

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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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 expositions 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 increases 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.)