

ALIQUIPPA SHOWS ITS METTLE

THE CITY council of Aliquippa, PA has voted to shift a large part of its property tax off buildings and onto land. For 1988, the tax rate on land will be 81 mills (8.1% of land assessments) coupled with only 5 mills on buildings (0.5%), instead of 24.76 mills on both. As a result:

- Aliquippa becomes the eighth city in the U.S. to go two-rate.
- It will have the lowest building tax rate among Pennsylvania's 53 cities.
- It will no longer have the highest tax rate on buildings in the county. Its building tax rate is now about one-fourth of the only other city in its county, Beaver Falls.

Because of this shift, \$1.25m a year in property taxes will be shifted off building owners and onto landowners.

Despite a 10% increase in property tax revenue, Councilwoman Mable Jarrett reports that more than 80% of the homeowners will enjoy a reduction in their city property taxes.

ALIQUIPPA is a steel-mill town in western Pennsylvania, not far from the Ohio border. The population is

about 17,000. Its chief employer by far has been the LTV Steel Corp., but its ageing plant is now nearly entirely shut down. LTV is in Chapter 11 bankruptcy (although other branches of the parent company are doing well financially); it has reneged on its pension payments, and like many industrial concerns throughout Pennsylvania, it has appealed its assessments and has won a big reduction, much to the detriment of the city's budget.

In fact the city would be bankrupt if it had not obtained \$350,000 in last-minute low-interest financing arranged with the help of the state's Dept. of Community Affairs and Rep. Charles Laughlin (Bvr. Cty.), who throughout this crisis has been of great help to Aliquippa.

As it happens, the city will get more property tax revenue from the LTV mill with the 81/5 two-rate approach. Without it, Aliquippa's other property owners would be saddled with an additional \$381,000 in property taxes.

Aliquippa applied for and became a legal city of the third-class in Pennsylvania (moving up from borough status) specifically to take advantage of P.L.37531 (Purdon) which allows third-class cities to adopt the two-rate property tax.

ing the implications of the land value tax. According to Larry Fish, a reporter on *The Philadelphia Inquirer*, "Large landowners quickly grasped the essentials."

They claimed the tax burden would drive businesses out of the city, and that the users of large tracts of land - particularly Chevron, the owners of a refinery in the city who claimed their property tax would more than double to about \$2m a year - would be penalised.

The *Inquirer's* cover of the City Hall story was a balanced one, but the *Philadelphia Daily News* was hostile to the dual-rate property tax. In an editorial, they declared: "A dumb idea was officially forgotten."

The professorial verdict, however, was more sympathetic. Said Susan Wachter, associate professor of finance at the Wharton School: "In terms of the city as a whole, it is an efficient way to raise taxes without discouraging ... use of the land."

Mayor Goode incorporated the dual-rate property tax into



• Elizabeth Reveal

his budget plans because the finance department had discussed it with officials in Pittsburgh, who expressed confidence in the fiscal policy.

Land tax activists in Philadelphia are confident that, now that they have been given the time, they will be able to educate members of the council in time for the measure to be adopted during the budget proposals next May.

Jacob Himmelstein, chairman of the advisory board of the Henry George School - named

after the Philadelphia-born citizen who became famous for his advocacy of the land value tax policy throughout the world - told *Land and Liberty*: "The council adopted a lot of taxes that are oppressive on business - instead of the land value tax, which would help to expand economic activity in this city, which is the 21st largest in the world."

"Next year there won't be the proposal for a large tax increase, which will make it easier for council members to understand that the land value tax shifts the tax burden off home-owners. This year, they couldn't see that."

"We are going to do more lobbying and educational work in the next 12 months, and we confidently expect that the policy will be adopted."

The council decided on a new package of tax increases to raise an extra \$100.1m. This included a 60% increase in the real estate transfer tax (extra revenue: \$33m) which obstructs the rational use of property.