

# Ohio May "Equalize" Assessments

by WOODROW W. WILLIAMS

THE questions raised in HGN and elsewhere on the difference between the "selling value" and actual value of land, suggest how confusing this must be to the novice, especially since opponents stress this very point, claiming that since a high land value taxation destroys the value, it is self-defeating, destroying the very base from which it is to be drawn.

In spite of statements in House & Home [August, 1960] about a tax on the selling price of land, this would actually have to be on assessed value. The institution of a more realistic assessment is equal to the full potential value of the land, or what the land would presumably sell for.

As to prevention of the decline in selling price and fear of revenue declining with it, I am sure that I would consider the tax on a piece of land before I bought it. And I would also attempt to check the probable future tax liability in prospect.

If a certain piece of land bore a tax of \$20 a year, and the prospects were that it would continue at that level, I would feel justified in discounting the price I would be willing to pay by around \$400; which is the capitalized value of \$20 a year at 5 per cent. In other words, if I thought the land was worth \$2,000 I would want to try to buy it for \$1,600. This would mean that the land would be costing me \$80 a year at 5 per cent on \$2,000.

To assure maintenance of revenue under increasing land value taxation, assessors would necessarily have to consider the capitalized value of the tax in making assessments. If a lot were to be taxed at \$100 a year it would mean that its real value was \$2,000 more than any selling value

that might remain. If land value taxation had progressed to nearly full operation, this lot might not command more than \$100 market or selling value. But it would still be assessed at \$2,000.

Present assessment practices make the use of existing figures very misleading in estimating the effect of the adoption of land value taxation. The first step in its application, it seems to me, would be to raise the assessment on land to more realistic figures, and especially to raise the assessment on vacant land as well as land under run-down, "blighted" buildings. I dare say that most vacant lots are assessed at no more than 20 per cent of true value—many as low as 10 per cent. Even farm land in my own county is seldom assessed at more than \$100 an acre—even though it is selling from \$500 up per acre. But if it has a fine set of buildings, and a good modern house, the improvements may be taxed more than the land itself.

Summit County [Akron, Ohio] likely has 400 square miles of land. This is 256,000 acres which would amount to \$256,000,000 at \$1,000 per acre average. But with much of it a thriving industrial center, surrounded by a fringe of valuable suburban space, I think the actual value would be as much as \$5,000 an acre—if not more—on an average. Lots in the commercial area could be worth enough to go at \$1,000,000 per acre. But a \$5,000 per acre valuation would mean a billion dollars land value alone—and 5 per cent of that would yield fifty million, with *no* tax at all on improvements. Obviously if the high priced vacant lots were heavily taxed they would not long remain vacant, and



their going on the market would make land cheaper for anyone desiring to start a business. This would also result in reduced costs for school expansion or any other public project, thus less revenue might be sufficient. Another effect might be the encouragement of private schools—especially in the field of vocational training—since cheaper land would make many ventures possible which are now prohibitive be-

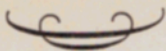
cause of the fantastic land prices.

Incidentally, it might interest readers of HGN to know that tax officials in Ohio are talking of a new study on "equalization" in assessments. "Real estate" is now assessed on 1956 building costs, less depreciation and obsolescence. Of course land doesn't depreciate. It is possible that some attention may be given to the ridiculously low assessments on much of the land.



### HOPEFUL ASPECTS OF THE PROPOSED TAX CUT

The income tax reforms proposed by President Kennedy are a long overdue response to outcries that the income tax has reached an intolerable point. It is too much to expect that a truly sound reform would pass muster, and it is a shame that the best we can expect is some tinkering with a tax that is by its nature unsound. There are, however, a few hopeful aspects to the proposed reforms. One is, of course, the plan to reduce individual and corporate income taxes. Another hopeful sign is that oil and gas natural resources will pay a heavier tax; and that the investment in real estate as a tax dodge will be hit with higher taxes. Can it be that our lawmakers, in a cumbersome and fumbling way, will slowly move more closely to the principle of taxing land values and untaxing wealth? Can it be that Georgist proponents, unknown to us, are gradually moving into influential positions? We've seen evidence of this in recent years and we can only hope the process continues.



### HURRY! RESERVE YOUR LOT IN THE SUN COUNTRY

During New York's newspaper blackout, all sorts of informal newspapers have proliferated. The most gimmicky was one I found on my doorstep one morning called the Sun Country News. There actually were some authentic news items scattered throughout this paper, but the main purpose was to promote the "Sun Country," that is, the Southwest, especially Arizona and New Mexico, and to sell land by mail. Here's your last chance, I was told, to buy a lot for \$395; on February 9th the price goes up to \$595. Only one dollar is all I have to spend to reserve my lot.

To illustrate the attractiveness of this bargain as a speculation for the future, one of the news items told the story of the White House grounds in Washington D. C. These grounds, comprising 18 acres, are listed officially as being worth \$1,000. Nonsense! snorts the Sun Country News. The land in the business area in which the White House is located brings \$150 a square foot. An acre of land comprises 43,560 square feet. Multiply this by 18 and multiply that result by \$150—and you will find that White House land is worth more than \$100 million! "How's that," adds the News with a wink, "for rising land values?"

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