HENRY GEORGE **NEWS**

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Center release tax study

The School's Center for Local Tax Research released its first of a series of studies on effective real property tax rates in late February. Covering the New York-New Jersey metropolitan area, the report makes available for the first time a method for comparing the true tax rates on all kinds of property as well as the different rates paid for similar land use in the various communities in the area.

The study was made public at a press conference at the School attended by officials, academicians and media representatives. It was followed by stories in all the metropolitan dailies and a vast number of weekly publications as well as reports on local news radio stations. In response, the School received close to 500 requests for copies of the report. Requests came from mayors of surrounding cities, local legislators, executives of such corporations as IBM and Allied Stores, commercial and savings banks, environmentalists and interested individuals.

The effective tax rate measures the percentage of market value (rather than assessed value) of a property that the taxpayer actually pays. Thus, when residential property in Glen Cove, L.I., for example, is taxed at the nominal rate of 20.1% of its assessment, the actual tax paid is only 3.8% of the property's true value as indicated by recent sales of comparable property. In Long Beach—also in Nassau County (see chart page 2) the nominal tax rate is 18.69%, but relatively high assessment keeps the effective rate on residential property at a relatively big 6.9%, the report shows.

The study encompasses all taxing jurisdictions with population of more than 5,000 in the New York-New Jersey metropolitan area and includes residential, commercial and industrial property as well as vacant land. The New York counties covered in the report are the five boroughs of the City plus Nassau, Suffolk, Westchester, Putnam, Dutchess, Rockland, Orange, Sullivan and Ulster. The New Jersey counties are Bergen, Hudson, Essex, Middlesex, Morris, Monmouth, Mercer, Ocean, Passaic, Union, Somerset and Warren. Future series will also include southwestern municipalities in Fairfield County Connecticut as part of the metropolitan region.

The report "Effective Real Property Tax Rates in the New York Metropolitan Area," shows that:

- The highest effective tax rate is more than ten times the lowest.
- Northern New Jersey property owners pay substantially less tax than they would for comparably-valued property in Suburban New York.
- Westchester and Nassau Counties bear some of the highest tax burdens in the area.
- Highest effective rates overall were shown for the city of Long Beach in Nassau County, N.Y. and in Orange and East Orange in Essex County, N.J.
- Among the tax "bargains" in the nearby metropolitan area are Ridgefield in Bergen County, N.J. and Bronxville in Westchester, N.Y.

A Scientific Study of the Tax Structure

The program of the Center for Local Tax Research was designed to develop answers to two questions of prime importance to all localities:

> What is the area's real property Tax base?
>
> What is the real rate of taxation being levied on that base?

The New York Metropolitan Area stretches across parts of three states, encompasses 31 counties, and 1,845 taxing jurisdictions.

The derivation of effective tax rates includes consideration of current data on market value of the real property, the relation of assessment to real value, and annual nominal tax rates. All of these factors are covered in the Center's studies.

The Problem

(From the *New York Times* editorial page February 9, 1976) "... The real estate tax, keystone of the revenue system, is a particularly appropriate target for . . . review and reform. There is general agreement among tax experts that administration of property assessments . . .

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CENTER RELEASES TAX STUDY

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is, as one state official recently described it, "a shambles in terms of credibility and equity."

The Purpose of the Study

Property tax research is prompted by two conditions: First, all jurisdictions rely on the real property tax for substantial, if not all, local funding. Second, the attention paid to nominal rates as they apply to assessed valuation tends to be misleading. It results in too little being known about how the burden is distributed geographically and among categories of taxpayers.

Aside from the general value of this research, a number of applications of the data in this report to specific metropolitan concerns are suggested. It is hoped that this first study and others to follow will do much to enlighten and aid those who must make the hard policy choices today's circumstances demand.

This is the first time this series of effective tax rates for the metropolitan area of New York, disclosing comparative property taxes as a percentage of true property values, has been assembled and made available to the public. The effective tax rate can now provide a measure of the relative tax burden in neighboring and often competing jurisdictions within the metropolitan region. It also enables taxpayers to determine their true burden on a comparative basis from one community to another. Especially since the effective rate for a particular property type within a jurisdiction has not been generally available until now, except to specialized tax researchers and economists. It covers all jurisdictions in the metropolitan area in the states of New York and New Jersey with populations of more than 5,000 and includes residential, commercial and industrial property as well as vacant land.

Several observations can be drawn immediately from these data. The study brings out that the variations between communities are as great as those between counties. Within communities, effective rates for commercial property are often double or more than that for residential property.

Within New York City, Manhattan and the Bronx show effective rates well above average while Brooklyn, Queens and Staten Island are closer to the metropolitan mean. For income producing property the city's rates are well above the average, with Manhattan taxes substantially higher than the rest of the city.

