

# Taxation's Double Standard

**"THE ASSESSOR:** His Bounty and His Victim," was the subject of an article in the winter issue of *Cry California*, by Michael Harris, a San Francisco Chronicle reporter. A tax consultant's documents had been exposed revealing extensive graft and pay-offs, and a lawyer had started legal action to recover millions in lost taxes. The story broke first in the *San Francisco Chronicle*, and although the situation was not new, this state-wide opening up of the scandal was the first step in attempting to deal with it.

County Assessors found themselves uncomfortably exposed, but let it be said that even with the best of intentions it is hard to interpret the assessment laws with justice to all. The assessor is a man (or in Sacramento, a woman) who determines each taxpayer's share based on an evaluation of the land, improvements and personal property.

In San Francisco, says the author, "there is a double standard of taxation, frankly acknowledged by the assessor." A group of residents in a newly redeveloped center, where horses and goats were pastured until some ten years ago, complained that they were required to pay higher real estate taxes than owners of luxurious older houses. As a result their lawyer managed to win a 15 percent cut in assessments. The assessor, Mr. Wolden, held however that older properties will generally be assessed at a lower value than those newly constructed, and he believed this to be entirely fair since it results in uniformity of assessments, and since "depreciation and high maintenance costs of older structures are plain facts recognized by assessors."

Some assessors say however that they have found no legal way to take depreciation into account. The formula adopted in San Francisco has left the

community's redevelopment agency in a state of angry frustration just as the city is attempting to rebuild and refurbish structures rather than destroy them.

But where San Francisco's assessor has chosen to subsidize the old time residents at the expense of newcomers, there are other counties where the opposite standard is followed, and where no amount of bribery will persuade assessors to favor new industries. A practice of allowing a tax exemption for a beginning period of ten years has been followed in New York and elsewhere at times in the past, but this proposal has never won support in California, where "an industry that can't pay its way is regarded as a poor addition to the community."

A situation existing in Sacramento County was described as typical. Assessors often function unintentionally as land-use planners, though they have no guidance or authorization for assuming that role. When an assessor regards a piece of land as too valuable to continue being taxed as a farm he creates a threat to the farmer "as severe as a plague of locusts." In many cases good farms have been taxed into mere subsistence operations, with no choice left to the farmer but to look for a subdivider, speculator or industrial user to buy him out. But real estate developers are not as plentiful as might be supposed, and they are prepared to buy only a small fraction of the farm land on the tax rolls. The Sacramento County assessor later resigned, the implication being that the assessment code is "clearly unworkable." It was at this point that the newly elected Dr. Irene Hickman took office (see Dec. HGN).

Property taxes in California have grown so large that practically no one regards them as fair. The farmers and elderly persons are especially vulner-

able, although the possibility exists now thanks to The Statewide Homeowners Association organized in San Diego at the suggestion of Sidney Evans, for group efforts at tax reform. An unusual proposal for tax relief to elderly residents on fixed incomes was made by the chairman of the Marin County Board of Supervisors, but was not adopted by his colleagues. It suggested a loan arrangement under which unpaid property taxes would be deferred until the final settlement of the pensioner's estate in probate court.

What is bad for the homeowner is even worse for California's farmers, writes Mr. Harris, as loss of agricultural land in the state has begun to approach 150,000 acres a year. "Projected estimates of withdrawals to the year 1975 indicate conservatively that approximately one-fourth of the land suitable for agricultural use will be converted to non-agricultural use." Prime agricultural land in the Los Angeles basin was "gobbled up years ago by urban sprawl." Much fertile land has been permanently withdrawn from production in the process. Farmers who would like to produce the much needed food supplies are being forced out by tax bills that cannot be met.

A mistaken assumption is that the farmer is free to sell his property to a subdivider or other urban-use developer—he is free to sell only when there is a demand for the property at the price level established by previous sales. It has been suggested that farmers could be protected by having their land zoned for agricultural purposes only, with taxes set on the property's value for farming. If a farm in this protected status should later be sold for a subdivision or factory, the farmer would be required to pay back the savings he had gained in taxes for a fixed period—five years or perhaps ten.

However, a constitutional amendment in 1962 designed to protect owners of farm land by zoning it as

such, was defeated. Farm organizations supported it, but it was mainly the big suburban holders and builders who sighed with relief when the measure narrowly lost at the polls. Speculative purchases of farm land are responsible for the familiar urban blight known as leapfrogging. To the rapidly rising property tax bill paid by farmers is added the increased cost of public services, in newly developed areas.

The basic problems are hard to solve says Mr. Harris. "It has been urged that redevelopment of cities could be encouraged by taxing only the land and not the improvements on it—the 'single tax' proposed by Californian Henry George in *Progress and Poverty*. The approach does, indeed, serve to encourage property owners to replace slums with new housing and to substitute garages for parking lots. But unfortunately the farmers fear that a tax system based entirely on land would increase the burden.

It has also been argued that not the land but the income from land should be taxed; or that a ceiling should be imposed on property taxes; or that assessment laws should be revised on property taxes; or that assessment laws should be revised drastically to take away much of the discretion that assessors now have which make it difficult if not impossible to appeal.

But in all the welter of differing opinions there is agreement on the fact that reform is necessary. This could aim toward revision of the tax law, with more uniformity between counties; or it could mean that Irene Hickman of Sacramento is right in saying the present law should be upheld (though it never has been) to tax land at full value, based on its location—the Henry George method. No one can be sure this would not work like a charm because no one has fully tried it. But where it has been even partially in effect the striking results have caught the attention of alert planners.