



The Fiscal Decentralization Initiative  
for Central and Eastern Europe

# Implementation of the Real Estate Tax Law in Montenegro

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Biljana Vusurovic

## 1. Introduction

At the beginning of 2000, Montenegro started a decentralization process to grant more economic rights to municipalities. They became responsible for implementing certain activities which had been under jurisdiction of the central government. Preparation and adoption of various laws intended to impact functioning of the local governance units began (Law on Local Self Government, Law on Finance of Local Self Government, Law on Real Estate Tax, Law on Tourist Fees, etc.). These laws are enacted, but it could not be said that their implementation has been sufficient enough for local government units to achieve economic independence.

The main subject of this paper is the new Law on Real Estate Tax, which has been in force since January 01, 2003. The author's intention is to introduce the reader to the necessity of adopting the new Law on Real Estate Tax, contrast it with the old Law on Property and the and to describe the positive and negatives of the implementation of the new Law.

The Law on Real Estate Tax was planned to harmonize Montenegro's tax system with international tax practices and the European Charter on Local Self-Management. The plan was for gradual implementation so that the local governments could be prepared for their share of responsibilities associated with real estate tax administration. The old Law on Property was not in accordance with basic taxation standards for the following reasons: the market value of real estate was not taken as the tax base, the tax structure was very complicated, numerous tax rates were applied, large number of reliefs and exemptions were applied and there were problems in its practical implementation. Of course, the fact that municipalities on territory of which real estate is located used to receive 50% of collected revenues has to be added on this list. According to the analyses made by USAID real estate tax experts, the total revenues by the Law on Real Estate Tax contributed less than 1% to the Republic budget and less than 5% to municipal budgets. The real estate tax collection rate was less than 43%, which means

that the effective real estate tax rate was 0.07% (effective tax rate was calculated based on relation between the amount of real estate tax collected and the total amount of uncollected real estate tax).

The Department of Public Revenue (DPR) performed the whole process of tax assessment and administration. DPR developed its own data collection system, so they established and organized their own database, which was based on taxpayers as well; municipalities later took over the same database system. Municipalities did not manage any administrative procedure related to the assessment and collection of real estate tax.

The main differences between the old and new Law indicated in Table 1.

According to the new Law on the Taxation of Real Estate, municipalities in the Republic of Montenegro assumed full responsibility for levying and collecting real estate tax from 2003 and all of the revenue from this source is available to municipalities for budgeting by local assemblies.

At the same time, the law directs municipalities to calculate tax bills based on market values, rather than the nominal valuation approach that is currently used by the DPR. The law directs the DPR and the Department of Real Estate (DRE) to facilitate implementation of this Law by making data regarding the ownership and value of real estate which is needed to support a market based valuation available to the municipalities.

Municipalities are also directed to deliver tax applications to property owners who, in turn, are not required to return completed applications to municipal offices. Finally, the Ministry of Finance (MoF) is required to promulgate a market based valuation methodology that will assist municipalities in administering the Law.

It can be easily seen that both rights and obligations of the central and local authorities are defined and prescribed by the Law. The author of this written paper presents all outcomes of the necessary legal acts, policies and the Law's implementation that have been accomplished to date in several following chapters.

Table 1.

	Old Law on Property	New Law on Real Estate Tax
Tax base	Capital value, except for agricultural land for which cadastral value is used	Market value
Revenues	50% goes to the Republic and 50% to municipalities	100% to the municipalities
Tax rate	Fixed rate for each type of real estate	Municipalities can set rates in accordance with legal regulations
Level of government responsible for this tax	National	National and local governments
Departments responsible for administration of real estate tax	Department of Public Revenues Department of Real Estate	Ministry of Finance Department of Real Estate Municipal tax authorities
Reductions in tax rates	Criteria: real estate taxpayer for main residence, other members of family, smaller country side households of aged people, quality of construction, age of construction	Less reductions (criteria: state real estate etc.)
Assessments	Tax authority	Local government will handle assessments
Revalorization of value	Overview of general factors for revalorization which is determined by amortization factors	It is required that revalorization is performed every three years or more often
Invoicing and collection	Tax is to be paid within 30 days after the date a decision was received from tax authority	Local government determines how and when this tax is to be paid
Penalties and reinforcement measures	Penalties if real estate tax is not paid or real estate is not registered	Defined by Law on Tax Administration

