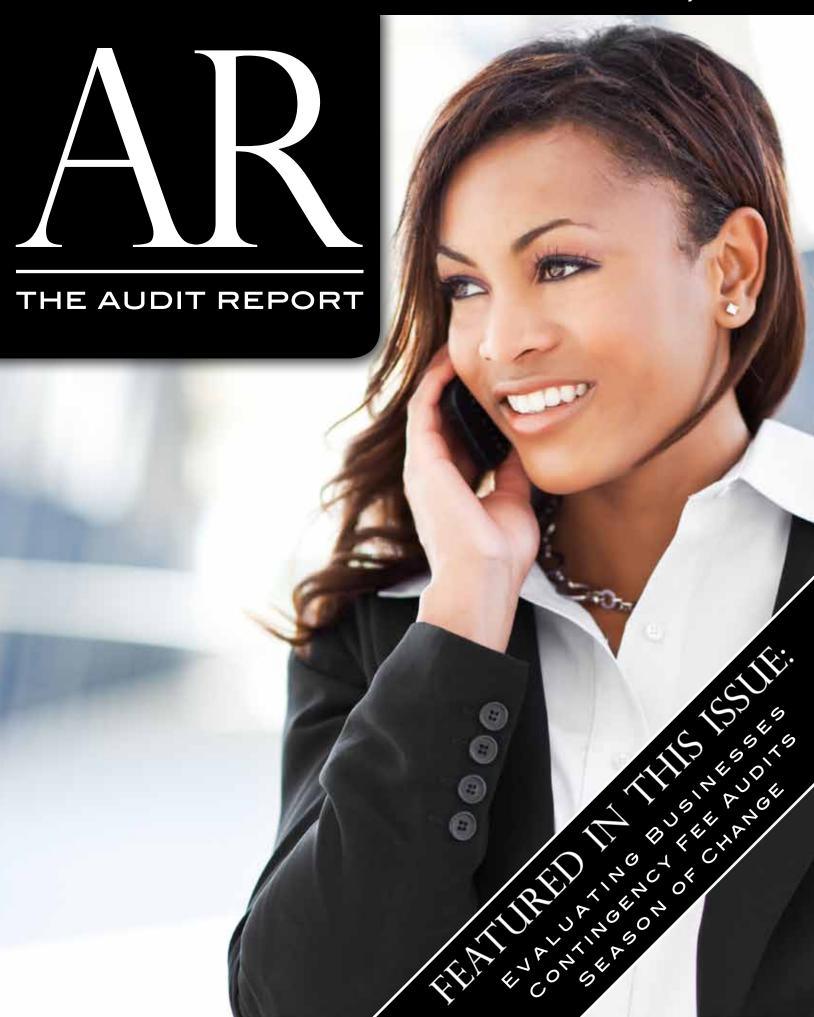
TAX MANAGEMENT ASSOCIATES, INC.





2012 Continues to Bring Change for Tax Management Associates by Ryan Hunter

The only certainty in life is change, and TMA has experienced plenty of that in 2012. In order to support the constant need to expand and enhance our suite of property tax offerings, TMA has reorganized its management structure over the last month. These changes put TMA in fantastic shape to grow significantly in 2012 and 2013.

After recovering from an illness earlier in the year, Richard Cooke, Sr., long time President and CEO of TMA, will officially move to the role as Chairman of the Board of Directors and continue to monitor the overall strategic direction of the company. Dick's 32 years of leadership have positioned TMA as one of the largest and most experienced private firms in the property tax industry with a track record of success across the United States.

Taking over the day-to-day responsibilities for TMA will be Richard (Chip) Cooke, Jr., former Vice President of Sales and Marketing. Chip has been with TMA since 1994 with the lone exception as a manager in the Finance and Performance Management Service Offering with Accenture. "I am excited about the opportunity and feel as if we have the right team in

"Dick Cooke's 32 years of leadership have positioned TMA as one of the largest and most experienced private firms in the property tax industry"

place to fill some pretty big shoes," said Chip Cooke. When asked about his goals for the rest of 2012 and beyond, he responded, "First and foremost, maximize shareholder value for our owners, including the TMA ESOP program. I want to make sure we are empowering our employees, providing

long lasting value to our clients and giving back to our community whenever possible. Quite simply, my goal is to continue to drive TMA as the leader in this industry for years to come."

