

# A BALANCED TAXATION PROGRAM

by

J. T. Gwartney  
Acting Assessment Commissioner  
Chairman, Interim Board of Directors  
B. C. Assessment Authority

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A BALANCED TAXATION PROGRAM ENCOURAGES PEOPLE IN A COMMUNITY TO LIVE AND GROW WITHIN IT. CONSIDER THE PUBLIC SERVICES REQUIRED AND THE BEST WAY TO FUND THOSE SERVICES.

THE PROPERTY TAX HAS BEEN USED THROUGHOUT HISTORY FOR FUNDING LOCAL PUBLIC SERVICES. IT WAS THE FIRST AND HAS BEEN THE MOST SIGNIFICANT TAX FOR ALL PURPOSES FOR THE PAST TWENTY-FIVE CENTURIES.

THE INCOME TAX HAS ONLY BECOME PREDOMINANT DURING THE PAST HALF CENTURY.

ARE WE WISE TO TURN OUR BACKS TO THE PROPERTY TAX, IN FAVOUR OF OTHER FORMS OF TAXATION?

FROM AN ECONOMIC VIEWPOINT THERE ARE THREE BASIC FORMS OF TAXATION:

1. SALES AND EXCISE TAXES ARE LEVIED WHEN THE PRODUCT IS MANUFACTURED OR SOLD. IT IS PASSED DIRECTLY ON TO THE CONSUMER AT THE TIME OF THE PURCHASE. IN EFFECT IT RAISES THE PRICE OF GOODS AND HAS DEFINITE IMPACT UPON THE CONSUMPTION AND PRODUCTION OF GOODS.
2. INCOME TAX IS LEVIED DIRECTLY UPON THE NET INCOME WHICH A PERSON OR BUSINESS EARNS. IT TAKES A PERCENTAGE OF HIS TOTAL EARNINGS OR PURCHASING POWER AND AGAIN LIMITS THE ABILITY TO CONSUME NEW PRODUCTS AND LIMITS PRODUCTION.
3. PROPERTY TAX IS LEVIED DIRECTLY AGAINST THE CAPITAL VALUE OF LAND, BUILDINGS, AND IN SOME PROVINCES, EQUIPMENT. PROPERTY TAX TENDS TO INHIBIT THE HOLDING OF ASSETS OR WEALTH. THE PROPERTY TAX CONSISTS OF TWO DISTINCTLY DIFFERENT TAXES:
  - A. A TAX UPON BUILDINGS AND EQUIPMENT
  - B. A TAX UPON LAND.

BUILDINGS ARE A PRODUCT OF MAN'S PRODUCTION.

LAND IS A PART OF THE NATURAL UNIVERSE RATHER THAN MAN'S PRODUCTIVE EFFORT.

LAND IS FIXED IN SUPPLY AND THE SUPPLY IS NOT AFFECTED BY TAXATION, AS IS TRUE IN THE CASE OF THE OTHER FORMS OF TAXATION. THE TAXATION OF LAND VALUE IS A NEUTRAL TAX WHICH DOES NOT DISRUPT PRODUCTION.

### WHAT SERVICES SHOULD THE PROPERTY TAX FINANCE?

I WOULD SUGGEST THAT ALL PUBLIC SERVICES RELATED TO AN INDIVIDUAL PIECE OF PROPERTY, OR RELATED TO THE TOTAL COMMUNITY SHOULD BE PROVIDED BY THE PROPERTY TAX. PROPERTY, IN PARTICULAR LAND, DERIVES ITS VALUE FROM TWO MAJOR SOURCES:

1. LOCATION AND THE DEMAND OR VALUE WHICH PEOPLE CREATE BY COMPETING FOR ITS USE AND ENJOYMENT.
2. PUBLIC SERVICES IN THE AREA SUCH AS SCHOOLS, FIRE PROTECTION, WATER, POWER, STREETS AND PUBLIC ADMINISTRATION.