## 2. Municipal Decrees Necessary for Real Estate Tax Law Implementation

The competences of determining, payment and control of the real estate tax passed from central government institutions to municipalities, by the new Real Estate Tax Law. As it was prescribed by Article 19 of the Law, the Ministry of Finance (MoF) was obliged to enact the Valuation Methodology for Determining Real Estate Market Value (due September 30, 2002), while municipalities were obliged to issue a Decree after issuance of the Methodology by which the amounts of corrective coefficients and rates should be regulated. Enacting the Methodology in a timely manner meant the municipalities would be able to prepare for a timely implementation of the new Real Estate Tax Law. In reality, however, that did not happen.

During 2002, the MoF was working jointly with International City/Country Management Association (ICMA) and experts (the USAID implementer in Montenegro) on the Valuation Methodology. The process of its preparation took a lot of time and ran very slowly (the MoF did not accept the ICMA version). As the time limit prescribed by the Law passed and the deadline for preparation of tax bills was approaching (May 31, 2003),

the MoF promised ICMA representatives that they would allow to municipalities to use the same system used by DPR (old Law on property) in 2002 (nominal valuation approach). This way, municipalities would be able to collect tax revenues and to prepare themselves step by step for delivering the 2004 tax bills.

On the basis of this agreement, ICMA hired a software company to develop an adequate real estate tax software (RETS), which would make it possible for municipalities to issue the same tax bills as DPR did. The RETS was delivered to all municipalities along with computer equipment (this was done by an USAID grant).

However, the agreement was not fulfilled: MoF made its own version at the end of March, so in April the MoF published the Valuation Methodology for Determining Real Estate Market Value in the Official Gazette of Montenegro, No 23.

Municipalities found themselves facing a difficult dilemma: to either create a new system of market value determination (including new software, late with tax bills and questionable municipal revenues), or to use RETS (the current DPR database) and make the tax bills similar to DPR. In any case, municipalities had the obligation to issue corresponding municipal acts

by which the tax accounting system would be legally defined and regulated.

The new system of accounting required considerable fieldwork and data collection, working on the new software and running behind schedule with tax bills. Installing such a new system meant considerable lost revenues, especially in the municipalities along the coast (where a lot of real estate has vocational and recreational purposes, and their owners stay there only during summer months). The only municipality that decided to take this step was Pljevlja Municipality, which was ICMA's Pilot Municipality and designated its real estate tax staff way back at the beginning of 2002.

In the case of accepting DPR's data and their way of accounting with some minor changes, the municipalities were able to use the DPR database and make a similar account of tax bills. This approach was more favorable, especially for municipalities along the coast, because of the preparation itself, and issuance of tax bills did not require too much time. The only question was whether the Methodology published by the MoF made this way of accounting possible or not.

Generally speaking, the MoF allowed municipalities to use this system quite similar to DPR, but with an obligation to enact a Municipal Decree of Real Estate Tax and introduce coefficients and tax rates.

Some kind of legal framework should have been made by the Decree, by which tax bills were to be legally established (the similar account as DPR). The Decree was planned to include ways to measure market value, accounts and amounts of coefficients and tax rates.

Working on the Decree also meant a considerable loss of valuable time. Municipalities had to devote a large portion of time to preparing the Decree on Real Estate Tax Introduction, and Introduction of Coefficients and Tax Rates instead of preparing and issuing tax bills. The work on this Decree lasted for several weeks and caused delays to preparation and issuance of tax bills (time limit prescribed by the Law: May 31, 2003).

