

## Senate Report Embraces Land Value Taxation

It isn't easy to keep up with all the research papers, policy statements, and reform proposals now being generated by just about everybody in response to the real estate tax problem. One of the most influential documents to come to light of late, however, is a "Background Study" prepared by the Congressional Research Service for the Subcommittee on Intergovernmental Relations of the Committee on Government Operations of the United States Senate. For those who follow the election year hoopla, the Subcommittee's Chairman is Edmund S. Muskie (D., Me.).

The title of this document is *Property Taxation: Effects on Land Use and Local Government Revenues*. It can be had for 40¢ from the Government Printing Office, a bargain for those who want to know what Big Brother is thinking, or at least, publishing.

On the whole, this paper is a heartening experience for Georgists and all other taxpayers, not only because some 20% of it is devoted to land value taxation, but because the Congressional Research Service performed its task so thoroughly, honestly, and fairly. In the very letter of transmittal to the Senate, the director of the Service expresses particular thanks to "residents and officials of the land-tax communities" of Fairhope, Alabama, Arden, Delaware, and Free Acres, New Jersey.

The paper begins with the fiscal importance of the property tax in financing social services, and mentions local variations in tax rates, exemptions, and the "regressive" nature of the property tax. The intergovernmental aspects of the

## New Instructor

Dr. Richard Devine, Research Director of the National Urban League, is one of the instructors of "Reform for Our Time" this semester. Dr. Devine is an alumnus of the Graduate School of Public Administration of New York University and a student of land reform. The design of his course, which will be presented Monday and Wednesday evenings, is based on the ethics and economics of George in a current events setting. Major topics will include the Council on Intergovernmental Relations' proposal that New York City should consist of neighborhood governments alongside a larger metropolitan government—spicy food for Georgist thought.

property tax are seen as fragmentation of jurisdictions and conflict with the federal capital gains tax.

The next section deals with the effect of the tax on land use, and points out the conundrum of reconciling property tax financed local government with government finance programs aimed at alleviating poverty. This problem is particularly acute where subsidized housing runs head-on into zoning, because subsidized housing is typically a state or federal government affair and zoning, of course, is a function of community tastes and preferences.

The study declares also that the present structuring of the property tax so that it falls about equally on land and improvements encourages land speculation. A detailed study of Newark, furthermore, is cited to show that fear of increased taxation deters rehabilitation. "For the slum landlords, the present property tax system contributes to making slum housing a profitable investment."

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## How Much Can You Save with Site Value Tax?

*A Study of the Untaxing of Improvements in Edmonton, Alberta* is the title of a research paper recently published by the School of Economic Science and Social Philosophy in Calgary, Alberta. The paper was prepared for the School by its Director, P. D. Bolton, and contains a short, lucid summary of the site advantage analysis as well as pertinent data on the Edmonton experience. The purpose of the study is to estimate the impact of untaxing improvements in Edmonton, and arrive at a measure of the difference between the current tax if calculated with updated assessments and the tax that would be applied if improvements were totally untaxed.

Mr. Bolton shows that the Alberta law, which is intended to provide tax relief for improvements, does not meet the goal. The primary obstacle is assessment lag: existing legislation provides for assessment of site advantage at 100% of the base used; in fact, the most recent (1968) assessment yields a 60% site advantage assessment. Similarly, improvements are theoretically assessed at 60% of the base, but bear a 36% assessment. Mr. Bolton has no criticism for the assessors or assessment practices of Calgary and Edmonton, which are using computers in updating assessments. Preliminary calculations showed a need to update site advantage assessments but not improvements assessments.

Mr. Bolton's study approaches the untaxing process in 5 equal steps to mitigate the severity of the transition. The

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# How to Reduce Overcrowding in New York City

The problem presented by the current overcrowding of the population of the City of New York is usually viewed as a development beginning with the increased immigration to this country in 1846 as a result of the Irish famine, and thereafter intensified by the surge of immigration from Central Europe. It should be pointed out that this over-crowding is not a problem which necessarily arises only with the concentration of great masses of people.

Relating this problem to the present, it could reasonably be supposed that if the population were reduced to a point where but 1,000 persons remained on the island, there would be no over-crowding. It is not necessary to conjure with this thought by way of suppositions, since an investigation of the situation on Manhattan Island at a time when the population numbered 1,000 persons can readily be made. It will be recalled that Manhattan was purchased from the Indians in 1626, at which time the Dutch Colony consisted of less than 200 persons. Forty-two years later, the population had increased to a point where the colonists numbered about a thousand people. Despite this small population the Dutch were confronted with the problem of overcrowding. This situation is amazing when it is considered that the Dutch were settled at the very gateway to the vast reaches of the New World frontier. What is most illuminating, however, is the method adopted by the Dutch to combat the problem. The Governing Council of New Amsterdam adopted an astonishingly simple and direct method for dealing with the situation. The Council ordered all owners of vacant lands either to improve them, pay a special tax to retain them unimproved, or surrender them to the city for public sale (Records of New Amsterdam 36-37).