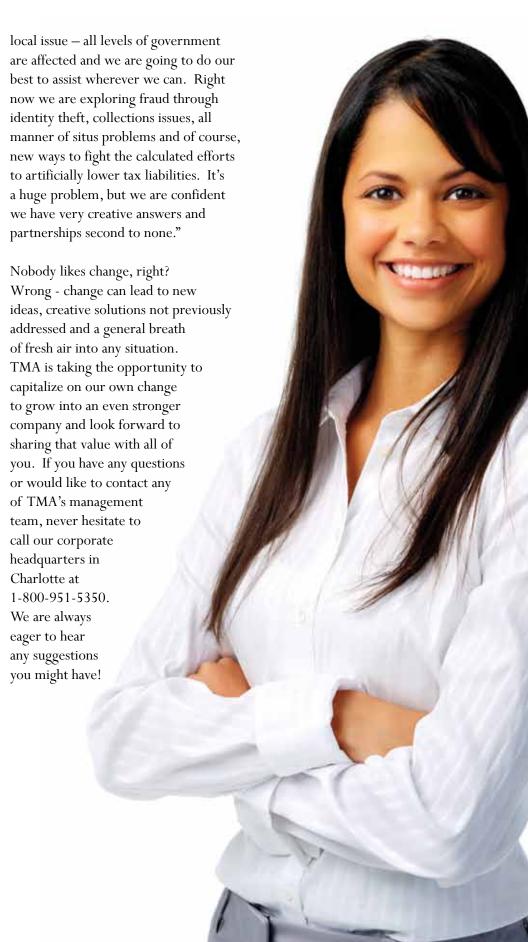
Other structural changes include the consolidation of TMA's mature products and services under the new Chief Operations Officer, Tom Tucker. To this point, Tom has been Vice President of Audit Operations, and has lead TMA's cost reconciliation projects. Going forward, Tom's management team will also have operational responsibility for Discovery, Outsourcing, CAVS and the Homestead Exemption Audit Services. Tom has been with TMA since 1987 and holds the IAAO's prestigious Personal Property Specialist (PPS) designation. Tom has managed over 500 client engagements across 16 states and will utilize his experience and skill set to oversee all of TMA's projects to their successful completion.

If you have any questions or comments about this article, please contact Ryan Hunter at 1-800-951-5350

Mark Cooke, former Vice President, Special Projects Division, will take on a new role as Chief Innovations Officer. "This is where we really see the growth of the company.," Chip Cooke added. 'Mark will interact directly with our clients, listen to their pain points, and create innovative solutions that will generate value for their jurisdiction. He will also manage our technology infrastructure, our business alliances and partnerships, and bring new services and products to market. We are really excited about our ability to expand both geographically and across product lines."

Brian Loher, TMA's Chief Financial Officer, formerly with the title of Vice President of Finance, will continue to manage all of TMA's corporate office needs including, but not limited to accounting, human relations, front desk administration, insurance and administration of the company's ESOP.

Existing TMA clients will find little will change for their existing projects under TMA's new management structure. In fact, this management group has been operating in much the same way for the past six months. What clients and prospective clients will find, is that with a dedicated eye on innovation, TMA continues to lead the industry in creative problem-solving and the ability to port those solutions to clients all over the country. "I think we can all agree that waste, fraud and abuse in tax and entitlements have hit the main stage in the United States", said Mark Cooke. "At every conference or regional meeting, the main focus is on how government can prevent these losses and maximize their existing revenue streams. This is a federal, state and





How Do You Force Assess Businesses in Your Jurisdiction? | by Renee Abernathy

How do you assess businesses that do not provide personal property information? I personally have heard over a dozen ways and procedures for assessing non-filing businesses. I don't think many people can name all the assets of a typical auto repair shop, veterinarian, beauty salon, pizza parlor, or dance studio. How about the average cost of each item? Nonetheless each year, assessing officials are faced with trying to estimate values for businesses failing to file a personal property form. This is why TMA created CAVS (Cost Analysis Valuation System). CAVS is the easiest way for any jurisdiction to create estimates for non-filing businesses.