Municipalities used the Real Estate Tax Law, the Law on Tax Administration and the old DPR Decree for Decree making. A quite small number of municipalities had the ability to create this Decree on their own, while many more of them did not have the knowledge and experience necessary to make it.

To help municipalities implement the Real Estate Tax Law, especially the coastal municipalities and those municipalities not experienced enough to prepare a Decree, USAID in cooperation with Bearing Point, "Tehnoship Gobovic"- software company and the local

Real Estate Tax Expert organized meetings attended by lawyers from three coastal municipalities (Herceg Novi, Kotor and Tivat). A draft of the Decree on the Introduction of Real Estate Tax, Introduction of Coefficients and Tax Rates, which allowed use of DPR data was made and distributed to all municipalities in Montenegro.

By enacting the Decree on the Introduction of Real Estate Tax, Introduction of Coefficients and Tax Rates, municipalities got the legal right to print tax bills. Analysis of municipal tax bills printing shows that the average month in which printing began at the Republic level was mid-September (almost three months later than as prescribed by the Law).

The existing methodology will be used in preparation and printing of 2004 tax bills, meaning that even this year municipalities will not use all of the privileges of the new law, their way of calculating will be similar to the calculation applied in recent years, when DPR was obliged to implement the old Law on Property. However, municipalities now have the chance to organize the preparation, printing and delivery of the tax bills on time, making it different to 2003. The legal facts are now known on time, which was not the case in 2003.

### 3. Assessment and Real Estate Rates

The Law on Real Estate Tax, Article 3 determines the subject of taxation: the real estate in the territory of the Republic of Montenegro, which is not specifically exempted by this law, is subject to the real estate tax. The real estate includes land, buildings, units of buildings, and other construction structures and buildings. Separately owned units of buildings and other construction structures owned separate from land may be taxed separately.

Also, the Law on Real Estate Tax, Article 4 defines rules for determining which persons are liable for the real estate tax. Owners of real estate as of 1 January are liable for the property tax assessed during the tax year in question (paragraph 1 of the law). The occupant (user) of real estate may be deemed to be the taxpayer when the owner is (a) unknown or (b) undetermined. If more than one person has partial ownership or joint ownership of the same real estate, a real estate taxpayer is each of those persons in proportion to their own share. Taxpayers are jointly and severally liable for the real estate tax. In the case of use of building rights, the taxpayer for land (plot) is the owner of that real estate, and the owner of the structure is the taxpayer for that structure.

Although the Law gave the freedom of tax assessment to assessors, the Valuation Methodology laid down the whole process of assessment used in 2003 and foreseen for 2004 as the nominal valuation approach, which was used by DPR previously.

Municipalities have the right to set real estate tax rates in a range from 0.08% to 0.8%. Also, municipalities were obliged to publish the tax rates for different types of real estate and tax amounts in the Municipal Decree for Real Estate Tax Introduction, Introduction of Coef-

ficients and Tax Rates. Decisions on tax rate levels were most often related to the current political situation in the municipality itself, and were not made in compliance with the budget requirements and assessment of real estate in the territory.

The consequences of enacting the Valuation Methodology and applying inadequate tax rates caused significant losses for municipal budgets, illustrated using the following examples.

### Current Methodology and Market Valuation:

#### Example 1

Surface: 69 m<sup>2</sup>

Address: Vasa Raickovica 18-a, Podgorica (The administrative center of Montenegro)

Zone: 1

Current Methodology	Valuation based on market
Price per m <sup>2</sup> 695€	<i>Market</i>
Total value 695€ x 69 m <sup>2</sup> = 47,955€	Price per m <sup>2</sup> in zone 1 on this location: 850€
Age adjustment (0.115) -5,514,82€ = 42,440.18€	Total value 850€ x 69 m <sup>2</sup> = 58,600€
Quality Adjustment (0.216) -9,167.26€ = 33,272.92€	<i>Tax amount</i>
Location adjustment (-0.3) +9,982.2€ = 43,255.12€	Tax Rate (0.08%) 46.98
Tax rate (0,25%) 108,14€	Tax Rate (0.4%) 234.4
Relief by family member (4) -43.2€ = 64.8€	Tax Rate (0.8%) 468.8
<b>TAX AMOUNT</b> <b>64.8€</b>	

