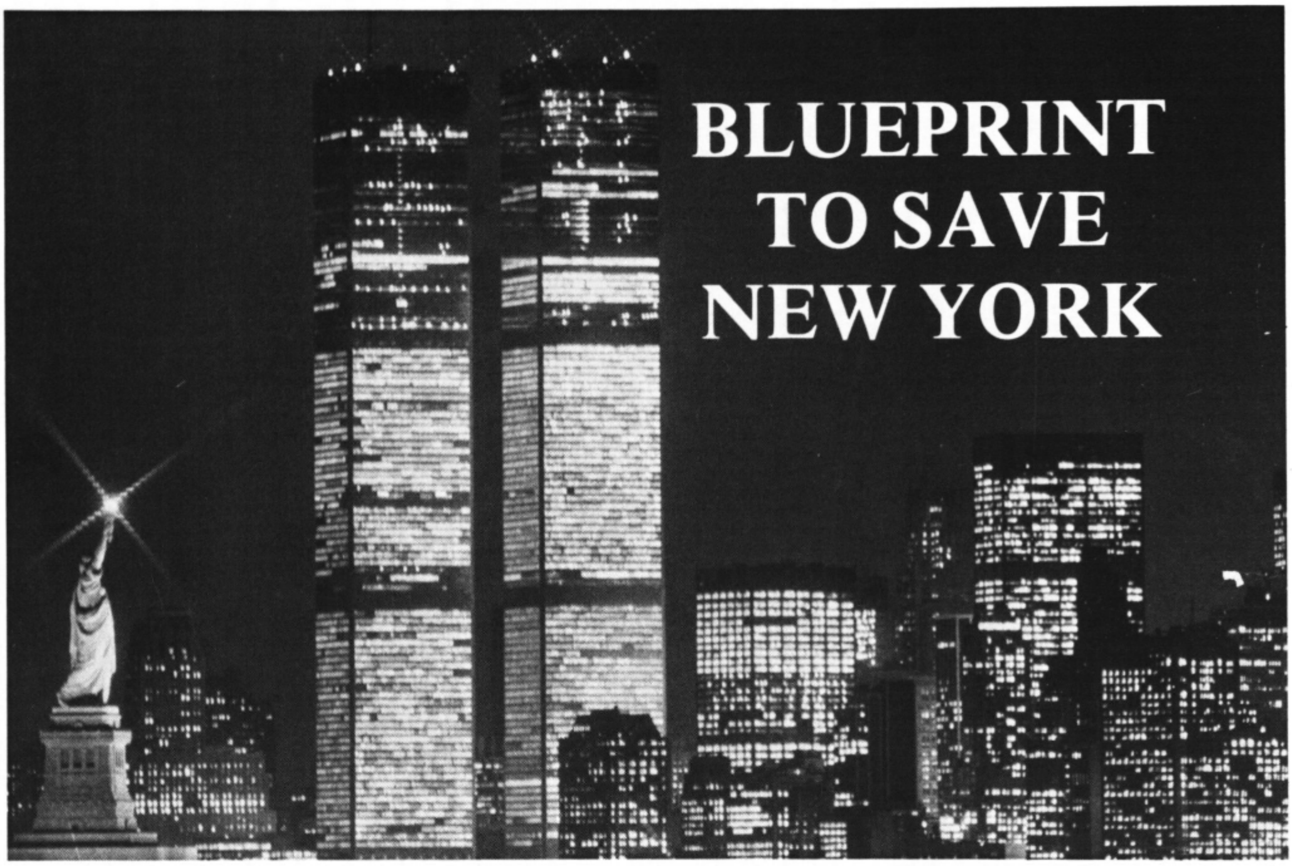

BLUEPRINT TO SAVE NEW YORK

NEW YORK City, whose governing body spends more money per head of its population than any other city in the United States, was saved from bankruptcy a few years ago only by aid from the federal government and the State of New York. Today, it is still in deeply troubled waters. It faces a gap in its 1982-83 budget of more than $200m.

One way to raise the needed revenue would be to increase the property tax, the city's largest levy. But this already stands at the near-penal rate of $8.95 per $100 of assessed value. And with no distinction made between land value and building value – both being taxed at the same rate — the tax cannot fail to be a heavy deterrent to land development and to the improvement of property.

To use the tax as it now stands to bring in the required additional revenue would require all the city's assessments to be raised by over six per cent.

Now, the Centre for Local Tax Research, a New York organisation, is pressing the city authorities to restructure the property tax so that it can be used to raise the extra $200m without the regressive effects of the present tax.

There are a number of options open to the city, say the Centre, but the essential feature of all of them is that the rate of tax on land should be

By Bert Brookes

increased while the rate applied to improvements should be scaled down.