CAVS is the answer to non-filing businesses in your jurisdiction and it takes the guesswork out of the estimation process by providing assessing officials with customized, ready-made valuations for these businesses and hundreds of others. Based on extensive research, CAVS valuations include the average cost for each asset of a particular business type. The assessing official needs only to apply depreciation to reach the final assessment.

"CAVS is the answer to non-filing businesses in your jurisdiction. It takes the guesswork out of the estimation process by providing customized ready-made valuations for hundreds of businesses"

Read what Derrick Hammond of Nashville, Tennessee wrote about our solution:

> I wanted to take a few moments to share with you how much we enjoy using the latest CAVS database. There were several reasons we decided to use CAVS instead of developing our

own models for tax year 2012. We have approximately 23,000 personal property accounts in our jurisdiction; approximately 5,000 accounts are unreported annually. Developing models to appraise the unreported accounts is very time consuming. TMA has done a wonderful job of identifying typical assets used to operate several business types. Many of the business types also include a home-based version, which is very helpful. The flexibility of the latest CAVS database is one of its greatest attributes. The ability to calibrate the models for location, quality, and other variables is fantastic. The detailed asset list included for every business type is very useful. Assets can be deleted or added, and you can also change the values of assets if desired. The detailed asset list makes explaining the unreported appraisal model to business owners very easy. I personally would like to thank you for such a wonderful product; CAVS has made our forced accounts valuation project proceed very smoothly.

To learn more about CAVS, visit http://cavs.tma1.com or call Renee Abernathy at 1-800-951-5350

TMA designed CAVS to make the lives of assessing officials and personal property staff easier. This is why CAVS comes equipped with the following features:

- Browser-based interface -You can access the application from anywhere there is an internet connection. There is no software to install!
- Over 400 business types to choose from Search for businesses by business type, NAICS or SIC code.
- Worksheet style CAVS comes pre-loaded with estimates for hundreds of business types. It is easy to customize the estimation for your needs.
- **Easy storage** CAVS estimates are saved in one place for years to come for easy recovery. Additionally, CAVS also generates every estimate as a printable PDF.
- Real-time updates The CAVS team continually researches and updates the system with new business types and cost data. You'll always have access to the most current assessment information.

TMA understands that every business is unique. Every pre-made estimate in CAVS is easily customizable in several ways:

- Number of employees The employee slider feature allows you to adjust an estimate up or down based on a business' number of employees.
- Change, add, or remove assets You know more about your taxpayers than we do. CAVS allows you to change an asset value, remove or add assets for those businesses that differ from the norm.

• Adjust entire estimate by a percentage - For those businesses that are larger or smaller than average, CAVS allows you to adjust the entire estimate value up or down by a percentage. Also, you can adjust the estimate for assessment ratio purposes.

For all of you tech gurus out there that love technology, here are a couple things that may excite you. For others like myself, we will be confused:

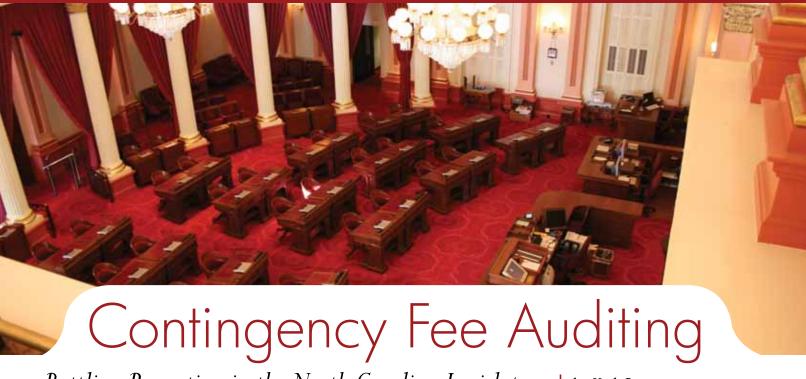
CAVS is equipped with secured hosting with PAETEC collocation data-center

solutions, has high-performance server software Nginx coupled with Unicorn app server, HTML and CSS valid Form requests powered by AJAX and jQuery, Quad core Dell Power Edge R710 servers with master/slave replication, and built using the industry-leading MVC web framework, Ruby on Rails.