Cooperating with the Center

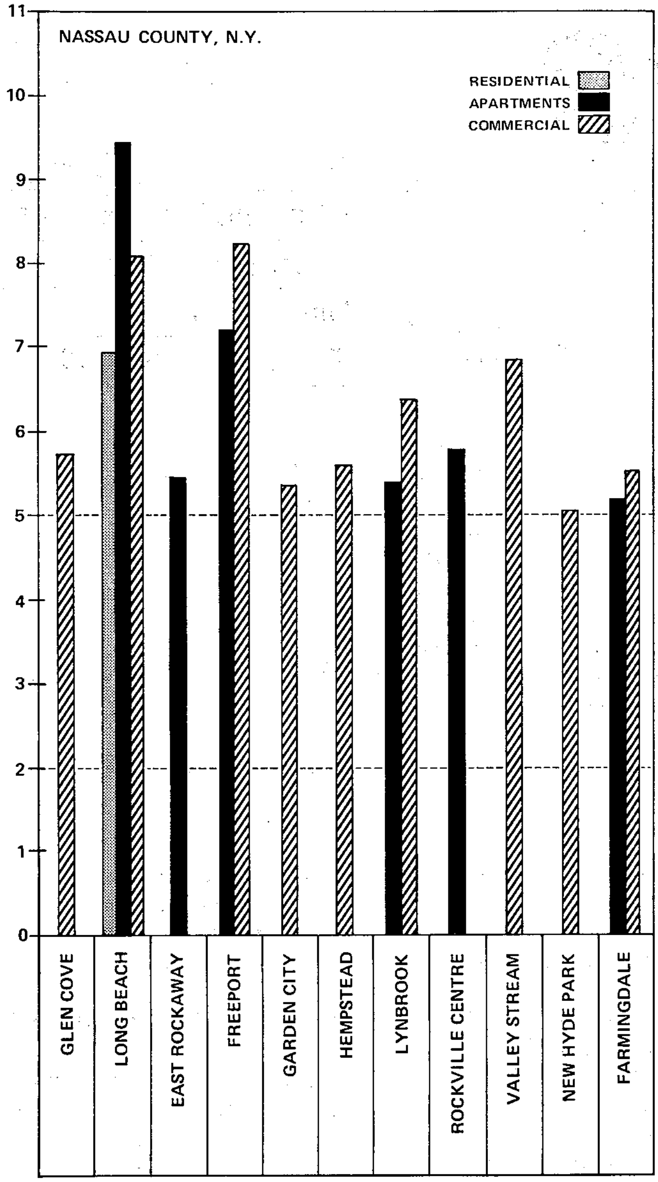
In developing its statistical series as well as in working out special studies, the Center has had the cooperation of state, local and federal agencies; specifically the state governments of New York, New Jersey and Connecticut, the staffs of the Advisory Commission on Intergovernmental Relations (ACIR) and other sources that provide complete and current statistics on assessments, assessment-to-sales ratios, tax rates, equalization rates, revenues collected and debt percentages per capita and by jurisdictions (except Connecticut where statewide data are not available) and, where available, by school district.

