

## The Milwaukee Freeze

**P**ROFESSOR MASON GAFFNEY of the University of Wisconsin's Economics Department at Milwaukee, addressed the National Tax Association in Pittsburgh last month, on the solemn subject of property taxes and the frequency of urban renewal, but he used such facile language that this technical subject proved entertaining.

In Milwaukee he said real tax rates are up to 3 per cent of true market value and destined for a rise. This is "quite a lump for a supposed corpse (like the property tax) to hang on a new building," and building taxes must now be counted a larger deterrent than land taxes where the rate exceeds 1½ per cent.

Referring to this "reluctant corpse" he said if the real estate tax as it continues to grow is not to scorch the earth it must be modified to exempt improvements. That can be done by focusing it on the base of land value or site-capability, which not only permits improvement but prompts it, (by arousing sleeping landowners").

The welfare economists have said that an ideal tax base would be one not conditioned on the taxpayer's productive activity. Capital will not do, nor labor, for both are migratory. Land, however, is not. "You can tax the living daylights out of it, and not one square foot will get up and walk out of town. Milwaukee keeps losing people to Los Angeles, and capital (and an occasional ball game), but so far it has not lost any land, regardless of taxes... It is a remarkable quality in a tax base that its response to being taxed is not to flee, nor yet to shrivel up, but to offer itself like the fabled shmoo for the full accommodation of its human masters. Surely such a base is devoutly to be desired, and its possible use to be seriously considered by responsible fiscal authorities."

Wisconsin has special tax abatement laws allowing assessments to remain frozen for up to 20 years under certain limiting conditions. These laws have already moved quite far towards full building exemption. Two new buildings have risen under the 7-year freeze. A 7-year freeze is said to be as good as a 30 per cent tax cutover full life; a 20-year freeze as good as a 66 per cent cut.

Professor Gaffney's proposal to the tax association resembled the freeze, but differed in three important ways. It would apply generally, it would be permanent but subject to change as environmental forces made sites worth more or less, and it would be based on the best future use of the site. "Land taxes, he said, differ from building taxes in their time-distribution. Building taxes are highest when a building is new.

Land taxes should usually remain constant or rise over time. Those persons will benefit most who are most in need of credit. "That is in harmony with accepted public policy, but it achieves the end without subsidy or public assumption of large contingent liabilities, and without the double incubus of combined bureaucratic and lender conservatism and routinization." In other words, the proposed tax will benefit Mr. Out more than Mr. In, because it discounts future values.

The speaker quoted a statement by Leon Hickman from Urban Land of May, 1964: "the early and heavy imposition of property taxes will in the long run defeat this urban renewal concept and the hoped for improvement of the municipal tax base. If taxes could be imposed at lesser rates in the earlier and more difficult years, urban renewal would have a much more certain future than is the case today."