If you would like to explore our CAVS solution in more detail, please feel free to contact myself or anyone at TMA at 1-800-951-5350, or visit us on the web at http://cavs.tma1.com.



The next webinar to see a presentation from the comfort of your own office will be on July 26th, 2012. There are several sessions available on the 26th, so sign up now at http://cavs.tma1.com



Battling Perception in the North Carolina Legislature | by Kirk Boone

We always battle perception. Our perception becomes our reality, regardless of the facts. Do you think positively or negatively about Louis Pasteur? In the early 1900's, pasteurization practically wiped out typhoid fever, scarlet fever, and diphtheria, but some people were concerned about its effects on milk quality and sanitary conditions in dairy processing. Today, food irradiation has the capacity to significantly decrease today's food-borne illnesses, including E-Coli and Salmonella. Greek philosopher Epictetus wrote, "Men are disturbed not by the things that happen, but by their opinion of things that happen. "What does that mean? I'm no philosopher, but I think it has something to do with the events over the past month here in North Carolina.

On the morning of June 7, 2012, I was preparing to address the county board in western North Carolina when I received a text message from a friend, "Call me asap." I was alerted to a House Bill in the North Carolina Senate to be introduced that morning in the Senate Commerce committee. The bill contained language to put an end to contingency fee auditing in North Carolina. TMA corporate was notified. Lobbyists in Raleigh were notified.

"Business Personal Property Auditing by third parties was started by TMA twenty-five years ago in North Carolina"

In our minds, we wondered why this would come up suddenly and without forewarning? Taxation is not one of the most popular subjects in our society, and North Carolina is no different in that respect. However, we have a fair and open tax system in North Carolina with numerous and inexpensive judicial levels of review. Business personal

property auditing by third parties was started by TMA twenty-five (25) years ago in North Carolina and for the past nineteen (19) years has received no judicial or legislative challenges that I am aware of. From state government leaders, local county officials, and those of us at TMA, we had to ask, "why the sudden attack on a way of business that is preferred by over half of the counties in North Carolina?"

As we searched for the answer and someone to sit at the table with to discuss the problems, we began to realize that this perception was brought into North Carolina; it did not stem from a big problem in North Carolina. The propaganda that proponents of the legislation were spreading to increase the base of their support had very little to do with reality here in the state. After a quick internet search, we found the same language being used to support similar legislation in other states. Due to the stigma of contingency, the facts independently

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gathered for a presentation at the IAAO conference in 2011 hardly seemed to make a dent in the overall perception.

Comparison of Statistics for auditing in North Carolina by third party vendors:

Funding Method	2010 Discovery Rate	2010 Avg. Value Per Discovery
Contingency	42%	\$874,413.00
Fee Based	58%	\$1,402,507.00

Source: 2011 IAAO Conference Phoenix Arizona

You can see from the table above that with these statistics, it's hard to substantiate the claims of the proponents of this legislation - claims that contingency fee auditing creates a conflict of interest for the auditor.

Here is the actual communication to legislators by the North Carolina Chamber of Commerce, the North Carolina Retail Merchants Association, and the Council on State Taxation (COST). Neither TMA nor the NCDOR were permitted to speak in any committee, in either chamber of the legislature, or asked to provide any statistics on this legislation. Beneath each statement, you'll find our response based around facts in the industry. In all fairness, I should say that most philosophers say perception is reality. I however, believe facts should play some kind of role in determining reality. What do you think?

The Propaganda: Many local governments use third party auditors for personal property tax purposes and are increasingly engaging these auditors on a contingency fee basis.

The Reality: Over 70 counties in North Carolina have utilized TMA auditors for personal property tax audits. Contingency fee auditing has been in place for 25 years and was upheld by the North Carolina Supreme Court (Cabarrus County v. Philip Morris). Counties utilize a mix of fee based auditing and contingency based auditing depending on the financial wherewithal of the jurisdiction.

The Propaganda: Reliance on private auditors who work on commission results in businesses being subjected to audits that are effectively private money-making activities rather than a necessary public function.

The Reality: Audits are a necessary public function for any self-assessed tax. TMA Auditors are salaried employees of a larger company. These auditors are not made aware of whether the contract is contingency based or fee based, as they perform the audit in the same manner regardless.

