> *"We fully expect to adjust our tax rates downward, since the assessments have substantially increased over previous levels, and we further expect to maintain the same ratio now in place—a one to five ration—in the tax rate on land versus improvements."*

Mayor Reed outdid himself: the 2002 tax rates increased the ratio (land: buildings) from 5:1 to 6:1 despite a doubling of the land value assessments.

No new cities have come forward to join these pioneers however. It would seem that all are waiting for Philadelphia to show the confidence that Pittsburgh failed to show.

<u>Virginia</u>

Although a Bill presented to the state's Governor in March 2001, designed to enable the city of Fairfax to pilot LVT, was blocked then, a fresh attempt nine months later has succeeded. On 24 January 2002, the Virginia House of Delegates voted 72-27 in favor of a bill to grant the city of Fairfax the right to try a two-rate property tax. Exactly a month later, Governor Warner enacted HB239, which states:

> *"In the City of Fairfax improvements to real property are declared to be a separate class of property and shall constitute a separate classification for local taxation of real property.*
>
> *"The governing body of the City of Fairfax may levy a tax on the property enumerated in subsection A at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on the property described in subsection A shall not be zero and shall not exceed the rate of tax on the land on which it is located."*

So the split-rate could come into effect in a second US state in 2003. Intriguingly Fairfax is no 'basket case' but a prosperous commuter city an hour's drive from Washington DC. Meanwhile moves are afoot to legislate in a similar fashion in Connecticut.

Return to the Whitstable Studies

The closest that Britain has hitherto come to having a pilot of LVT was when trail valuations were carried out of the town of Whitstable in 1963 and 1973. They were undertaken by a respected professional rating valuer, Hector Wilks. The first (Wilks 1964) was commissioned by the Rating & Valuation Association to address the negative views of LVT contained in a report for Government of 1952, the Simes Committee report (Simes 1952). The second report was undertaken by the Land Institute to address certain problems that Wilks had himself identified with his previous methods (Wilks 1974). Wilks summarised these exercises in a pamphlet published some time afterwards (Wilks, undated) but there has been very little review of his work by others.

For this Fellowship study Robert Young was commissioned to investigate the records held by interested bodies concerning the Whitstable reports, to see why they had been such public relations failures. Both reports mention Denmark in passing but not PA, which had not then expanded LVT from the two pioneer cities of Pittsburgh and Scranton. Wilks was not so much considering pilot LVT as a pilot land valuation exercise, so single-city experiments with the tax were less relevant than Denmark's nationwide experience. He was most concerned with the feasibility and cost of valuation and with helping make a case for a new source of local government revenue to replace the rates, not so much with the economic and environmental effects of tax reform.

Young compares the reception that the two Whitstable reports received at the time with that which 'welcomed' the publication by Galileo and Newton respectively of the their theories of gravity and a helio-centric universe! Despite meticulous recording of the ease with which his team of amateurs had satisfied his professional rigour for accuracy in assessment and proving how all the problems that land valuation presented were solvable, Wilks' reports were denounced and later traduced by senior colleagues in the rating profession.

On the whole, Wilks was ignored and there is very little evidence that his reports caused a ripple, let alone a stir. The microfiche of his oral evidence to the Layfield Committee looking into local government finance in 1975-6 is mysteriously missing from RICS' records—the only part of their copy of the Layfield report to be missing!

Most damning to Wilks was a speech just after his first Whitstable report, delivered by Trustram Eve, a member of the Simes Committee and Past President of the Rating & Valuation Association. Eve's opinions would at the time have scarcely been challenged by anyone wishing to advance their career in rating, mainly because his criticisms of LVT were not technical or evidence-based but clearly political and emotive.

> *"In considering the best system for the apportionment of rates amongst ratepayers and their administration and collection, ulterior motives are not germane or, if they come into the picture at all, they are only secondary to the primary objects of a rate…. One of the ulterior objects of the site value protagonists is to force owners with undeveloped land to develop the land either themselves or by a purchaser…. It is no part of a rating system to have the indirect effect of forcing owners to develop…. In examining the results of this site value experiment, it is possible to confirm all that has been said against this system."*

Nowhere does Eve state what the practical difficulties are with site value rating, nor argue logically against the evidence Wilks produces. Presumably the primary purpose of rating (for Eve) is to provide an income to rating valuers, whereas encouraging actions that support public policy is secondary or 'ulterior'! The impression one gets from the few senior present-day rating professionals who have heard of Wilks and his Whitstable studies is not only that their 'elders and betters' at the time rejected Wilks' findings but that Wilks **himself** was convinced that LVT was unworkable. In fact Wilks **started** his work in Whitstable somewhat skeptical of LVT but became convinced over the years that he studied land valuation that not only was it workable but highly desirable.