**Example 2**Surface: 43 m<sup>2</sup>

Address: Ivana Vujosevica 56, Podgorica

Zone: 1

Current Methodology	Valuation based on market
	<i>Market</i>
Price per m <sup>2</sup> 695€	
Total value 695€ x 43 m <sup>2</sup> = 29,885€	Price per m <sup>2</sup> in zone 1 on this location: 1,000€
Age adjustment (0.195) -5,827.58€ = 24,057.42€	Total value 1,000€ x 69 m <sup>2</sup> = 69,000€
Quality Adjustment (0.259) -6,231.02€ = 17,826.4€	<i>Tax amount</i>
Location adjustment (-0.3) +5,348.1€ = 23,174.5€	Tax Rate (0.08%) 55.2
Tax rate (0,25%) 57,94€	Tax Rate (0.4%) 276
Relief by family member (4) -22.8€ = 34.2€	Tax Rate (0.8%) 552
<b>TAX AMOUNT</b> 34.2€	

**Example 3**Surface: 80 m<sup>2</sup>

Address: Bracana Bracanovica 74/a, Podgorica

Zone: 1

Current Methodology	Valuation based on market
	<i>Market</i>
Price per m <sup>2</sup> 695€	
Total value 695€ x 80 m <sup>2</sup> = 55,600€	Price per m <sup>2</sup> in zone 1 on this location: 700€
Age adjustment (0.075) -4,170€ = 51,430€	Total value 700€ x 80 m <sup>2</sup> = 56,000€
Quality Adjustment (0.237) -12,188.91€ = 51,013.69€	<i>Tax amount</i>
Location adjustment (-0.3) +11,772.6€ = 51,013.69€	Tax Rate (0.08%) 44.8
Tax rate (0,25%) 127,54€	Tax Rate (0.4%) 224
Relief by family member (5) 63.5€	Tax Rate (0.8%) 448
<b>TAX AMOUNT</b> 63.5€	

**Example 4**Surface: 85 m<sup>2</sup>

Address: Mataguzi bb, Podgorica

Zone: Village, out of city construction land border

**Current Methodology**Price per m<sup>2</sup>  
695€Total value  
695€ x 85 m<sup>2</sup> = 59,075€Age adjustment (0.09)  
-5,316.75€ = 53,758.25€Quality Adjustment (0.248)  
-13,332.23€ = 40,426.02€Location adjustment (-0.25)  
+12,128.1€ = 28,297.92€Tax rate (0,25%)  
70,75€Relief by family member (5)  
-35€ = 35€**TAX AMOUNT**  
35€**Valuation based on market****Market**Price per m<sup>2</sup> in zone 1 on this location:  
450€Total value  
450€ x 85 m<sup>2</sup> = 38,250€**Tax amount**Tax Rate (0.08%)  
30.6Tax Rate (0.4%)  
153Tax Rate (0.8%)  
306**4. Real Estate Registry**

Article 16 of the Law on Real Estate Tax requires the Ministry of Finance to prescribe the structure and content of the visible real estate registers. Because municipalities need to have registers based on real estate not taxpayers, the USAID Implementer proposed a real estate register organized to make it easy to determine whether any properties were omitted. The Valuation Methodology issued by the Ministry of Finance, however, mandated a taxpayer register, continuing the earlier practice of the DPR. Although such a register is not practical to use, at this moment it is a fact that has to be accepted.

At the beginning, the DPR database was a database for all municipalities. Currently municipalities try to update the existing database because the data is inadequate, and the percentage of unregistered taxpayers increases to 45% in some municipalities, according to assessors.