That current methods, though highly purposed, are inadequate to solve the problem of over-crowding is manifest from the fact that the condition is not only still evident but is becoming increasingly acute. Unfortunately, the Dutch legislation was not long in effect, since a few years later saw the colony surrendered to the British. It would seem that the present Governing Council of the City of New York might very well revive this legisla-

## Insight . . .

*WQXR, the radio station of the New York Times, presents a program titled "Insight," in which Associate Editor Clifton Daniel talks with the far-flung reporters of the Times. Daniel seeks the extra morsel of information, the special perspective of the reported on the scene. Then, with perspicacity and wit, he comments on the news.*

*"The Last Word" is the part of the show where Daniel leaves the listener with something to ponder. On January 21st he choose the following:*

People of my age will probably remember the single tax. We learned about it in school. It originated with Henry George in 1879. He proposed to concentrate all taxation on land values—hence the term "single tax."

I thought of it yesterday when President Nixon informed Congress that, later this year, he would make proposals "for relieving the burden of property taxes (which have more than doubled since 1960) and providing both fair and adequate financing for our children's education."

As the President noted, recent court decisions in New Jersey, California, Texas and Minnesota have held that the financing of schools through local property taxes is discriminatory and unconstitutional.

In the latest of these decisions, Judge Theodore Botter of New Jersey said: "The system discriminates against pupils in districts with low real property wealth, and it discriminates against taxpayers by imposing unequal burdens for a common state purpose."

The court held that education in New Jersey is clearly unequal because children in well-to-do suburbs attend good schools while children in the impoverished cities attend poor schools. For example, Milburn in Essex County can afford to spend

tion as a most effective weapon in the present situation. All other proposed remedies have not solved the problem.

*(Ed. note: Leafing through back copies of the NEWS, we came across the above item. With crowding and inefficient land use so much in the newspapers today, the problems of old New Amsterdam seemed to have a particular relevancy. The author of the piece, which appeared in the January 1952 issue, is the School's present president, Arnold A. Weinstein.)*

\$1,454 a year on each pupil; Jersey City can afford less than \$900.

There are various proposals to remedy that kind of inequity. One is to have a uniform, state-wide property tax, the proceeds of which would be shared equally by all public school pupils.

President Nixon is presumably thinking of an alternative to the property tax—perhaps the value-added tax, a kind of Federal sales tax, and a much greater Federal contribution to public education.

This is part of a trend to concentrate the collection of taxes in the powerful hands of the Federal government, and to share the resulting revenues with the states and localities.

We will not come to anything like a single tax for all purposes. That's too simplistic. But let's hope we are moving toward a simplification, rationalization and equalization of our present complex and wasteful tax structure.

## Letters

Dear Sir:

Let me congratulate you on the new format of the News. It is very professional-looking and readable, and I enjoy your commentaries on current news. I would like to read more information about the new courses at the School, however. The environment course in particular sounds very interesting and also relevant to the goal of educating the public to see the necessity of land-value taxation. Is it possible to print more details about this course in the News?

Sincerely,  
Carl Sanders

*Mr. Leonard Rubin, the instructor of "The Environment: Problems and Solutions," has agreed to provide the News with articles about his course. The first installment will appear next month and cover the first two lectures.*

Ed.

### Good Old Tom Johnson

The Ohio Yearbook for 1972, published by the Ohioana Library Association, 1109 Ohio Department Building, Columbus, Ohio 43215, titled "Heroes of Ohio," carries two full pages (127-28) on the story of Tom Loftin Johnson (1854-1911) and his interest in Henry George. The book sells for \$1.75 plus 8¢ tax and 28¢ postage.

# from the editor's notebook

Along with most politicians and many civic groups, the prestigious and conservative American Institute of Architects has recently published a "position paper" in favor of "radical" land use reform.

The AIA's proposal is for a "land bank" of over a million center-city acres, to be paid for by a \$5 million federal government grant. The federal government is also to supply social services to "neighborhood growth units" of 500 to 3,000 housing units erected on land that reverts to city, state, and federal governments by tax lien or mortgage default. The AIA supports tax reforms, an end to restrictive zoning and building codes, and government subsidies to low and medium income families.

