

A Plan for Beloit

Proposed enabling statute for the Beloit Plan prepared by the Beloit
Chapter of Wisconsin Propertyowners League, May 14, 1971

AN ACT to create section 70.1115 of the statutes, giving local option to exempt buildings, improvements and personal property from the general property tax.

The people of the State of Wisconsin, represented in senate and assembly, do enact as follows: 70.1115. *Local option to enact a Land tax.*

1. Any city, village, or town may enact an ordinance exempting buildings, improvements and personal property from the general property tax. The tax imposed under such an ordinance shall be referred to as a "Land tax" and any city, village or town which enacts it will be referred to as a "Land tax district." Any taxation district located wholly within a land tax district shall impose a land tax. All non-exempt property within a land tax district shall be uniformly taxed on the basis of value.

2. If a land tax ordinance is in effect on the first day of January in any year, it is effective within the land tax district for the entire year.

3. All of the assessors within a land tax district shall maintain two separate assessment rolls. One assessment roll shall be prepared in accordance with the provisions of this Chapter as if the land tax ordinance had not been passed, and shall be referred to as the "General property assessment roll." The other assessment roll shall contain only non-exempt property within the land tax district. This property shall be valued from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefore at private sale. Having fixed a value, the assessor shall enter the same opposite the proper tract or lot in the roll to be referred to as the "land tax assessment roll."

4. (a) "Land" means space in whatever state it may be sold on the market, including submerged and submersible land; all minerals and

natural vegetation on or under land; and all water and air rights, and including all improvements that adhere in the land including fillings, excavation and clearance. "Land" also includes any estate, right, title, or interest in or to land that is greater than a leasehold.

(b) The value of improvements on the land including buildings, is considered to be equal to the difference between the true cash value of real property, and the true cash value

of the land components thereof, as defined in sub-section (a) of this section. The assessor will define land value as the salvage or reuse value of the site in its highest and best use.

5. All units of government which have the authority and would in fact impose a general property tax within a land tax district were it not for the passage of a land ordinance, shall collect the tax therein on the basis of the land assessment roll. The land tax district's portion shall be determined by using the general property assessment roll in conjunction with the equalization provisions contained in this chapter. The imposition of the tax itself, however, must be made solely on the basis of the land tax assessment.

Economic Effects of the Beloit Plan

Professor MASON GAFFNEY, Wisconsin and Missouri Universities

On renewal.—Every parcel of land is constantly in press between the present use and the best future use. The time to renew is when the cash flow of the present use falls below the annual value of the future use, which is roughly its present net value multiplied times the interest rate. Property taxes intercede in this decision. They weigh much heavier on the future use normally. The future use's present value is reduced by the present value of anticipated taxes. This retards renewal of individual sites by several decades, at Beloit's high tax rate. Reverberating neighbourhood effects magnify the retardation. A city in Beloit's marginal position might retard its renewal in perpetuity, meaning ultimate disintegration.

Changing the property tax to a "site" value tax removes this bias against renewal. Taxes on present and future use are the same. Thus renewal can proceed at the natural economic timing of a free market.

On intensity of use.—The property tax intercedes in every land improvement choice, biasing the owner in favour of the less taxed use. The owner naturally is moved to maximize his private equity. The public

equity, or tax base, is not his direct concern. When buildings are taxed, unintensive users like gas stations, junk yards, drive-ins and public parkings lots compete on favorable terms with stores, offices, residences, factories, and other more intensive uses. Holding land unused while it ripens is made unnaturally attractive to owners. The result is sprawl, dissipation of the central market place, inflation of utility and linkage costs.

Changing from the property tax to a land tax will let owners use land more intensively. Central land, naturally, will be developed most. This will draw in demand and reduce

Proposed Ordinance for Public Information of Beloit Assessments

Be it resolved that in addition to current practices the City Assessor shall prepare and post a contour map of land values for the city of Beloit. There should be at least ten value gradients on this map. Copies of the same should be supplied free of charge to interested citizens of Beloit.

pressure for premature development of outer lands.

On payrolls.—New, small, and home-owned industry generally shows a high ratio of improvements to land value. They are the greatest demanders of labour. The property tax now repels these payroll generators. The "site" tax is attractive to them. They will tend to bid land away from other users and put it to use.