**Tax Declarations.** In accordance with Article 22 of the Law on Real Estate Tax, municipalities were obliged to prescribe the structure and contents and deliver Tax Declarations to taxpayers by September 30, 2002. In a desire to meet the needs of municipalities and help them create Tax Declarations, ICMA experts drafted several

Tax Declarations and suggested municipalities review and pass them:

- Tax Declarations for Residential Real Estate
- Tax Declarations for Commercial Real estate
- Tax Declarations for Industrial and Special-Purpose Real Estate
- Tax Declarations for Agricultural, Forest and Other Undeveloped Real Estate

Once the ICMA proposed draft Tax Declarations, the municipalities did not show any interest in passing them or taking legal responsibility, explaining that the Methodology had not been passed, complaining that the Tax Declarations contained more data than necessary and talking about organizational and structural problems. These factors had a significant impact on the late preparation and distribution of tax bills.

It was evident that the municipalities were late with their work on Tax Declarations. Since the Methodology was passed at the end of March 2003 (2 months before municipalities needed to send tax bills, Article 13 of

the Law on Real Estate Tax), municipalities raised the question whether delivery of 2003 Tax Declarations was worthwhile at all. They thought they did not have to hurry with the Tax Declarations, to focus on adopting legal procedure and regulations and preparing and printing tax bills.

Assuming that the methodology would be changed (a request was submitted to the court to check its compliance with the constitution), most municipalities chose to wait until a new methodology was passed and make Tax Declarations on the basis of those guidelines. A smaller number of municipalities drafted their own Tax Declarations, which were a combination of the ICMA draft and questions from the DPR applications.

In 2004, municipalities missed the chance to use the Tax Declarations as an available information source.

**Real Estate Data from DRE and DPR.** During the transition from central administration of the old Law on Property, two government agencies were responsible for providing data to municipalities: (a) the DRE a surveying, mapping, title registration, and cadastral agency, was to provide data on currently registered properties and their owners, and (b) DPR the republican agency responsible for tax administration, was to provide data on current property taxpayers. Both agencies have offices in each municipality.

From the very beginning of the new Real Estate Tax Law implementation, cooperation with both these agencies tried to be established. The DPR was very cooperative – their representatives participated in preparation of the Valuation Methodology made and offered drafts of tax applications and other things. IT staff were helpful in providing information about the information maintained in its systems and they delivered real estate data to all municipalities. The director of DPR offered municipalities the services of its staff who had experience with the property tax and who would become redundant. Only one municipality accepted this offer.

The entire DPR system of Real Estate Tax calculation was based on data taken over from the DRE and updated throughout several years. These data were used to determine the real estate tax due. Since the new methodology made it possible to use an accounting method quite similar to DPR's, municipalities took over the same data and software applications for the 2003 and 2004 tax bills.

The cooperation with DRE was not satisfactory. DRE gave databases to municipalities, but the data municipalities received from them was in an unusable format on CD, without any instructions and containing unintelligible charts. If municipalities wanted to use this data, they had to hire someone with strong technical skills or even a software company to create an extraction application. No municipality was able to do this. This is still the present situation.

**Real Estate Transfer Data from DPR.** DPR is responsible for administering the Law on Real Estate Transfer, but it does not keep and store electronic data related to transfers.

**Court Documents.** All changes regarding ownership on real estate need to be reported to the court at the very beginning of the ownership changing process. There is no legal procedure so far that would make courts obliged to send a copy of documents concerning changes of ownership on real estate to local government authorities.

**Bureau for Statistics.** The Bureau for Statistics manages data on price of newly built space for the following municipalities: Bar, Budva, Podgorica and Niksic. Data are submitted by construction companies that perform work in the territories of above mentioned municipalities. On the basis of these data, they calculate average amount per square meter of newly built structures. Although it was planned that the Bureau for Statistics would regularly publish data for every year, things have been quite different in reality. These data are usually available to the public in May or June for the previous year.

