TAX RATES DOWN IN REGION, UP IN CITY, 5-YEAR REPORT SHOWS

Property tax rates decreased in the last five years throughout the tri-state metropolitan region, except in New York City, according to the latest report of the Center of Local Tax Research.

"The disparity between the city and the rest of the region should be of concern to officials and taxpayers of the entire area," said Philip Finkelstein, Director of the Center.

For all categories of property, effective rates, that is, the amount of taxes paid as a percentage of the property value, are highest in New York State, and lowest in Connecticut.

The report notes that assessments on vacant land have risen throughout the region, although land assessments generally and especially in New York, are the lowest in property taxation. The report also includes, for the first time, a complete listing of nearby Connecticut jurisdictions, as well as details, by property type, for Greenwich and Stamford.

"Effective Real Property Tax Rates in the Metropolitan Area of New York" has been published annually since the establishment of the Center as a non-profit research agency in 1975. The five-year summary, containing 72 pages of tables and explanatory text is available for $3.50, including postage, and may be obtained by writing to:

Center for Local Tax Research
50 E. 69th Street
New York City, N.Y. 10021

(The following is from the Preface of "Effective Real Property Tax Rates in the Metropolitan Area of New York," November, 1979. These paragraphs effectively summarize the findings of the Center regarding the effective tax rates for the tri-state region (New York, New Jersey, & Connecticut).

"Within the Tri-State area, Connecticut enjoys the lowest effective rates, followed by New Jersey and then New York. Combined with the broad-based income and other taxes in New York State, the relatively high property tax burden of New York should be a source of concern to both state and metropolitan officials.

As significant as the continuing disparities between the states may be, the widening gap between New York City and the rest of the metropolitan areas in the rates of income-producing property is an even greater threat to the region. Despite the lowering of its nominal rate, and a reported economic upturn in business activity, the city runs counter to the region in almost every respect, but especially in the high tax rates on commerical and industrial property, areas that produce jobs and income. Residential properties, on the other hand remain a relative bargain in the city, as compared to other city real estate and to other residential properties in suburban New York and New Jersey.

Policies that could better balance the city's position in relation to the region would appear to be clearly in order. Efforts to maintain or even widen the disparities of effective rates between homeowner and income-producing properties should be greeted with skepticism, if not dismay. The long overdue correction of New York assessment practice, in both city and state, could go a long way towards closing the gap between New York and the region. Attempts to maintain the current advantages of one class or one area over another may be at best misguided, and most likely, disastrous, for the metropolitan future.

One positive note for the region is the steady increase in the effective rate on vacant land in almost all jurisdictions in the Tri-State area. Despite the enormous increases in land value, it has evidently been possible to improve assessments in that class. This should help to dispel the commonly held belief that the land component of real property is either of little value or is not susceptible to proper valuation. On the contrary, better land assessment may well be the key to better assessment policy and practice generally. Both the inter-class and inter-jurisdictional disparities documented in this report and the intra-class inequities not reported here, but well-known throughout New York State, particularly New York City, could be substantially corrected by better land assessment. The real benefits in equity, efficiency, and economic development would have even greater significance for the future of the region."

NEW BOOK DISCUSSES PROMISING ECONOMIC REFORM

Catalyst! is the title of a new 130-page book describing a reform of the property tax which can revitalize our cities and counter inflation and recession.

"The reform would replace the property tax on buildings with a higher tax rate on land. By un-taxing buildings, we could encourage new construction and rehabilitation and by up-taxing land, we would encourage landowners to put their sites into full use," said Steven Cord, author and publisher of the book.

Catalyst! is unusual in appearance in that it consists of short articles replete with headlines, subheads and boxed insets. Here are some of the many themes explored in the book's ten chapters and 101 articles:

-how the land value tax would benefit homeowner-voters, politicians, downtown retailers, factory owners, and even farmers.

-how to accomplish a significant redistribution of wealth to poor people without penalizing the wealth producers one iota.

-extensive evidence conclusively proving that the tax on land values is more based on the ability-to-pay principle than is the income tax or any other tax.

-a brief recounting of the history of land value taxation plus a description of the leading organizations currently promoting the idea.

Catalyst! is available for $5.00 per copy, and may be ordered by writing to:

Henry George Foundation of America
580 N. Sixth Street
Indiana, PA 15701

(The following is from page 37 of the *Catalyst!*, in which the author explains the workings of the current property tax).

"For the uninitiated, a few words must now be said about how the current property tax works. First, the tax assessor ascertains the market value of each piece of real estate property in his district; if he follows universally recognized good assessment practice, he will assess a separate value for land, and for buildings, since the value of one has really nothing to do with the other. They act independently of each as when two adjacent lots of the same locational value will have buildings on them of different value; even if one lot were altogether vacant, its value would still be the same as its neighbor.

Second, the city council or school board then determines the tax rate to apply to the total assessed value of the district in order to raise the revenue it needs. For example, if the local government needs $1 million in revenue, and the assessed valuation in the locality is $20 million, then the tax rate is fixed at 5%. A $100,000 property will then pay $5,000 a year in property taxes. Assessment times rate equals times. Sometimes, the tax rate is expressed in mills, which is $1 in tax for every $1,000 in assessed value, so that 20 mills will then be equal to a 1% tax rate."

Economic Assoc. Celebrates P&P

A session was devoted to celebrating the Centennial of *Progress and Poverty* at the annual year-end conference of the American Economic Association, held in Atlanta, Georgia.

The session was initiated by Dr. Mason Gaffney, professor and chairman of the Department of Economics, University of California Graduate School of Business Administration, who also presided over the proceedings. Papers were presented by Dr. Aaron B. Fuller, of the Office of Defense Analysis, Dr. Gene Wunderlich, of the Department of Agriculture, and Dr. Arthur B. Laffer, Jr., professor of Business Economics at the University of California in Los Angeles.

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