

When Hungary Taxed Land Values

Fifty years ago LAND & LIBERTY published this delightful report by Dr. J. J. Pikler of the valuation and taxation of land values in Budapest. It stands today as an excellent example of principles put into practice.

A fuller and more detailed report entitled *Symmetry in Budapest* (8pp) is available free on request.

ENTRUSTED with the official valuation of the 38,000 plots of Budapest, by way of rating them in execution of our statute concerning site-value rates valid from the year 1919 (the rate is one-half per cent per annum on the market value), I and my office had no difficulties whatever in registering the market value of the sites apart from the improvements. We accomplished our task (deducting the time when every work was suspended during two political revolutions, the Republican and Bolshevik one) in less than a year.

How easy, how free of doubt, and how satisfactory the valuation of the market value of the sites,

apart from the improvements thereon, was is shown by the fact that the number of appeals will not be more than some hundreds out of the 38,000 valuations, a number smaller than ever recorded in connection with valuation for any other rate or tax.

The total value of the sites amounts (value of 1918, the new valuation having to be published and the rates revised in 1921, each valuation being valid for three years) to 3,400,000,000 Krowns for the sites owned by private persons and to 1,800,000,000 Kr. for the sites free of the rate (city, State, etc., sites), which has been, of course, valued too, together to

4,800,000,000 Kr. The total of the rates amounts to one-half per cent. of the value, i.e., to 17,000,000 Kr. per annum.

Our statute (rating of the market value of the sites) is quite straightforward and comprehensive, as it takes in account no other circumstance whatever than the market value of the site and knows no "gross value," "full value," "assessable value" or other such complexities. The rate is the same (one half per cent. of the market value) whether the site is "agricultural" or "building site," used or developed or not, whether the value be great or small, whether the owner be rich or poor or living

THE work in Budapest was carried out with a very small staff and consequently with very little cost within a very short time. Valuation of the 36,000 sites occupied 8½ months.

here or abroad, etc. Our task was a very simple and easy one; we secured the peaceful co-operation of the owners, who understood at once that they had only to see whether the market value of their sites (expressed per square unit) was fixed in right relation to that of their neighbours, and to that of the remoter sites. Perceiving that any favouritism is absolutely and technically excluded by the simplicity and transparency of the system, they helped to carry out the work of the valuation in the smoothest way.

I reproduce here some of the short and typical discussions that we have had with one or other of the owners.

"Why is my site valued 2,400 Kr. per square unit and that of my immediate neighbour 1,800? Isn't it unjust?" asked one of the owners. "I am quite convinced," was my answer without looking into the rolls and without knowing what site was concerned, "that you know that by heart and better than I know. Wouldn't you help me and tell me, without troubling me to look into the rolls?"

The owner smiled: "Well, mine is a corner-site and my neighbour's is not."

"Well, then, it is indeed not necessary to look into the rolls and maps."

"But this is not all I have to say, for there is another corner in the neighbourhood, which is valued only 2,100 Kr. per square unit. What for?"

"Is it? Then I would be, indeed, very obliged if you could tell me the cause of that, too, yourself."

"You are very astute," says he, "my corner faces three streets while his faces only two. I have been told that you are a very clever and polite man, as I see you are. It is a very solid work you have

performed; it is, indeed. But could not you, nevertheless, reduce my valuation to 1,800 Kr. per square unit, too?"

"You see that that is quite impossible, for your neighbour might be quite as clever as you and I are, but perhaps he might be less polite, and if I were to put his value just as high as yours or yours just as low as his, he might call me names and could easily have me dismissed from this office; and he would be clearly right."

The owner retired smiling and pocketed his appeal, which he originally intended to hand in.

Another of the owners, learning that he had to pay a given large sum as site-value rate for the twenty-four sites he had held for the past twenty years, raised a great cry about "robbery and cruelty!" in my office: I quieted him by saying that lamentation would be quite useless and superfluous, but that he might calmly hand in his appeal against the valuation.

"Oh!" said he, quite calm at once, "I have nothing to say against the valuation itself. The valuation itself is quite correct; I must say, it is a quite reasonable one."

"What are your wishes, then? We are only administering the statute and we are administering it quite correctly, as you yourself say."

"Then the statute must be altered or abolished, for if statutes like this are made people must emigrate from this town and country."

"We are not here to judge the justness of the statute, but to administer it. As I am, however, the man who initiated the statute and as I have styled it myself, and as I am quite convinced of its justice, permit me kindly to ask you whether you really mean to say that as this site-value rate makes it difficult for you to hold twenty-four sites for yourself, that that could cause other people to emigrate who hold no site at all? I think rather that as far as this rate should keep you from holding twenty-four sites, and their value

and the increment of their value for yourself, that just so far it should keep other people from emigrating from this country and town."

"Do you, perhaps, mean to say, sir, that I shall sell my sites?"

"You do not need to sell all of your twenty-four sites. It will do to sell one of them, and out of that selling-price you can pay the site-value rate of the twenty-three others for a nice number of years. The times are hard enough, sir, that a sensible man might be content to only hold twenty-three sites! But that is, of course, only my private opinion. The statute says nothing about selling or not selling; it speaks only about paying or not paying."

The hearers (there were many people in the room, all owners of sites) smiled and nodded contentedly, and my man parted unreconciled; but he did not hand in his appeal.

A third little discourse:

"You valued this site of mine 60 Kr. per square unit," said the owner. "This is a mistake; for I bought it, as I can prove, in the year of the valuation for 30 Kr. per square unit."

"Have you, sir? Then I have to congratulate you for having purchased so cheaply. You have made, undoubtedly, a very good bargain."

The looks of my owner, which were till that moment very severe, grew by-and-by quite radiant. "Indeed, I bought the neighbouring site three weeks later for 60 Kr. per square unit," boasted he, and drawing himself up emphatically,

PEOPLE are inclined to think that the yearly revision, with its opportunity for appeals, etc., causes more work than that made periodically at longer intervals. The contrary is the case. The work of revision is easier and simpler, and the valuations grow more and more reliable, the shorter the intervals are.

he added, full of pride and satisfaction, "and that was an uncommonly cheap price, too!"

"So I guessed well?"

"You did, indeed, sir!"

"What then about your appeal, sir?"

"I think we can let it alone."

And so he let it, indeed.

There were, I was happy and proud to hear, many owners who,

as they said, declared willingly to pay this rate, it being the first logical, understandable and, in principle as well as in execution and in effect, just one, after all the mentally and morally corrupt and corrupting ones they had experienced. And if the majority of the owners are not of this view, yet none of them really thinks that this rate could ever be shifted; and

none of them says that site values cannot be separated from the values of the improvements thereon, or that these values are not always and everywhere separated by sellers and purchasers themselves.

The site-value rate of Budapest is by no means a theory: it is the most substantial fact you ever heard of.