The Centre claim that shifting the incidence of the property tax in this way would give a dramatic impetus to the development of land. Many local public finance experts, they point out, advocate a change of this kind purely to obtain that economic effect. Pittsburg, to quote just one example, had long exercised the general policy in its property tax; and the State of Massachusetts had legislation pending to enable its authorities to adopt it.

'Land value tax reform could clear $200m debt'

THE CENTRE recently discussed its proposals for New York (in the form of a number of options) with two of the city's deputy mayors and the Commissioner for Finance.

● Option 1 would retain the city's current – but out-of-date – rating assessments but would tax the land at double the rate applied to improvements.

Some of the effects of this plan, as estimated by the Centre, are shown in the table below. Based on city-wide averages, small residential properties would experience virtually no change. The larger ones – and the average apartment – would increase by small amounts, generally less than five per cent. Factory assessments would increase by about five per cent but other commercial properties – mostly located on the more valuable land – would bear increases of over ten per cent. *Vacant land, as would be expected, would bear the heaviest increases, averaging some fifty per cent.*

Within these overall city averages there would be variations between districts, especially between those of widely differing land value. In Manhattan, for example, where land values tend to match the height of the skyscrapers, the increases in tax-bills, for all classes of property, would be above the city average. In the outer boroughs, however, the picture would be very different. Residential properties in these suburban districts would generally be little changed, and some properties – some hotels for example – would end up with assessments lower than before.

● Option 2 would take into account that the city's rating assessments bear little relation to current market values. They would again set the tax on land at double the rate applied to improvements but, in this option, would assess the value of land at 50 per cent of its market value. This arrangement, says the Centre would bring more equity into the assessments.

As the table shows, Option 2 would place more of the tax burden on to residential property and less on commercial properties such as factories. In Manhattan, once again, many properties, both residential and commercial, would bear more tax. As with Option 1, vacant land would bear a big increase in tax, varying from 30 per cent in Manhattan to 109 per cent on Staten Island.

A FURTHER practical possibility envisaged by the Centre (Option 3) was to apply the main provisions of Option 2 but to allow some "home-owner credits" (or rebates) to house owners. The aim would be to shield the smaller residential property taxpayers from the full and immediate effects of the reassessments. As was to be expected, this formula produces smaller increases for residents than Option 2 but higher assessments for owners of business and commercial premises.

Any one of these options, claim the Research Centre, would represent a major improvement in the City's property tax. This is no doubt true; any shift of the tax burden from buildings to land increases the incentive to put land to its optimum use and is a move towards greater social justice.

But the use of arbitrary percentages, and the introduction of "home-owner" credits', are acceptable only as temporary expedients. The essential aim must be to raise the property tax entirely from land and for that land to be assessed at its true value – without reliefs, rebates or other dubious devices.

Only when this situation is achieved will it be possible for New York City to claim equity between one property tax-payer and another.

Only when the city takes its property tax solely from the community-created value of land will it be able to claim that the tax is morally as well as financially sound.

NEW YORK CITY

Property Tax assessment based on various formulae
(1981-82 = 100)
Proposals by Centre for Local Tax Research (Estimates)

	Option 1	Option 2	Option 3
New York City			
Small residence	101	149	130
Large residence	97	115	109
Apartment	104	101	104
Factory	105	82	85
Hotel	113	133	136
Vacant land	150	165	169
Manhattan			
Small residence	129	251	254
Large residence	129	218	222
Apartment	113	121	125
Factory	110	91	93
Hotel	115	136	140
Vacant land	144	130	133
Brooklyn			
Small residence	102	150	129
Large residence	98	115	108
Apartment	96	82	84
Factory	103	80	82
Hotel	99	102	105
Vacant land	147	204	110
Staten Island			
Small residence	95	119	101
Large residence	91	97	91
Apartment	95	83	85
Factory	118	93	95
Hotel	92	88	91
Vacant land	154	209	215

NOTE: New York City also includes the districts of Queens and the Bronx.

How the landlords triumphed

THE ABSENCE of a tax on land values weakens the prospects for land reform, *writes IAN BARRON.*

This is shown by events in El Salvador, where the newly-elected right-wing Assembly has scrapped the "land to the tiller" programme.

Under laws introduced by the moderately reformist Christian Democrat government, tenant farmers were given the right to buy their land. This provoked many landlords to hold their land vacant rather than allow tenants to establish permanent rights to their holdings.

The new Assembly, headed by Major Roberto d'Aubuisson, blamed the fall in output for terminating the reform programme.

If a tax had been imposed on land values, as part of the original reforms, owners would have been forced to keep their land in production.

Instead, they were free to board up the buildings and take off to Miami. Food supply contracted – giving politicians representing the old oligarchy the excuse to throw reforms into reverse.