

2-353

GRADED TAX COMMITTEE

11 PARK PLACE, NEW YORK CITY

Room 205

HOW THE HOME OWNER AND THE IMPROVER OF REAL ESTATE IS PENALIZED
UNDER OUR PRESENT TAX SYSTEM AND HOW THEY WILL FARE IF WE
"UNTAX THE BUILDING AND TAX ONLY THE SITE"

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Dollars and Cents of the Proposal

1. The city spends annually about \$600 million for services.
2. The city must get this back.
3. It gets back 80% of these expenditures from the tax on real estate.
4. The total taxable valuation of real estate is \$16 billion divided-
 - a) Land 8 billion
 - b) Improvement. 8 billion
5. The tax rate is about \$3 for every \$100 assessed valuation. The tax levy therefore produces ($\$16 \text{ billion} \times 3$) about \$480 million annually.
Land ($\$8 \text{ billion} \times 3$) yields \$240 million tax.
Building ($\$8 \text{ billion} \times 3$) yields \$240 million tax.
6. The proposal is to untax the buildings and to tax the value of land thereby unburdening labor and industry and the improver of the sites. Land value will be required to yield the entire amount of the municipal budget.
\$8 billion is the present assessed land value or what it will sell for.
\$12 billion is the "use land value", or what the sites are worth in producing "economic rent" without deducting the annual tax levy.
To meet the budget expenditures it will be necessary to raise the land tax rate from \$3 a \$100 to \$4 a \$100. This, therefore, will produce the \$480 million required ($\$12 \text{ billion} \times 4$).
7. Who can object to this? Those whose main interest lies in the unimproved land they hold such as:
 - a) Vacant sites.
 - b) Slum sites where the building is only half the worth of the site.
 - c) Underimproved sites occupied by tax payer buildings such as 5th Ave. & 42 St., 8th Ave. & 42 St., 8th Ave. & 23 St., 9th Ave. & 34 St., -- and many more in every borough.
8. Who would favor this reform?
 - a) The home owner who improves his property on the average of \$5 of improvement to \$1 of site.
 - b) The apartment house owner who improves his lot at the rate of \$5 of improvement to \$1 of site.



- c) The industrialist who improves his site at the rate of \$6 of building cost to \$1 of site.
- d) The public utility which spends \$16 of improvement value to \$1 of site value and loads the cost on the consumer in the rate base.
- e) The office building owner who improves his property at the rate of \$2 of improvement value to \$1 of site.
- f) The tenant on whom the tax on building falls and who pays in the end.

9. Best Part of Manhattan Under-improved.

The best parts of Manhattan Island are under-improved or have building values that are less than the over-all average of the city which is \$1 of improvement to \$1 of land value.

In some of the blighted areas on the West Side of Manhattan, the ratio of land to improvement value was 40 to 1.

The city gives full service in making these sites valuable and does not receive back any of the amount in taxables except on the unit of land value.

10. Who will Benefit?

- a) By untaxing the building, which is the product of labor and industry, every improver of real estate will benefit in the next assessment to the extent that his improvement exceeds the value of the land. It will be necessary, in order to raise the city's budget, to about double the amount to be raised from the site.

b) Tax under present Plan-

The average home, for example, is worth.	\$5,000
At 5 to 1, the site value is	833
the building value is	4,167
At \$3 a hundred the tax on the site would be	25
and on the building would be.	125
Total tax	\$ 150

c) Taxes Saved Under New Plan-

Under the new plan the site tax would be	\$ 50
or an annual saving to the home owner of.	\$ 100

This saving is equivalent to relieving the home of a \$2,000 mortgage at 5%. Industrialists and apartment house owners will benefit in the same way.

The slum owner and land site speculator will, for the first time, pay his share of the cost of government.

Tenants will benefit as the tax burden lifts on new construction and new housing becomes economically possible.