On community health and dynamism.—A community that fails to renew itself is sick. It attracts slum business and slum residents and repels others. A community that disintegrates in space ceases to be a community economically, socially, politically, and spiritually. A city that pins its hopes on outside help from government becomes dependent, parasitic, and usually disappointed. A city that looks to landing one big industry is asking for domination.

A city that creates opportunities generally open to large numbers of small businessmen is building a platform for a free and diverse economy. The spin-offs from each business are opportunities for others. The competition opens routes to fulfillment for the young adults who would otherwise drift away. A city that brings people together with good mutual access will benefit by synergistic interactions that produce new ideas, products, organizations, and businesses.

The property tax now obstructs renewal and compact development. The "site" tax lets and helps the market prompt them.

On Beloit, 1971.—A few hours in the centre of Beloit are enough to show an outside observer that renewal is overly retarded. There are only three new buildings of note; many blocks of depreciated, obsolete buildings; demolition without replacement; replacement by low buildings. These are all clear signs that renewal is not coming along nearly fast enough to work out, overall. A tour of Beloit shows a severe problem of sprawl. These are exactly the problems one expects to ensue from taxing buildings and undertaxing land. These are the problems a shift to taxing land is designed to solve on a continuous basis. In Beloit's present condition the effects would take with little delay.

AUSTRALIA

Council Administration Gets its Knuckles Rapped

AN ATTEMPT by the Administration of Camberwell City Council, Victoria, Australia to undermine polling rights of ratepayers, has been thwarted by a vigilant (newly-elected) councillor there. The Administration had submitted recommendations to the Victoria Board of Inquiry into Local Government Finance which included the following:

"We submit that a Council should be free to introduce a changed basis of rating with the present provisions of the Local Government Act relating to polls, repealed."

Councillor A. R. Hutchinson moved that this offending proposal be deleted and the Board of Inquiry notified accordingly. He argued that the whole matter was outside the terms of reference of the Board and pointed out that it had in fact never been debated by the Council.

A division was called and the voting resulted in a 9-2 victory for the motion.

In his speech, Councillor Hutchinson said that municipal councils already had the right and power to initiate changes in the rating system and that they could make this change by their own resolution without taking a poll. However, such an action was *subject to the right of a statutory number of dissident ratepayers to demand that their council's proposal be submitted to a poll of ratepayers.* This, said Councillor Hutchinson, "is the safeguard embodied in legislation to ensure that ratepayers cannot have a system foisted on them in opposition to their wishes.

"This council submission embodies an arrogant assumption that councillors as such have special powers which should give them the right to impose on the ratepayers a rating system which they do not want in defiance of their wishes. It would supplant the present democratic basis of Local Government with a 'Big Brother knows best' principle."

Councillor Hutchinson then explained why a majority vote of a council on rating systems is in itself inadequate, and said that Camberwell Council's own experience with last year's rating poll* showed that an absolute majority vote of councillors was inadequate to safeguard ratepayers from having an unwanted system.

"I consider," he said, "that the provisions of the Local Government Act which provide for ratepayers' polls on the rating system should not be repealed. But in addition an amendment of the Local Government Act is needed to make it clear beyond doubt that the decision of ratepayers' polls is paramount over a decision of councillors alone. My proposal is that a clause be inserted in the Local Government Act to say that where the current rating basis has been adopted (or reaffirmed) by a poll of ratepayers *it shall not be changed except as the result of a late poll demanded by the ratepayers.*"

Education

State education is a contrivance for moulding people to be exactly like one another. It establishes a despotism over the mind, leading by natural tendency to one over the body.

JOHN STUART MILL, 1859

Sense

Common sense is in spite of, not the result of education.

VICTOR HUGO, 1802-1885

Independence

What forests of laurel we bring, and the tears of mankind, to him who stands firm against the opinion of his contemporaries.

Emerson on the liberator, Wendell Phillips.

*A majority of the ratepayers in Camberwell last August voted for a retention of site-value rating, throwing out the Council's "shandy rate" proposals to tax improvements. See LAND & LIBERTY, November/December, 1970.