

Senate Report Embraces Land Value Taxation

It isn't easy to keep up with all the research papers, policy statements, and reform proposals now being generated by just about everybody in response to the real estate tax problem. One of the most influential documents to come to light of late, however, is a "Background Study" prepared by the Congressional Research Service for the Subcommittee on Intergovernmental Relations of the Committee on Government Operations of the United States Senate. For those who follow the election year hoopla, the Subcommittee's Chairman is Edmund S. Muskie (D., Me.).

The title of this document is *Property Taxation: Effects on Land Use and Local Government Revenues*. It can be had for 40¢ from the Government Printing Office, a bargain for those who want to know what Big Brother is thinking, or at least, publishing.

On the whole, this paper is a heartening experience for Georgists and all other taxpayers, not only because some 20% of it is devoted to land value taxation, but because the Congressional Research Service performed its task so thoroughly, honestly, and fairly. In the very letter of transmittal to the Senate, the director of the Service expresses particular thanks to "residents and officials of the land-tax communities" of Fairhope, Alabama, Arden, Delaware, and Free Acres, New Jersey.

The paper begins with the fiscal importance of the property tax in financing social services, and mentions local variations in tax rates, exemptions, and the "regressive" nature of the property tax. The intergovernmental aspects of the

property tax are seen as fragmentation of jurisdictions and conflict with the federal capital gains tax.

The next section deals with the effect of the tax on land use, and points out the conundrum of reconciling property tax financed local government with government finance programs aimed at alleviating poverty. This problem is particularly acute where subsidized housing runs head-on into zoning, because subsidized housing is typically a state or federal government affair and zoning, of course, is a function of community tastes and preferences.

The study declares also that the present structuring of the property tax so that it falls about equally on land and improvements encourages land speculation. A detailed study of Newark, furthermore, is cited to show that fear of increased taxation deters rehabilitation. "For the slum landlords, the present property tax system contributes to making slum housing a profitable investment."

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The administration of property taxation is then attacked as inefficient for all the usual reasons: unequal assessments, reassessment lag, overlapping assessment districts, elected rather than trained assessors, and so on. Interestingly enough, the assessment and tax administration of Australia is mentioned as more equitable and reasonable. Finally, it is pointed out that the legal requirements for the administration of other taxes are far more stringent, and inter-individual variations in income tax application on the scale of property tax application utterly inconceivable. (The Congressional Research Service is not without humor.)

The section devoted to land value taxation which follows is fascinating. The entire constellation of pro-land value taxation economists is heard: Netzer, Gaffney, Harris, Becker. One paragraph leaps to the eye:

"If implemented today, it is doubtful that land-value taxation would take the

extreme form advocated by Henry George. But by increasing the taxload on land and decreasing the load on improvements, it would still be possible to recoup for the public treasury more of those values created by the public, and leave with the individuals involved more of the values they have created in their improvements."

Still another section deals with the American single tax enclaves and other experiences with land value taxation, and foreign employment of the tax. Differential assessment, tax abatement for low and moderate income housing, and land banks receive rather short shrift after the many pages on land value taxation.

Let's hope that the Government Printing Office is doing land-rush business with this pamphlet.

Alberta Study (from p. 1),

"sample municipality" consists of almost 500 properties sold in 1967, 1968, and

1969; these properties and the tax on them were treated as though they formed a municipality with a tax revenue target equal to the actual 1968 revenue. The effect of updating site advantage assessments in the sample municipality is to increase the proportion of the tax carried by site advantage from about 27% to about 44%. The tax rate accordingly drops from some 60 mills to 47.

Finally, the study shows that within classes or zones of property, untaxing improvements results in both increases and decreases in assessment. In general, however, undeveloped sites attract more taxation, as do commercial sites; but taxation swings away from residential and industrial sites.

This is a valuable paper because of its practicality. Readers may address the Calgary School of Economic Science and Social Philosophy for copies, which are \$1.00 apiece. (Suite 402, 535 13 Ave. S.W., Calgary 3, Canada.)