

Site Value Method of Taxation Urged for Municipal Purposes

H. BRONSON COWAN, author of *Municipal Improvement and Finance*,* and research director for the International Research Committee on Real Estate Taxation, was asked to speak on the history of site value taxation at the International Conference on Assessment Administration in Montreal last month.

He stated that it was the youngest of three different systems of raising municipal revenue by the imposition of taxes on real property. The oldest method is the annual rental system still in use in Great Britain. The capital system is the one with which we in the U.S. are familiar. The effects are much the same and there is little choice between them since each taxes the assessed capital value of both land and improvements.

The site value system, where fully applied, as in Australia and New Zealand, imposes taxes only on land (site) values. The site value system concerns only a purely local municipal tax, Mr. Cowan pointed out, therefore it is not the "single tax," which involves taxation on the national as well as the local level.

In 1906 the British government requested the New Zealand government to furnish them with information concerning the effects of the site value system which had been introduced there. It was favorably determined in an investigation by the Commissioner of Taxes that the building trade had been greatly stimulated, and much suburban land had been cut up and placed on the market for residential purposes.

New Zealand is the only country where the three systems have been tested side by side over a long period of years, Mr. Cowan explained, and where the taxpayers have been able to compare their results freely and easily. The result is that since 1896 there has been a steady swing from the two older methods to the site value method.

In 1956 a local government commission recommended to the government that there should be one uniform rating system for the whole country based on land values, since it was satisfied that system was ethical, expedient and equitable. Their recommendation has not yet been acted upon, although the municipalities in New Zealand now using the site value system comprise 92 per cent of the total municipalized area of the continent.

Mr. Cowan pointed out in his valuable illustrated report, *Municipal Improvement and Finance*, which has been convincingly quoted by many newspaper columnists, the dramatic effects in New South Wales and Greater Sydney of the adoption of site value rating. The New South Wales government also appointed a "Committee of Inquiry" in 1959 to report on the Valuation of Land Act (1916-51) and to determine whether the new system was causing "hardship."

In general the arguments in favor of the older systems did not seem well founded, and the conclusion of the committee regarding site value was that "a system of raising revenue by means of direct taxation upon land values, irrespective of improvements, would

greatly promote the welfare of the country." Furthermore levying on the unimproved value of land was regarded as a social and economic reform justified because of the need for revenue, the right of the community to acquire some part of the unearned increment of land, and the need to break up large estates.

The case was summarized with a statement that the site value system had "been the basis of local government finance for the past fifty years, during which time remarkable progress has been made in the development of municipalities and shires and in the provision of essential services . . . It would require very good reasons to justify the abandonment of such a system in favor of a system which in past years was deliberately discarded by the Legislature. In the committee's opinion no such reasons had been established."

Mr. Cowan laid before the conference a report on legislative activity in Pennsylvania, California and Michigan, not forgetting the interest expressed last June by the Canadian Federation of Mayors and

Municipalities in a study of property taxation.

He also reminded them that on the suggestion of the Central Mortgage and Housing Corporation, Canada's Housing authority, the Royal Architectural Institute of Canada appointed a strong committee in 1960 to investigate housing developments across Canada. The committee held open sessions in leading cities in all ten provinces and reviewed some 400 briefs. These were summed up officially as follows:

"The Committee is certain that the Provinces, at no great expense, can ascertain for Canadian conditions the benefits or disadvantages of a general change from taxes levied on land and improvements, to a system of real property tax on site value only. The difference in these assessment methods clearly has great import for the quality of the huge residential areas we shall have to create and maintain in the years before us."

*Available from the Robert Schalkenbach Foundation, 50 East 69th Street, New York 21, N.Y. at \$3.

ERIE WILL STUDY LAND VALUE TAXATION

The announcement that a study of land value taxation would be made by the assessor's office in Erie, Pennsylvania, was made recently on the heels of rising interest in Erie in the subject of exempting buildings from local property taxation and deriving the major share of city revenue from taxing land values.

Chester Bukowski, chief assessor, said the study already begun, would continue, and that preliminary figures indicated that many industries would save on their tax bills if city taxes were levied on land values alone and not on buildings.

Erie is one of 48 third class cities in Pennsylvania which have the privilege of using land value taxation under laws passed in 1951 and 1959, applying only to city taxation and not to school districts or county areas. If the city of Erie adopted land value taxation it would affect about one-third of the total property tax bill of the individual taxpayers.

John Motley, secretary of the Incentive Taxation Committee of California, reported that plans were being made by the Erie Chapter of the Graded Tax League of Pennsylvania along with other groups and individuals, to request the city council to make a study of land value taxation apart from the assessor's study.