The essence of the AIA's land bank proposal is the principle that land should be considered a public rather than a private commodity. Accordingly, banked land would be removed from the speculative open market—the government would lease such land for rent instead of taxing it.

A Christian Science Monitor editorial (January 5) heralds this policy statement as a "sign of deeper changes in American institutions." Opposition to the statement from within the AIA is dismissed as the kind of opposition any new idea receives. "The point is that a totally new metropolitan format is being shaped for the urban American of tomorrow."

The Monitor itself seemed to have missed the point. In the first place, one might ask: In what way is increased federal responsibility for and control of the community "totally new"? Secondly, how does the suggestion that the federal government purchase the land demonstrate the principle that land is a public rather than a private commodity?

Furthermore there is a danger inherent in the proposal that would make the municipality one renter among many. If it were to operate on the principle that land is a public commodity, it would have to charge not only the going market rate for sites it rented but the present tax on the site as well. The tendency might be, however, for the local government to charge only the market rent. This would hardly be in conformity with the principle stated.

Now neighborhoods springing up from abandoned and underutilized urban land would indeed be a wondrous sight, but not on these terms.

Some time ago in Maryland, state legislators devised a low farmland tax, apparently in an attempt to preserve open space and the economic viability of the small farmer. But the law also read that farmland zoned for non-farm development may be assessed at the low farmland rate. Naturally, speculators and developers flocked through this loophole: a recent Washington Post editorial reports that 1/2 of the total area of Montgomery County and 1/3 of Prince George County are now assessed at the low farmland rate. An extreme example is a 194-acre tract near Bethesda valued at some \$13 million—but assessed at less than \$40,000.

Now Maryland Governor Marvin Mandel wants to silence the counties' cries of revenue distress by removing the low assessment on rezoned farmland. His bill, now before the Maryland General Assembly, would apply a higher rate to farmland rezoned for industrial, commercial, and multi-family housing uses. Not affected by the bill is farmland rezoned for single family housing, although future rezones would lose the special assessment status.

The Washington Post applauds the governor's bill and hopes aloud that the General Assembly will recognize that the counties should not suffer because of "a loophole that undermines the original purposes of the farmland rate."

Such a comment seems political naivete: at least the governor's loophole benefitting single family housing (in which, we speculate, most voters live in Maryland) is openly declared at the onset.

\* \* \*

The United States is a land of opportunity. Even in 1972 the enterprising citizen can acquire land, free, from the government. All he has to do is stake out a boundary on any of the 750 million federal acres still unclaimed, do a little assessment work on the "valuable minerals" supposedly located there, and be prepared to prove prior claim. For full title, the citizen must prove that valuable minerals are indeed under the land and pay \$2.50 an acre to obtain a "patent." But once the patent is issued, no mining need be done—the land belongs to the claimant.

These are the conditions of a 1872 mining law as reported in the Wall Street Journal. The Journal tells the story of one Merle Zweifel, who in the past few

years has claimed millions of acres in Western states and even underwater. Zweifel International Prospectors may never mine any of the land—some may be irrigated and ranched, and some may be sold to other corporations and governments for their projects, such as a proposed Central Arizona Canal Project.

At the moment several extractive resources industries are being requested to halt operations which endanger Mr. Zweifel's "locatable minerals." Overlapping claims are just part of the problem: state laws and claim filing procedures are each different, and in at least one instance, inefficient. When the state of Nevada raised the claim filing fee from \$1 a claim to \$1 an acre, Mr. Zweifel promptly inundated the claims office with thousands of claims, just under the deadline for the new law. Nevada charged Mr. Zweifel with filing false claims, declaring that he had not actually marked the boundaries. Mr. Zweifel rejoined that to do so would have been injurious to Nevada ecology.

In all the suits and counter-suits, allegations and accusations, one fact is clear: the 100-year old mining law is one more example of the American public's indifference to speculative exploitation of land—in this case, the public's own land.

\* \* \*

The Wall Street Journal regularly prints a front-page column titled "Tax Report," in which some strange and wonderful items of information are to be found. A recent Tax Court decision, for example, overruled the IRS in favor of investors who claimed geothermal steam drilling costs as a tax shelter under the depletable resources rubric. Geothermal steam is the stuff that accompanies geysers in some western states, and because the supply of geothermal steam (unlike other kinds of steam) is not inexhaustible, the Court ruled it should be taxed like gas and oil.

In another case the Tax Court upheld a land speculation company in its contention that by simply buying land and later selling it at a profit—without development—it should be taxed under capital gains rules. The IRS wanted to tax the company at a higher rate under income rules on the basis that the "normal" business of the company is buying and selling land.