The only evidence Young found that either Whitstable report was read and understood by impartial commentators at the time was a piece in the ***Economist*** of 16 May 1964, which looked at various policies then being debated as options for speeding up redevelopment of post-War Britain while preventing land speculation. The author concluded that 'site value taxation or rating':

> *"would have great attractions under modern conditions…As a recent pilot study in Whitstable showed, planning considerations would be the final determining factor in how large a rate was actually paid on a site."*

Most of the benefits claimed for LVT were outlined soberly and positively before the article concluded prophetically:

> *"It may be that Britain is fated to go through yet another phase of another land policy which fails before the country will come round to it…. But if the aim of securing the most cheap and efficient voluntary use of land within a planning framework is to be achieved, it is a fair guess that some system on the lines suggested [by Wilks] will eventually have to be introduced, if not by the next government but by the next government-but-one."*

The Whitstable reports were largely made possible by grants from the United Committee for the Taxation of Land Values (UCTLV), whose files have now been so thinned out that no independent record remains of the manner in which the work was conceived or publicised. However from conversations with surviving members of UCTLV staff and Board it was learned that no money was set aside to ensure the reports were made widely available. Probably only a few dozen copies of either report were ever printed and no follow-up activities were undertaken.

This section concludes with a selection of Wilks' own reflections on his work. He admits his 1963 survey was "*unspohisticated; it was rough and ready*." He claims that although "*a number of anomalies appeared*" he dealt with them all in his 1964 report. He may have been referring to Trustram Eve when he goes on:

> *"One or two people seized on the apparent anomalies in isolation and, having exposed them, damned the whole system. Not only was this unfair but it was unworthy of them. In the ordinary rating system we have a tremendously complicated series of exemptions, reliefs, partial reliefs, rebates, partial rebates, and so on, all of which operate in a most complicated way, yet comparatively smoothly. To look at a few anomalies in the first attempt made ever at a site-value rating exercise and damn the system because of them and without looking at the consequential overall effects and reliefs seemed to me to be unscientific and unhelpful."*

He concluded that his 1963 survey had, despite the anomalies, proved that site valuation was perfectly feasible and once done "*the number of interim alterations of assessments would be reduced by a phenomenal percentage*." The 1973 survey was prompted by renewed interest in reform of local finance and the Government's dismissal of SVR (without cogent argument) in a 1969 Green Paper. Wilks paid a visit to Denmark to gain advice on certain issues (he does not say which ones) addressed the previous anomalies, devised a new definition of site value and completed the review of site values for nearly 13,000 hereditaments in well under five months and "*only 210 working man days*"—which he himself found "*quite incredible*"! He was the only qualified surveyor of his team of six people, most of whose work could today be automated.

It is significant, in the light of the often expressed view nowadays that LVT is incompatible with the British planning system, that Wilks thought his second survey was more accurate largely because "*I was able far more closely to follow the actual planning requirements and the actual permissions*." In other words, as the planning system becomes more comprehensive it becomes easier to establish site value. Wilks' 1973 definition of site value for taxation purposes in the UK included the clause:

> *"(iii) All planning considerations relevant to the development value to be reflected in the annual site value have been taken into account."*

He also asserted that "hope without planning permission was of no value within the definition."

Wilks looked at SVR in the light of Adam Smith's four canons of taxation (ability to pay; certainty and clarity; convenience as regards payment; and cost of collection relatively small), added three of his own (moral justification; public acceptability; and—for a replacement tax—comparability with what is being replaced). He then had no trouble finding that SVR succeeded on all counts. The last paragraph in his Reflections is:

> *"The only problem that I can see in this country in bringing in such a method of taxation is the interim period or changeover. It is so bound into the system in this country that the occupier pays the rates. All leases of and transactions in land are based on this premise. Is it worth upsetting all this, is it worth having to review by statute every transaction in land, every lease of land for this other system of taxation? Now that I have done the two reports my answer is an uncompromising "Yes." It is all worthwhile."*

A View of LVT in Denmark

Denmark has had LVT for nearly eighty years. Its success was cited in the Whitstable reports (see above). For most of this time the tax has been levied for local government revenue only. There is no local autonomy over methods of revenue raising and fairly tight control over the range at which councils can levy the tax: counties currently levy a standard 2% on land values and municipalities a further few mils only. The tax authorities are quite happy with the systems in use for assessing land and property values and raising the revenue, indeed they are somewhat proud of its efficiency and public acceptability. It costs under £2 per property per year to administer.

As in the UK, tax policy and administration are national government matters. Similarities do not end there. There is strong concern for the environment and the use of policies to support sustainable urban development. There is an interest in curbing taxes on enterprise