

## Equity in Real Property Taxation\*

By ALBERT PLEYDELL

THE METHODS of assessing and collecting real estate taxes in the city of New York tend to assure fair and equitable treatment of all property holders. But this was not always the case. When the greater city was created in 1898, the methods employed at that time for assessing and collecting real estate taxes were quite different from those with which we are familiar today. The assessment rolls were secret. There was no formula for computing assessments so as to make certain that similar properties would be assessed at similar values. Taxpayers received their bills, were required to pay—and “not ask any questions.” As though the inequity of the assessment and collection procedure were not enough, there also existed at that time a personal property tax levied upon the personal holdings of all citizens. The fact that today, New Yorkers enjoy a modern model system of assessments and no longer must pay the unfair and unjust personalty tax is due in large measure to the activities of one man—Lawson Purdy.

### Work for the New York Taxpayer

ALTHOUGH MR. PURDY is very well known throughout the country and, for that matter, the world, for his many notable achievements, the work that he did on behalf of the taxpayers of the city of New York has largely been forgotten by them. They enjoy the benefits of what he did, but are unaware of his part in it.

From 1896 until 1906, Mr. Purdy was the executive secretary of a very active citizen's organization, known as the New York Tax Reform Association. Under Mr. Purdy's able leadership, the organization lived up to its name. Many tax reforms were instituted in New York as a result of Mr. Purdy's efforts, acting through the organization which he represented.

Back in 1900, the enforcement of the personal property tax was so unfair as to impose an extraordinary burden upon real estate property owners. They were called upon to make good the deficits that occurred each year in

\* *Editor's Note*—As the reader will discover, this short article duplicates to some extent the longer discussion by Philip H. Cornick that precedes it. Such duplication has special interest, however, as emphasizing some of the outstanding achievements of Lawson Purdy's career and as viewing that career through the eyes of the son of the late Arthur C. Pleydell, one of Mr. Purdy's mainstays in his effective work for equity in real property taxation.

Similarly, in the articles by Albert W. Noonan and Arnold Frye, some of the activities recounted in Mr. Cornick's comprehensive paper are seen through other eyes.

the city's budget, due to the failure of citizens in general to pay the personal property assessments. Mr. Purdy said at that time, "We have some new plans for next year for the abolition of the taxation of personal property." Two years later, in 1903, Mr. Purdy summarized the situation created by personal property taxation by declaring:

"Briefly stated, the condition is that there are arrears of taxes on personal property which are uncollectible and amount to over \$13,000,000. In the past a deficiency item has been added to the amount to be collected by taxation, but the uncollected taxes have exceeded this deficiency item by more than \$3,000,000 a year and the city has spent more than \$3,000,000 a year in excess of its income."

Of course Mr. Purdy was not successful in 1903 in abolishing the personal property tax. This method of taxation was too well entrenched. However, he continued to wage a fight against it long after he had left the position of secretary of the New York Tax Reform Association and had set out upon the life work which is so well described in other pages of this JOURNAL. When in 1933, the personal property tax was finally repealed, this marked the climax of the campaign that Mr. Purdy had started in 1901 and in which he had never lost interest.

#### The Distinction Between Land and Buildings

CONSIDER THE FACT that when a taxpayer receives his bill from the city, he finds that a distinction is made between the value of his land and the value of the improvements that may be on the land. It is difficult to realize that not so many years ago this distinction was not made. Land and buildings were assessed as a single unit. The difficulties that such combined assessments caused in any attempt to judge the relative valuations of different properties can well be imagined. Back in 1902, Mr. Purdy submitted to the city authorities a proposed bill that provided for the separation of the value of the land from that of the improvements. But his suggestion went even further. The bill also provided that the assessment roll was to be published by sections and wards as a supplement to the city's official newspaper, *The City Record*. How successful Mr. Purdy was in this proposal is evidenced by the fact that that same year the legislature amended the city charter. The tax commissioners in 1903 were then able to state that the separation of the value of the land from the value of the improvements, together with the publicity given to the tax rolls each year, would be a very important feature of each annual assessment. The commissioners went further and said:

"The assessment rolls will cease to be a mere copy of the field books of the previous year. They will be what the law intended they should be—an actual assessment showing the sum for which in the judgment of the deputy tax commissioner several parcels under ordinary circumstances would sell."

In addition to the personal property tax, back in 1900, there was another tax that rested very unfairly upon the inhabitants of New York City—at least upon those who owned real estate. This was the direct tax upon land that was imposed by the state of New York. The repeal of that tax and the withdrawal of the state from the area of real estate taxation is due very largely to the efforts of Mr. Purdy.

#### *Abolition of Rebates*

SO WELL did Mr. Purdy defend the taxpayers of New York against their "mortal enemies, the tax collectors" that he was chosen by Mayor McClellan to serve as president of the Department of Taxes and Assessments. He assumed office on Nov. 9, 1906. One of the first chores that Mr. Purdy undertook in his new job was to do away with the existing system of paying rebates for the prompt remittance of taxes. This administrative reform saved the city over half a million dollars a year that had formerly been paid out chiefly to large estates and corporations. As the Tax Reform Association reported that year, "It is not often that a small change in the law has done so much for both city finances and the taxpayers."

After two years as president of the tax department, Mr. Purdy was ready to propose one of his outstanding improvements in the field of municipal tax administration. He took the then unprecedented step of publishing maps that showed the assessed value per front foot placed on inside lots of every block of the city. These maps indicated "unit values" that were calculated on the basis of lots 100 feet deep so as to facilitate comparisons. Actual assessments in the case of shorter lots were made in accordance with fixed scales. So popular was this innovation that it was continued until the second World War. Through the device of "land value maps" any real estate property owner can quickly determine for himself how the assessment by the city of his property compares with that of others in his neighborhood.

#### *Calculation of the Tax Rate*

THREE YEARS LATER, in 1912, Mr. Purdy introduced another change in our local tax picture. This change has saved the taxpayer countless headaches from that day to this. It used to be that the tax rate was calculated

to many decimals and then for convenience was reduced to five decimals. By an amendment to the city charter that Mr. Purdy sponsored, it was arranged that the tax rate would be computed "at as nearly as possible, but not less than" the amount needed "by fixing a tax rate in cents and hundredths of a cent upon each dollar of assessed valuation."

This change greatly simplified the work of the city tax collector, and eased the burden for the individual taxpayers as well. Theoretically, this change increased the tax levy by a trifling sum. Actually this proved not to be a case of additional taxation, because the slight differential involved has always been used to offset uncollectible taxes. Were it not for this differential, the same sum of money would have to be included in each annual budget for that same purpose.

If the reader will appraise the real property tax system of his own community in the light of the improvements that Mr. Purdy brought about in New York City, and if in making that appraisal he finds great similarities to the innovations Mr. Purdy introduced in New York, then he (the reader), though a non-resident of New York, will be aware that he owes to Lawson Purdy the same debt that the better-informed taxpayer of the metropolis is happy to acknowledge to this distinguished tax reformer.