TO ILLUSTRATE - COMPARE THE PRICE OF LAND LOCATED 50 MILES OUTSIDE A METROPOLITAN CITY WITH THAT OF LAND OF EQUAL SIZE AND QUALITY LOCATED WITHIN THE METROPOLITAN CITY. THE LAND WHICH IS REMOTE AND NOT SERVICED HAS LITTLE VALUE AND THE LAND WHICH IS SERVICED AND IS IN A DESIRABLE LOCATION HAS GREAT VALUE.

THE PUBLIC HAS A RIGHT TO RECLAIM A PORTION OF THE VALUE IT HAS CREATED BY A TAX ON PROPERTY, PARTICULARLY A TAX ON LAND. ALL LOCAL SERVICES ENHANCE THE VALUE OF PROPERTY. EDUCATION, FIRE, POLICE, PLANNING, ENGINEERING, PUBLIC WORKS, PARKS, HOSPITALS, LIBRARIES, UTILITIES AND ADMINISTRATION ALL DIRECTLY ENHANCE THE VALUE OF PROPERTY.

### WHAT IS THE MAXIMUM TAX BURDEN A PROPERTY CAN TOLERATE?

WHEN PRODUCTION, CONSUMPTION, OR THE DISTRIBUTION OF GOODS ARE INHIBITED, TAXES HAVE REACHED THEIR MAXIMUM. IF A MAN CANNOT MAKE A SUFFICIENT PROFIT TO MAKE HIS EFFORTS WORTHWHILE HE WILL CEASE TO PRODUCE. PROPERTY TAXES CONSUME A PORTION OF THE ECONOMIC RENTAL RETURN FROM PROPERTY. NET INCOME, AFTER EXPENSES AND TAXES, IS CAPITALIZED BY PROPERTY PURCHASES TO DETERMINE THE PROPERTY VALUE THEY ARE WILLING TO PAY. THE ECONOMIC RETURN ON A BUILDING MUST BE SUFFICIENT ENOUGH TO PROVIDE ENCOURAGEMENT TO CONTRACTORS.

THE ECONOMIC RETURN ON A PIECE OF LAND IS DIRECTLY CAPITALIZED TO DETERMINE THE PRICE A PERSON WILL PAY. BUILDINGS ARE A WASTING ASSET AND MUST BE MAINTAINED WITH NEW STOCK. LAND IS A PERMANENT ASSET, NOT REQUIRING MAINTENANCE AND SINCE IT IS FIXED IN SUPPLY, ITS VALUE INCREASES DIRECTLY WITH DEMAND. SINCE SUPPLY IS FIXED, ONLY TAXATION CAN LIMIT THE INCREASING PRICE OF LAND DURING A PERIOD OF HIGH DEMAND.

THE DEMAND FOR LAND DURING THE PAST FIVE YEARS HAS SOARED AND THE TAXES HAVE BEEN INSUFFICIENT TO STABILIZE PRICES. RECENT INFLATION HAS CAUSED ENORMOUS INCREASES IN WAGE RATES AND THE COST OF CONSTRUCTION. THIS HAS BEEN VASTLY OVERSHADOWED, HOWEVER, BY THE ENORMOUS INCREASES IN LAND PRICES. IT HAS BEEN ESTIMATED THAT LAND PRICES HAVE CLIMBED AT A RATE WHICH IS THREE TIMES GREATER THAN GENERAL INFLATION. THIS WOULD SUGGEST A BREAKDOWN IN THE SYSTEM FOR TAXING LAND VALUE.

