

Let Us Be "Taxful" Citizens

by CHARLES F. LEONARD

AS I see it there are three aspects that we Georgists must confront in applying land value taxation. First, the assessment of land values in whatever county or city we live in; second, how we can derive some revenue from these values; third, how we can work LVT into our modern society.

I find that many people outside the Henry George movement are very interested in this subject. One group called the Advisory Commission on Intergovernmental Relations (that name says something about the way our governments work today) is an on-going group in Washington, D.C. that publishes a range of topics yearly or in between. In 1963 a two-volume study was issued on the role of the states in strengthening the property tax. It was primarily concerned with assessment practices. The first half was on the general principles and policies of assessment, and the second was a detailed report on each of the fifty states.

Their report on the Los Angeles County Assessor's office was of particular interest, and I recall an interview with the staff there a couple of years ago. In Los Angeles they arrived at three recommendations about modern assessment methods. They said real estate appraising is a science which should be administered by a professional. He should be appointed by a county board of supervisors or elected after passing, along with his fellow candidates, the qualifying examinations showing that he can do the professional job expected of him. To make it a better paying job, replace the town assessor by a county assessor and take in a larger area. Finally, give him the tools he needs.

The Advisory Commission found in Los Angeles one of the most advanced

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and progressive departments in the nation, under the direction of Philip Watson, an elected assessor. His staff used computers routinely, had a fine new building, and a large area to work in. Instead of having one-fifth of the parcels of land in the county subject to reassessment every five years, Assessor Watkins put these into his computer and plotted sales trends, market value trends, and changes over the whole country. He subjected each parcel to a constant re-evaluation every year so that each taxpayer in the county would face a more realistic change every year instead of a horrendous and unrealistic one every five years.

Regarding application of LVT, I'd like to assume now that we have a county-wide assessor—a professional with modern tools—and he's got an accurate idea of what the land values are. Let's have him go to city hall and say, "what can we do with this?" We all know we want to put taxes on land values, we want to take them off buildings, and we'd like this to be sometime in the future—but how are we going to get there? Some of the ways will be discussed in the study that will be issued in a few months by our Committee on Land Taxation at the Henry George School.

I'd like to mention a few points that we found would help. We know that land values can be separated for taxation from personal and business property, and can be accurately assessed. One of the methods for applying LVT is the graded tax plan of

differential taxation which originated in Pittsburgh. Another is the gradual transition from a tax on capital value or the selling value, which we traditionally accept and understand. As we increase this tax rate on the selling value of land it is well known that the land values will drop unless there is a strong trend from population and industry for them to continue to increase. We can gradually shift over to a tax on annual rental values.

Many people have recently recommended leasing public land instead of reselling it. What sort of public lands are we talking about? First, the land that cities acquire through tax delinquency. There is a very active real estate market in land the city acquires by default. Let's hold on to these properties—don't make the city a universal landlord, but use these as an index to the real estate market, and get some revenue for the city in the process. Another way of acquiring public land is through the purchase of slum areas. Cities do acquire land through urban renewal—why not have them keep that title and then lease it out to a new developer as another index of the market values?

Finally, we can have the cities adopt special devices for special problems. They can extend low cost loans to owners of farm land or vacant under-improved land as we increase the taxes on land values. We don't want people to lose their titles, we want them to improve their land in whatever way they see fit. We can write into a land value tax law a guarantee that a person will not be deprived of all the value of his home when it is in the pathway of urban extension. We can make it a part of the law that any developer wishing to purchase the land under an obsolete improvement is simply required to pay the present owner for the appraised value of that improvement.

New Building Exemption

Another way we can ease the transition in new suburban areas is to guarantee tax exemption for new construction and improvements added to the land. We can say to the developers, other people are being taxed as an inducement to you to improve a slum area, we will exempt your construction from taxes for two years, five years, or permanently—when the others will catch up with you through untaxing of improvements.

We can also make tax exemptions for open space areas in new developments. We don't have to force the developer to use every inch of land in his new parcel. We can say to him if you will set aside so much, dedicate it to open use for your apartment or housing project, we will see that you are given tax relief.

But the question remains, how can we make this principle of LVT a part of modern government? In New York City there's no real need to make this point, but in other areas there is. We live in an urbanized society—in the United States at present 70 percent of the people live in centers of more than 50,000 population. I think we should concern ourselves with people where the people are, in the cities, because that's where the problems are. We should recognize that we don't have a decentralist society and we're not going to have one—we have an urban, metropolitan and closely integrated society. How then can we fit LVT into it?

There is for instance the possibility of the grant in aid. This is money, generally, from a higher to a lower level. I say let's accept it and let the lower level provide some of this money from land value taxes and let's accept experimentation such as new educational and medical programs for what they are, and add what we can to them.

There's also the shared tax which is decided on by the local government, collected and administered by the state, and returned to the local government. That local tax can easily be a land value tax. There is a county-wide metropolitan government in Dade County, Florida, where they have a Metro plan in which the county provides the libraries, fire protection, schools, and many services, and the towns may carry out some of the work or not, as they choose. We can levy taxes on land at the county level and make a contribution to such a program.

Then there's the Lakewood (Los Angeles County) plan, where each city contracts with the county for certain services while retaining its own status as an incorporated city, or they can

pay the county out of locally levied land value taxes. There is regional organization, and multi-county special assessment districts, which levy their own taxes for special purposes such as a new modern rapid transit system.

The Delaware River Basin Commission is an inter-state compact which will charge its fees for certain river facilities and also provide services for its own area.

I'd like to leave you with the idea that we should talk about current problems. We want to help our program contribute in making this a healthy, happier and better society, not only for ourselves but for all people. In short, let us no longer be merely single taxers, let us also be tactful citizens.

PROPERTY TAX: HOT ISSUE

"AROUND the country, debate is heating up over reform of the property tax—backbone of local finance which affects virtually every businessman and homeowner in the nation," states The Christian Science Monitor.

Much of the heat is due to assessment practices; irregularities, bribes, fractional assessments that "tend to hide favoritism on the part of the assessors. The Kentucky State Supreme Court has ordered assessors to stop using fractional-value system and to assess at full value. In Massachusetts taxpayers are suing to compel assessments at full value."

A book called *Pros and Cons of the Property Tax* by Dick Netzer of New York University, published by Brookings Institution of Washington, D. C., "has added fuel for the debate."

The author says property taxes discourage property improvements, because any improvement means a higher tax bill. Thus he suggests taxing the land alone, regardless of the improvements—but at the full value of land.

Paul Heffernan, one of the editors of The Bond Buyer, reviewed this book at length (May 16), showing the extensive coverage of the subject. Actual experience with the site value concept of economic rent is noted, as in Pennsylvania.

Among many authorities quoted *pro and con* are Mary Rawson, Canadian tax economist, who called land value taxation "the golden key to urban renewal, to the automatic regeneration of the city—and not at the public expense."

And in Business Week of March 12th the book by Dick Netzer was also covered. The reviewer stated that Netzer suggested a tax set at half the rent of land—user-type property charges—a housing tax not exceeding 5 percent of housing expenditures—and a land value increment tax, which would tap property appreciation due to a rising market. His final comment: "Netzer thinks just land should be taxed, regardless of what's on it—like Henry George's site value tax."