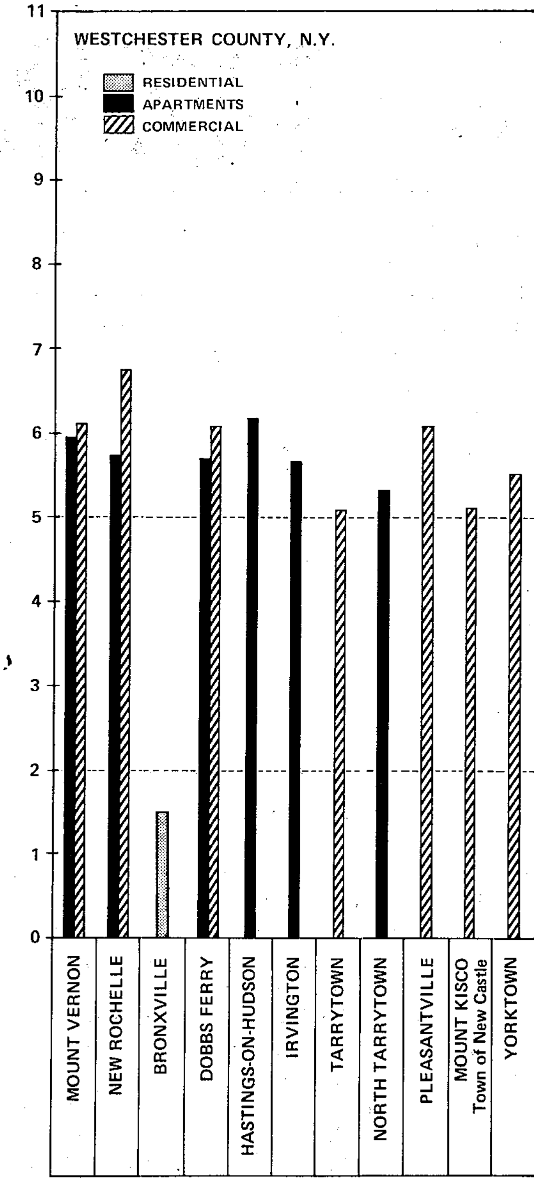
Future Center Activities

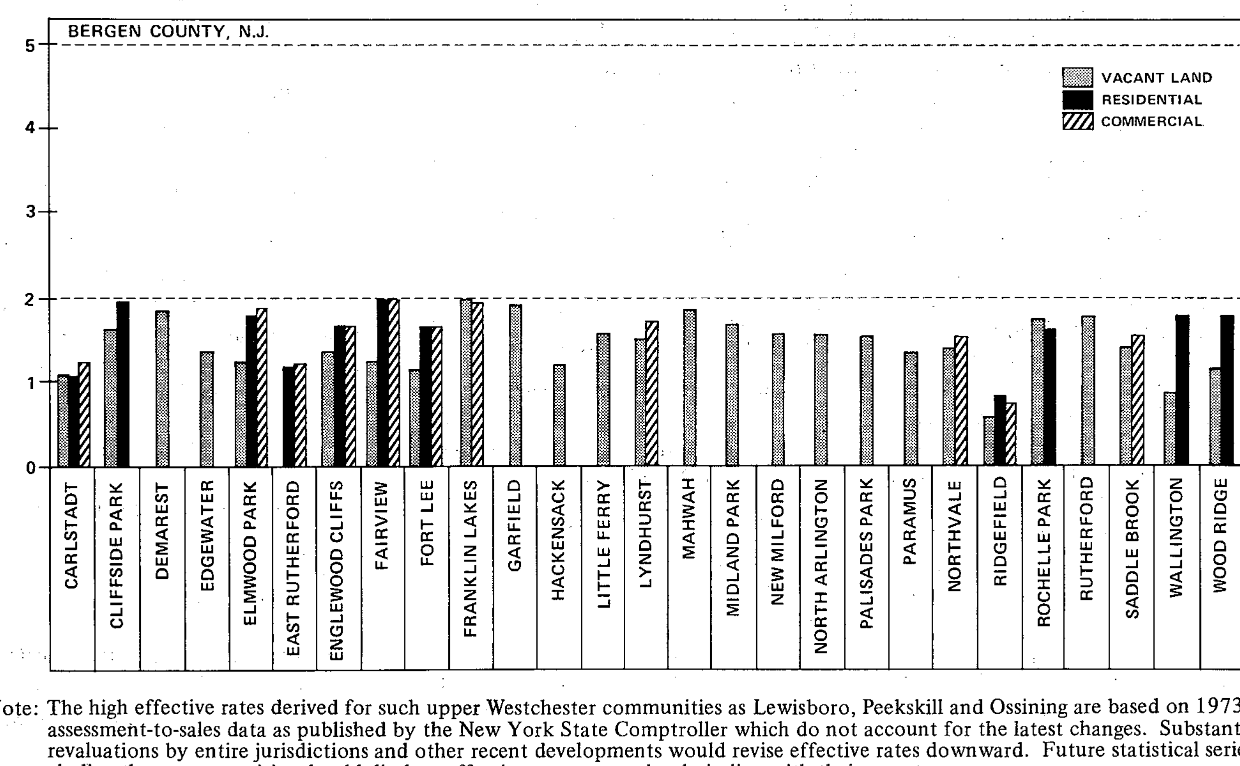
A number of major concerns of both public and private sectors might benefit from closer analysis of comparative effective tax rates. For example, revenue forecasting; assessment and tax policy; school finance; land use and zoning; housing and community development; industrial location, and the environment.

The Center is funded by the School and is under the direction of Philip Finkelstein, former Deputy City Administrator of New York. Since leaving city government, Mr. Finkelstein has been a professor of political science at Brooklyn College and is now a member of the faculty of Adelphi University, Garden City, L.I. He is a graduate of Yeshiva University and New York University Law School. His book, *Real Property Taxation in New York City*, was published in late 1975 by Praeger Publishers, Inc.

The charts on the opposite page dramatically illustrate the extremes of effective tax rates imposed in the counties immediately surrounding New York City. Because the average effective tax rates in the area fall in the range of $3 to $4 per $100 of the market value of the property, those instances of effective rates above 5% and below 2% are seen to indicate problems of inequity or misallocation. For example, Long Beach in Nassau County imposes unusually heavy burdens on its taxpayers relative to the real value of their property. The largely residential suburb of Bronxville in Westchester County offers the contrast of an atypical tax bargain. Across the Hudson River, Bergen County shows considerably more attractive tax treatment in some localities.







Note: The high effective rates derived for such upper Westchester communities as Lewisboro, Peekskill and Ossining are based on 1973-74 assessment-to-sales data as published by the New York State Comptroller which do not account for the latest changes. Substantial revaluations by entire jurisdictions and other recent developments would revise effective rates downward. Future statistical series including these communities should disclose effective rates more closely in line with their county averages.