#### ARE WE APPROACHING THE MAXIMUM TAX BURDEN ON PROPERTY?

IT WOULD APPEAR WE ARE APPROACHING THE MAXIMUM TAX BURDEN ON BUILDINGS AND EQUIPMENT. THIS IS EVIDENCED BY THE LACK OF NEW HOUSING STOCK AND IS RELATED TO THE INABILITY OR UNWILLINGNESS OF CONSUMERS TO PAY THE INFLATED PRICES. FURTHER INCREASES OF TAXES ON BUILDINGS MAKES IT MORE DIFFICULT FOR A BUILDER TO JUSTIFY HOME CONSTRUCTION AS THE HOME PURCHASER CONSIDERS THE INCREASED TAXES AS PART OF HIS MONTHLY PAYMENT. THE TAX ON THE LAND PORTION OF PROPERTY, HOWEVER, SHOULD BE SIGNIFICANTLY INCREASED. THE TAX ON LAND WOULD TEND TO REDUCE THE DISPROPORTIONATE LAND VALUE INFLATION AND ENABLE BUILDERS TO PURCHASE LAND AT A LOWER PRICE AND SELL IT TO CONSUMERS AT A PRICE THEY CAN AFFORD. IN TODAY'S CIRCUMSTANCE, A TAX OF NOT LESS THAN 8 - 10% ON LAND AND NOT EXCEEDING 2 - 4% ON BUILDINGS WOULD BRING ABOUT A BALANCE WHICH WOULD ENCOURAGE THE CONSTRUCTION OF HOUSING UNITS AND THE UTILIZATION OF LAND IN A MORE EFFICIENT MANNER.

#### ARE CURRENT ASSESSING SYSTEMS CONTRIBUTING TO THE PROBLEM?

ASSESSMENT QUALITY IS GENERALLY POOR THROUGHOUT NORTH AMERICA. ASSESSING UNITS ARE POORLY FINANCED, UNDER-STAFFED, RESTRICTED BY LEGISLATION AND USING ANTIQUATED METHODS.

EG. BRITISH COLUMBIA ASSESSMENTS ON THE AVERAGE REPRESENT 25% OF THE MARKET VALUE PRICE OF PROPERTY. THE VARIANCE, HOWEVER, IS ENORMOUS:

NORTHERN PROPERTIES .....	35%
LOWER-MAINLAND PROPERTIES .....	15%
COMMERCIAL PROPERTIES .....	40%
HOMES .....	20%
BUILDINGS .....	35%
LAND .....	8%

THE POLITICAL PROCESS HAS THE RIGHT TO SET DIFFERENT LEVELS OR RATES OF TAXATION BUT THESE LEVELS MUST BE BASED ON ACTUAL VALUE ASSESSMENTS. WITHOUT EQUITABLE ASSESSMENTS THERE CAN NOT BE RESPONSIBLE POLITICAL ACTION, ACCOUNTABLE TO THE PUBLIC.

THE B. C. ASSESSMENT AUTHORITY WAS CREATED TO ACCOMPLISH THIS OBJECTIVE. THE B. C. ASSESSMENT AUTHORITY IS TO ESTABLISH AND MAINTAIN A LISTING OF ALL PROPERTY APPRAISED AT 100% OF ACTUAL VALUE THROUGHOUT BRITISH COLUMBIA.

#### BACKGROUND

BRITISH COLUMBIA'S LEGISLATION FOR THE LAST EIGHT YEARS RESTRICTED ASSESSMENTS USED FOR DETERMINING PROPERTY TAXES.

ASSESSORS WERE NOT GIVEN AN ADEQUATE OPPORTUNITY TO SET ASSESSMENTS THAT WERE EQUITABLE AT A COMMON LEVEL OF MARKET VALUE. LEGISLATION ALLOWED A MAXIMUM INCREASE OF 5%.

THE ACTUAL MARKET VALUE OF REAL ESTATE HAS BEEN INCREASING BUT NOT AT A UNIFORM RATE.

SOME TYPES OF PROPERTY HAVE INCREASED RAPIDLY IN VALUE DURING THIS PERIOD WHILE OTHER TYPES OF PROPERTY

HAVE HAD SMALLER VALUE INCREASES. INEQUITIES HAVE OCCURRED IN ASSESSMENTS AND HAVE RESULTED IN UNFAIR TAXATION. IT BECAME CLEAR ASSESSMENT RESTRICTIONS COULD NOT BE USED TO LIMIT TAXES WITHOUT EXPECTING INEQUITY.