The Propaganda: There is an inherent conflict of interest with this type of arrangement; commission based fees potentially incentivize the third party auditor to arbitrarily inflate a taxpayer's liability because a larger audit assessment results in a larger payment to the auditor.

The Reality: TMA auditors are not able to create assessments. The TMA auditor compares the books and records of the taxpayer with what the taxpayer reported to the County. The County Assessor, by statute, is the only individual who can levy an assessment. Auditors are fact finders and experts in personal property taxation.

The Propaganda: Contingent fee arrangements are acceptable in other professional services (legal, etc...) where the interests of the professional are aligned with the client. The nature

of an audit imposed by a government unit on a taxpayer is distinctly different.

The Reality: Contingent fee arrangements were first suggested by government to align the interest of the County and the service provider. If no value is created, no payment should be necessary.

The Propaganda: The purpose of a tax audit should be to verify that the tax reported is correct — nothing more. Contingent fee based auditing threatens a fair and impartial evaluation of tax.

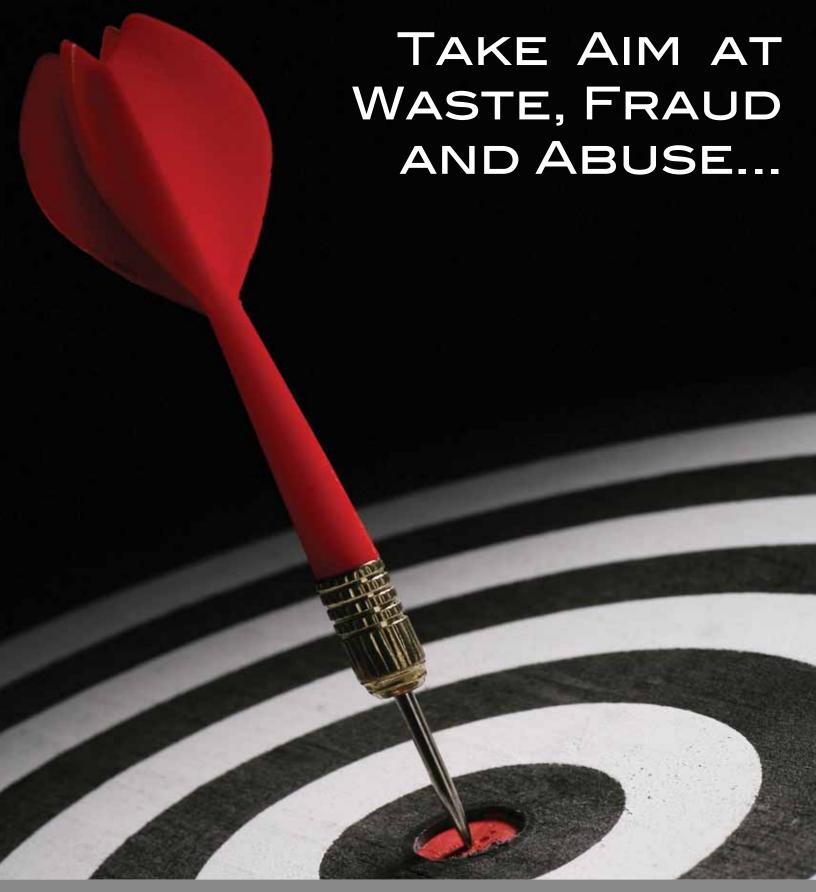
The Reality: The purpose of a tax audit is to ensure that the taxpayer has neither under reported nor over reported to the County. ATMA auditor has no way to know the outcome of the audit before it is initiated. Approximately 70% of completed audits, whether contingency or fee based, result in no change. In contingency programs, the 30% of taxpayers that do owe additional tax pay for the program.

The Propaganda: The practice has been condemned by the American Institute of CPAs in their Code of Professional Conduct and the Securities & Exchange Commission.

The Reality: The American Institute of CPAs and the Securities & Exchange Commission discourage or prohibit contingency fee arrangements in several areas, but not in this area. Here's what they really say, to those who are interested in reality:

http://www.aicpa.org/advocacy/state/pages/commissionsandcontingentfees.aspx

http://www.sec.gov/info/accountants/staffletters/webb052104.htm



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