LONG ISLAND

From P.117

every few years at ever higher prices for development?

The perversity of local taxation conspires tacitly with zoning – maybe, in some jurisdictions, more openly – to inhibit good housing, good communities and better development.

Long Island has no stock of rental housing, let alone public low-income housing, because most local zoning prohibits it. Yet exclusionary housing policies could not prevail but for tax policy that supports poor land use. Low taxes on land make it easy and profitable for current owners to keep out higher and better land uses.

IT IS EASY to scare suburbanites with the spectre of the high-rise city, but there is no excuse for the miles of endless sprawl along our major corridors, with one-storey commercial development, sprinkled with vacant lots, and derelict properties.

Apartment houses on Jericho and Hempstead Turnpikes, Northern and Merrick Boulevards, Sunrise Highway, and our other commercial arteries, would not destroy residential neighbourhoods, but help preserve them. They would provide the kids who would repopulate our empty schools and the tax dollars to support them.

Right now, most of the apartments being built on Long Island are luxury condominiums in posh locations, like North Hills and Woodbury, long held off the market by restrictive zoning, and the low land taxes that support it. These empty nesters are certainly welcome in Nassau and Suffolk, which have a lote more to offer besides climate than Arizona or Florida.

But they are no substitute for families with kids who will build and grow on the island, no substitute for our own kids, who are growing up and leaving Long Island because there is no place for them to live in such highly taxed and restrictive zoning.

A shift in the burden of property taxation, from improvements to land, would be a perfectly feasible way to implement the court decision on assessment. If we assess land at full value, we would not have to worry about improvements, or pay outside consultants or an army of "snoops" to find out who has finished his playroom, added a bath, and how much it cost.

Homeowners would benefit because most of their value is in their house, and not in their small, residentially zoned lot.

In a study we did nearby, in the Half-Hollow Hills School District of Huntington, we found that four out of five homeowners would have lower taxes if land were assessed at full value.

The environment would benefit, as pressure is taken off lower priced farmland, and development would be encouraged in under-utilized, more central locations. There would be no need to spend millions buying fictional development rights, if we zone farmland as such, and assess it accordingly low.

The farmer, of course, would never be able to sell for anything but a farm. This might remove the farmer's speculative profit, but it would ensure the maintenance of farming, where it is appropriate. The farmer should not be able to get a development price on a farmland assessment at the same time.

By far the largest beneficiary of a shift in the burden of property taxation is the local community itself.

A jurisdiction that creates values with good facilities, good schools and good services will be rewarded, and gladly, by property owners located there.

There would be no need to tax every new improvement; public services could genuinely pay for themselves with a tax on land values.

That is the soundest way to grow and politically, economically, and environmentally, the best way to go.

*Prof. Finkelstein is author of *Real Property Taxation in New York City*, New York; Praeger, 1975. This article is based on a paper he delivered at a Long Island housing conference held at State University, Stonybrook, New York.

AUSTRALIA

Tax change would help home-buyers

RESIDENTIAL property owners have made huge capital gains in the past four years, but this is cold comfort for the thousands of families who cannot afford their own homes, *writes Ian Barron.*

According to a recent study by the Commonwealth Scientific and Industrial Research Organisation:–

- **Before World War I, it took 18 months' pay for the average family to buy a house: now it takes, on average, four years' pay; and**
- **Only about half of Australian families can now afford to buy a house because of the costs.**

This dramatic change in the ability of people to obtain their own homes is partly due to a change in the tax structure.

For example, in the ten years up to 1979, total taxation as a percentage of income *increased* from 31 per cent to 34 per cent.

Property taxes, however, *decreased* as a percentage of income from three per cent to two per cent. The effect of this is to increase land prices.

The solution, according to a new book,* is to reverse this trend by shifting the tax burden on to the value of unimproved land.

Most Australian municipalities raise revenue with a property tax that exempts buildings. But, according to Dr. Hemingway: "In most instances, these taxes and rates are not vey high. They do not fully optimize land use or prevent speculation and investment in land."

Home-building permits issued in 1982 reached a seven-year low: the industry urgently needs resuscitation, and a drastic upward revision of the tax on land values would fit the bill, insists Dr. Hemingway.

He told *Land & Liberty:* "In 1980, the average price paid for a vacant home site in the Melbourne area was $15,625, and the mean after-tax earnings for Victorian male employees were $205 per week. On these figures, an average worker must save his entire take-home pay for almost 18 months if he wants a home site in Melbourne. Buyers whose earnings are below average, or who buy on terms, may spend two or more years' earnings on a site."

But a land value tax would cut the costs of sites, by removing "hope values" and increasing the supply of land onto the market. And that, says Dr. Hemingway, would boost construction.

*Les Hemingway, *Unemployment, Inflation and Taxes on Land*, Warrnambool, Victoria, June 1982.