#### AN INDEPENDENT ASSESSMENT AUTHORITY

MANY CONCERNED GROUPS MADE RECOMMENDATIONS TO THE B. C. GOVERNMENT TO ESTABLISH AN INDEPENDENT ASSESSMENT AUTHORITY, ONE WHICH WOULD

'BE SEPARATED AS FAR AS POSSIBLE FROM THE TAXING FUNCTION AT BOTH THE PROVINCIAL AND MUNICIPAL LEVELS. THE CALL FOR AN INDEPENDENT ASSESSMENT AUTHORITY WAS THE FIRST RECOMMENDATION OF THE UNANIMOUS REPORT OF THE LEGISLATURE'S STANDING COMMITTEE ON ASSESSMENTS IN THE SPRING OF 1974. THE REPORT STATED:

"THIS AUTHORITY MUST BE INDEPENDENT OF THE TAXING FUNCTION (EITHER MUNICIPAL OR PROVINCIAL) AND ITS CONTROL MUST BE SUCH AS WILL RESULT UNMISTAKABLY IN COMPLETE INDEPENDENCE."

THE ASSESSMENT AUTHORITY OF BRITISH COLUMBIA ACT WAS PASSED UNANIMOUSLY AND THE AUTHORITY CAME INTO EXISTENCE ON JULY 2, 1974.

### BOARD OF DIRECTORS

THE BRITISH COLUMBIA ASSESSMENT AUTHORITY IS PRESENTLY GOVERNED BY A SEVEN MEMBER INTERIM BOARD OF DIRECTORS. SIX MEMBERS WERE RECOMMENDED BY THE UNION OF BRITISH COLUMBIA MUNICIPALITIES AND APPOINTED BY THE PROVINCIAL CABINET. THEY WERE DRAWN FROM VARIOUS AREAS OF THE PROVINCE AND HAVE DISTINGUISHED BACKGROUNDS AS MUNICIPAL LEADERS OR ASSESSORS. THE SEVENTH MEMBER IS THE ASSESSMENT COMMISSIONER WHO ALSO SERVES AS THE CHAIRMAN OF THE BOARD. THE MAJOR DUTIES OF THE INTERIM BOARD OF DIRECTORS INCLUDE:

- ORGANIZATION OF THE NEW ASSESSMENT AUTHORITY
- ESTABLISHMENT OF REGIONAL ASSESSMENT AREAS
- PRESCRIBING STANDARDS FOR PROFESSIONAL APPRAISAL COMPETENCE
- DEVELOPMENT OF TRAINING PROGRAMS FOR STAFF APPRAISERS
- PROVIDING INFORMATION ON ASSESSMENT PROCEDURES TO THE PUBLIC AND RECOMMENDING THE COMPOSITION OF THE PERMANENT BOARD OF DIRECTORS.

THE BOARD HAS ESTABLISHED TWENTY-SEVEN REGIONAL ASSESSMENT OFFICES WHICH REPLACE THE 105 FORMER ASSESSING UNITS. CURRENTLY THERE ARE ALMOST 700 PROFESSIONAL APPRAISERS AND SUPPORT STAFF.

### OBJECTIVES AND FUNCTIONS

OUR OBJECTIVE IS TO PRODUCE UNIFORM AND EQUITABLE ASSESSMENTS WITHIN THE LIMITS OF CURRENT LEGISLATION. ASSESSMENTS ARE TO BE MADE ON BOTH TAXABLE AND EXEMPT PROPERTY. ASSESSMENT ROLLS WILL

BE GIVEN TO ALL AUTHORIZED TAXATION AGENCIES WHO WILL USE THE ROLLS FOR THE LEVY OF PROPERTY TAXES.