## 5. Tax Exemptions and Tax Reliefs

In compliance with the Real Estate Tax Law, real estate not subject to taxation is clearly specified. The real estate tax shall not be paid for the following: state-owned real estate used by state bodies, organizations and services, and local self-government bodies and organizations that discharge the public service functions; real estate owned by the Central Bank; real estate owned or occupied by accredited, diplomatic or consular offices if the real estate is used for such purposes and on condition of reciprocity; real estate owned by international organizations if

stipulated by a treaty; real estate declared, in compliance with law, to be cultural monuments; real estate owned by religious organizations that are used for religious services or as housing for their clergy; real estate owned by NGOs used for functions they are established for; public roads, streets, squares, and parks, ports, railroads, and airports, protected and protection forests, and national parks.

The real estate tax shall not be paid if the total tax basis, for all real estate belonging to a specific taxpayer, does not exceed 5,000 EUR and if the real estate is not used for making a profit. Municipalities did not have the ability to apply this tax exemption because the software package did not group together all real estate belonging to a taxpayer, but was given a separate calculation and printed a separate tax bill for each real estate. Municipalities did not have the opportunity to review and exempt the eligible taxpayers in compliance with this article.

On the basis of discussion with municipal staff from different regions of the Republic it became clear that the exemption for NGOs could be easily used inappropriately. Certain taxpayers, establish NGOs to avoid taxation. Although this issue should be probably resolved by the laws and policies that regulate operations of NGOs, some additional constraints, from the author's point of view, are recommendable and should be introduced.

Article 11 of the Real Estate Tax Law regulates tax relief. The real estate tax for buildings and apartments that serve as a taxpayer's main residence is reduced 20% for the taxpayer and 10% for each family member of his household respectively, to a maximum of 50% of determined tax.

## 6. Collection, Appeals and Enforcement

Municipalities' right to collect real estate tax on real estate located on their territory is prescribed by the Real Estate Tax Law. The amount of tax can be paid in two equal installments of which the first is due on June 30 and the second on November 30 of the year the tax is determined for.

There are several ways municipalities organize tax collection:

- 1) Through banks – Taxpayer fills in a regular payment form.
- 2) Directly at municipal offices. Some municipalities opened a special desk within the Payment Collections Department, where taxpayers can come and pay their tax obligations.

- 3) Some municipalities organized a team of people who deliver tax bills and collect tax revenues at the same time.

During discussion with assessors, I have noticed all of them emphasized the importance of organizing public education campaigns, especially on how to correctly fill out payment forms. Such campaigns have been undertaken and offered by the former ICMA project but more are needed now. Some municipalities have had some public education, some have utilized the local media; but a greater emphasis should be made in the near future.

At the time of each new payment, the Real Estate Tax Department records the corresponding taxpayer's payment. This is used to monitor tax collection and estimate and determine total real estate tax revenues.

Penalty interest that has to be paid in the case of an outstanding tax obligation is not reconciled, although prescribed by the Law on Administrative fees. Municipalities did not have the technical assistance needed to implement this article, so penalty interest was not calculated at all.

The Law on Tax Administration prescribes a taxpayer's right to appeal. There is a dual explanation of this article of the Law, so that some municipalities required taxpayers to submit an appeal directly to local government authorities, while some instructed taxpayers to do the same but directly to DPR. This situation caused additional confusion amongst taxpayers. The municipalities that were receiving taxpayers' appeals directly developed a system of administration that allowed their staff to change data from the software, print and deliver a new tax bill to the taxpayer if they brought proof that clearly showed that the old tax bill was invalid.

Since the legal policy on appeals brings implementation of the whole procedure into doubt, the process of harmonizing the Law on Tax Administration and the Law on Real Estate Tax necessarily needs to be considered in the near future.

The Law on Tax Administration also prescribes certain enforcement measures. For enforcement measures against legal entities, municipalities block the account of the legal entity, but for physical entities they have not yet taken any steps toward enforcement.