As April 15th approaches, remember that the IRS has a sharp eye for what's fair.



# The City of the Future

"Urban Studies" may well be the least descriptive designation in all of public and academic life—it is a term used indiscriminately to embrace everything between sewage treatment technology and zoning law. The Institute for Architecture and Urban Studies, however, has tied together a lecture package of only the most exciting, well-developed, and practical topics.

The first in the series was a talk and film presentation on February 9 by Brian Richards, a British transportation expert. The title of his lecture was "Travellation: The Future of an Illusion"—a zany title that acquired meaning in a surprising way as he spoke. The subject was moving pavements, an idea so old it was first tried in Paris before the turn of the century and so valid that many international exhibitions and cities have toyed with it.

Richards' statistics were impressive—moving pavements can transport more thousands of people per hour than any other form of transportation, with no bottlenecks and almost no noise, pollu-

tion, or danger to the pedestrian. Moving pavements are most useful in transporting large numbers of people over short distances; they would be especially useful on major thoroughfares that carry literally thousands of workers and shoppers in large cities. For major transportation routes, moving pavements would supplement and ease traditional modes of transportation, perhaps eventually supplant them. In this case central office and shopping areas could be surrounded by a ring of longer-distance transportation nodes so that pedestrians could be transported efficiently and pleasantly by moving pavement to bus and train terminals and parking lots. City planning of the future therefore involves locating stations and parking lots away from urban centers, which implies both environmental sanity and aesthetic enhancement of the city.

For lesser thoroughfares and residential areas, the "cart concept" could be eliminated altogether, and oil-streaked

streets replaced with trees, strolling areas, and playgrounds.

The moving pavements seen in Richards' films are futuristic in design and completely self-enclosed with clear plastic roofs and moving handrails. The technological breakthrough that has made the moving pavement a modern possibility is a technique for accelerating the passenger from walking pace to about 15 m.p.h. in a short distance. It now remains to find the technique for accelerating city governments from the present transportation morass to a modern and humane system—as in other areas.

Lectures are presented Wednesday evenings at 6:45 p.m. at The Institute for Architecture and Urban Studies, 8 West 40th Street, New York City. Future topics of special interest include "A Critique of Current Urban Planning Models" (March 15), "Mid-Town Manhattan—The Evolution of a New Code" (April 5), "Strategies for Regional Development" (April 26), and "Criteria for Mass Housing—New York and Berlin" (May 3). Call 974-0765 for brochure and complete listing.

## Muskie Report (from p. 1)

The administration of property taxation is then attacked as inefficient for all the usual reasons: unequal assessments, reassessment lag, overlapping assessment districts, elected rather than trained assessors, and so on. Interestingly enough, the assessment and tax administration of Australia is mentioned as more equitable and reasonable. Finally, it is pointed out that the legal requirements for the administration of other taxes are far more stringent, and inter-individual variations in income tax application on the scale of property tax application utterly inconceivable. (The Congressional Research Service is not without humor.)

The section devoted to land value taxation which follows is fascinating. The entire constellation of pro-land value taxation economists is heard: Netzer, Gaffney, Harris, Becker. One paragraph leaps to the eye:

"If implemented today, it is doubtful that land-value taxation would take the

extreme form advocated by Henry George. But by increasing the taxload on land and decreasing the load on improvements, it would still be possible to recoup for the public treasury more of those values created by the public, and leave with the individuals involved more of the values they have created in their improvements."

Still another section deals with the American single tax enclaves and other experiences with land value taxation, and foreign employment of the tax. Differential assessment, tax abatement for low and moderate income housing, and land banks receive rather short shrift after the many pages on land value taxation.

Let's hope that the Government Printing Office is doing land-rush business with this pamphlet.

## Alberta Study (from p. 1)

"sample municipality" consists of almost 500 properties sold in 1967, 1968, and

1969; these properties and the tax on them were treated as though they formed a municipality with a tax revenue target equal to the actual 1968 revenue. The effect of updating site advantage assessments in the sample municipality is to increase the proportion of the tax carried by site advantage from about 27% to about 44%. The tax rate accordingly drops from some 60 mills to 47.

Finally, the study shows that within classes or zones of property, untaxing improvements results in both increase and decreases in assessment. In general, however, undeveloped sites attract more taxation, as do commercial sites; but taxation swings away from residential and industrial sites.

This is a valuable paper because of its practicality. Readers may address the Calgary School of Economic Science and Social Philosophy for copies, which are \$1.00 apiece. (Suite 402, 535 13 Ave. S.W., Calgary 3, Canada.)

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