OUR LONG TERM OBJECTIVE IS TO RE-INSPECT ALL PROPERTY DURING THE NEXT FIVE YEARS TO IMPROVE THE ACCURACY OF DATA AND APPRAISALS. ASSESSMENTS WILL BE UPDATED ANNUALLY, BASED UPON PROPERTY DATA AND SALES MAINTAINED IN A COMPUTERIZED INVENTORY. THIS YEAR EXTENSIVE WORK IS UNDERWAY TO PRODUCE NEW AND BETTER PROCEDURES, MANUALS, MAPS AND RECORDS, WHICH CAN BE USED TO IMPROVE THE QUALITY OF ASSESSMENTS. ASSESSMENT ROLLS, NOTICES, OWNERSHIP RECORDS, PROPERTY RECORD CARDS AND SALE LISTINGS ARE IN THE PROCESS OF BEING STANDARDIZED. THE AUTHORITY WILL BE ABLE TO PROVIDE INFORMATION IN A MORE EFFICIENT, CONVENIENT, AND USEABLE FORMATS. A FIRST ACCOMPLISHMENT WAS TO KEYPUNCH AND PRODUCE COMPUTERIZED ASSESSMENT ROLLS FOR THIRTY-SIX MUNICIPALITIES WHICH FORMERLY PRODUCED ASSESSMENT ROLLS AND NOTICES MANUALLY.

SALES AND OTHER STUDIES DETERMINE OUR WORK PRIORITIES. ASSESSORS ARE CONCENTRATING THEIR WORK EFFORT ON THE MOST INEQUITABLE ASSESSMENTS FIRST. OUR ASSESSMENTS ARE APPRAISALS WHICH ARE BASED UPON MARKET SALES. SMALL MUNICIPALITIES WHERE APPRAISAL EXPERTISE WAS EITHER NOT AVAILABLE OR ONLY AT A HIGH PRICE, NOW HAVE THE SERVICES OF A QUALIFIED PROFESSIONAL STAFF TO PRODUCE EQUITABLE ASSESSMENTS.

ASSESSORS ARE AVAILABLE TO THE PUBLIC TO DISCUSS AND EXPLAIN ASSESSMENTS. A TAXPAYER WHO CONSIDERS AN ASSESSMENT INEQUITABLE CAN CHALLENGE IT BEFORE THE COURT OF REVISION AND SUBSEQUENTLY THE ASSESSMENT APPEAL BOARD. QUERIES WITH REGARD TO TAXES SHOULD BE DIRECTED TO TAXING AGENCIES.

### 100% ROLL AND RESTRICTED ROLL

THE BRITISH COLUMBIA ASSESSMENT AUTHORITY WILL PRODUCE TWO PROVINCE-WIDE ASSESSMENT ROLLS THIS YEAR. ONE WILL LIST ALL LAND AND IMPROVEMENTS AT 100% OF ACTUAL VALUE AS OF DECEMBER 31, 1974. THE OTHER WILL BE A RESTRICTED ROLL IN ACCORDANCE WITH CURRENT LEGISLATION. THE RESTRICTED ROLL IS ESSENTIALLY THAT PRODUCED FOR 1974, AND FROZEN EXCEPT FOR CHANGES SUCH AS NEW CONSTRUCTION, DEMOLITION, SUBDIVISION DEVELOPMENT AND SIMILAR FACTORS.

SUMMARY

THE ORGANIZATION OF THE NEW BRITISH COLUMBIA ASSESSMENT AUTHORITY HAS BEEN DESIGNED TO ENCOURAGE EMPLOYEE INTEREST, CREATIVITY AND PARTICIPATION IN SETTING AND ACHIEVING OBJECTIVES.

IT IS OUR GOAL TO PRODUCE UNIFORM AND EQUITABLE ASSESSMENTS FOR THE PEOPLE OF BRITISH COLUMBIA. WE WILL STRIVE AND INTEND TO BRING GREATER EFFICIENCY IN PROVIDING THIS PUBLIC SERVICE.

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