## 7. Organizational Structure of Municipal Real Estate Tax Office

Before they became responsible for administering the real estate tax, municipalities had little experience with

tax administration, except perhaps for the charge for use of construction land. One of the most important factors which will determine the success or failure of the Real Estate Tax Law implementation will certainly be the staffing and organization of Real Estate Tax Offices. The implementation started in January 2002, so municipalities had time to designate staff committed to the implementation, as well as to train and educate them.

During my field visits, I found that in most municipalities, municipal officials had been verbally informed that they would be designated to work in the Real Estate Tax Office. In a number of municipalities some changes occurred within staff structures, so that staff that had participated in ICMA's workshops, seminars and conferences had been changed. A lack of organization in municipal services and non-designated and less educated staff caused the whole implementation process in 2003 to run behind schedule. In some municipalities it created an uncertain and unproductive working atmosphere in Real Estate Tax Offices. The same situation continues to occur in some municipalities in 2004.

It has to be emphasized that working procedures for the Real Estate Tax Law implementation have not yet been developed in many municipalities. As USAID started a new project to assist local governance units at the end of 2003 and the Urban Institute's Real Estate Tax Team made a Property Tax Assessment Manual, municipalities should have some resources to efficiently implement the Real Estate Tax Law. The Urban Institute trained a group of Montenegrin assessors to become trainers to provide training to other assessors on topics like assessment, payment collection, appeals and real estate tax administration. This way an internal network of employees in Montenegrin municipalities is being made simultaneously. The network will be charged with finding solutions for solving some of the common problems faced by municipalities.

Instruction accompanied with already one year of experience will enable tax offices to work more effectively on all real estate tax administration activities.

## 8. Conclusion and Recommendation

Observing what has been done to provide assistance to municipalities regarding the Real Estate Tax Law, and analyzing all steps that have been made so far on the law's implementation, I believe significant steps have been made, which are very important for ongoing implementation. Staff that will work on real estate tax have been designated in most municipalities, they have

experience preparing and enacting the Decrees on Introduction of Rates and Coefficients, and most municipal employees have learned how to use RETS, how to collect revenue, etc.

Continuous technical assistance is necessary for their further work. In my opinion, the USAID Implementer for local government has considerable responsibility, which will not be reflected just through technical support itself, but through the establishment of standards and work processes that are necessary for further successful implementation of the Law.

Recognizing the goals that need to be achieved and realizing what is necessary to do so, my view is that in the future we need to focus on the following activities:

- Training government employees who are responsible for the Valuation Methodology to understand and support a system which would be acceptable for municipalities; changes to the existing Valuation Methodology and its enactment.
- Provide technical assistance for real estate tax officials in all 21 municipalities. This technical assistance needs to be reflected in all segments of education, job descriptions, employee qualifications, as well as new standards and ways of working.
- Establish an ongoing educational program (Mass Appraisal, Tax Administration, Market Approach to Determine Value, Cost Approach to Determine Value, Capitalization of Income Approach to Determine Value).
- Develop software for 2004 that would allow municipalities to get various types of reports (number of plots on its territory, list of those taxpayers that are entitled to tax exemption, etc.) and printing of tax bills by zones or streets.
- Work on an upgrade of the existing software, but simultaneously develop new software that complies with the newly made Valuation Methodology; after its development, develop and organize training workshops for this purpose.
- Induce municipalities to develop plans for field review, especially to work with maps. Develop a user-friendly real estate record card. In addition to these tasks, provide technical assistance needed for the preparation of Tax Declarations.
- Establish relationships with other departments within a municipality, especially those that will have an effect on new growth within a municipality

(especially with the Secretariat for Urban Planning).

- Prepare and implement an educational campaign for all taxpayers in municipalities.
- Empower RETS officials to cooperate amongst themselves and establish a national association of assessors to share common problems and find common solutions. At the same time, this institution could also establish a code of ethics which would be crucial to establishing their credibility and ensure a successful future for their work.

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