

How To Reverse a Penalizing Tax

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"Some of the assessment changes on land bordered on the incredible"

CITIES like Trenton are constantly trying to enforce their building codes to make landlords provide tenants with decent quarters. But the property system gives the landlord no inducement to renovate his buildings, because when he does, he is slapped with a higher assessment and hence, pays higher taxes.

Theoretically, the property tax should be one of government's soundest tools for a better society because it should work as an incentive for good land use and planning and a deterrent against bad land use and property decay.

There is the man who buys property at \$300 an acre, sits on it for five or six years and sells it for \$3,000 or \$10,000 or even more. And all the while he is paying taxes based on a \$300-an-acre assessment. And to add insult to injury the U.S. Internal Revenue Service gives the speculator a capital gains write off when he files his tax return.

Inflation of course, jacks up the price of land and so does private investment. But the major factor in land appreciation is usually public investment—a new highway, the gradual extension of sewer lines and local roads, schools, hospitals and homes.

New Jersey is the most urban state in the nation and one of the most crowded. Everyone in the housing field recognizes that some way must be found to build homes on smaller plots.

George Romney, Secretary of Housing and Urban Development, has gone so far as to call on the federal government to take from the local municipalities their powers to enforce zoning and building codes that keep the small home owner out.

But so long as more homes mean more local taxes and so long as those taxes can be raised only under a property tax system that doesn't respond to modern needs, the municipalities will fight to the end to preserve that local power. And they will continue to insist on half-acre or one-acre or two-acre minimum lot sizes.

Those close to the problem—in state or federal or local government—are virtually unanimous in the opinion that drastic changes in the property tax system are needed.

New Jersey municipalities are losing untold millions of dollars in tax rateables because they don't reassess more often. And citizens are paying for this failure in higher taxes.

The experience of Woodbridge Township illustrates

the point neatly. Woodbridge is one of the fastest-growing municipalities in the state. Located in Middlesex County and intersected by the New Jersey Turnpike and Garden State Parkway, Woodbridge is a natural for fast growth.

Woodbridge concerned over the mushrooming value of vacant land and the wide discrepancies between market value and assessments, decided to conduct a \$200,000 revaluation program for this year. The result was that the assessed valuation of vacant land jumped from \$39.7 million to \$144.3 million. Woodbridge assesses at 50 per cent. That means that tax book value of this land really went from \$79.4 million to \$288.6 million.

Before revaluation, vacant land was paying 1.8 per cent of the municipal tax bill. Afterwards the percentage was 7.5. The percentage of the tax bill footed by residential properties dropped from 66 to 63.

And the overall tax rate was cut—from \$7.74 in 1969 to \$5.69 in 1970. Under normal circumstances the rate would have climbed by 75 cents per \$100 of assessed value.

John Simons, the township assessor, said that some of the assessment changes on land bordered on the incredible.

For example, vacant land in an industrial park formerly assessed at \$3,000 an acre is now set at \$35,000 per acre. In almost every case, he said, the assessments on vacant land jumped by a minimum of 100 per cent.

Woodbridge had not gone through revaluation since 1961. The \$200,000 price tag seems miniscule when one considers that the revaluation program produced a 60 per cent jump in value of taxable property—\$251 million to \$402 million.

The figures supplied by Simons show that over the eight years between revaluation programs, the value of buildings and other improvements increased by eighteen per cent. But the value of vacant land meanwhile, jumped by 350 per cent.

So for eight years, the land speculators had a free ride—subsidized by the homeowners and owners of other developed property.

The New Jersey courts have ruled that assessments on individual properties can't be raised unless all assessments in a municipality are reviewed and new rates set for all properties. This prevents the kind of adjustments needed to keep pace with skyrocketing land values and most municipalities rule out revaluation programs as too problematic to conduct on an annual basis.

But the value of real estate in Woodbridge was increasing at the rate of 7.5 per cent a year and the value of land was increasing twenty times as fast as the value of buildings. And it took eight years for this to show up on the tax rolls.

Unless there are some drastic changes in the assessment system, municipalities will never keep their tax rolls current and the speculators will continue to live off others' taxes and community investment.