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Pittsburgh breakthrough!

by Harry Pollard

As a New Year present, Pittsburgh practically doubled its land-value tax. It doesn't seem much of a present to double a tax, but the choice was between increased taxation on practically everything that labor or capital does **OR** a tax on the land.

The difference is very clear. Advantages (or disadvantages) to location affect the land-value, and these advantages come from elsewhere — generally from community activity. If the community does something for you, it would seem fair that you should pay for service. Equally, if the community causes you a problem, you should be compensated. A more delightful aspect of the land-value tax is that it does this automatically. **You pays for what you gets.** The alternative is to be soaked for daring to do something, be penalized for improving something, be socked for being a good citizen.

Pittsburgh council had the chance to do some soaking of the producer, or to gather in some payment for services rendered. The Mayor wanted the first — to tax wages, parking and transfers of property. The council wanted to avoid producer taxes and instead tax land-value.

The battle was joined.

Mayor Caliguiri had submitted a budget of $171.1 million and proposed to meet the expected deficit by increasing the city's wage tax from 1% to 2.5%. The council cut his proposed budget by

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nearly $6 million, accepted only a $\frac{1}{4}$% increase in the wage tax and almost doubled the land-value tax — from 48 mills to 97½ mills (a retreat from an original proposal of a 70 mill increase).

The mayor vetoed the council's counter-proposal with a statement that said he could not "in good conscience" permit the heavy land-value tax increase, because it would "impair our Renaissance II effort which is designed to broaden the city's tax base". This seems to mean that the mayor wants more development in Pittsburgh so he can tax it.

To override the veto, six votes were needed from the council. The motion to override was passed quite handily by 7 votes to 2.

The land-value tax was proposed by Councilman William Coyne because it was seen as a way to spread the burden of of a tax increase to groups that would not have paid the extra taxes under the mayor's proposal to raise the wage tax.

The new land-value tax rate is expected to generate about $17.5 million in additional revenue this year to balance the record $165 million budget. But the extra money collected from the land-value tax increase will not be paid equally by the various economic sectors of the city. Homeowners, for example, will pay as a group about 20% of the extra tax. Other groups, such as business, industry and rental property owners will pay the other 80%.

Even among home owners, the land-value tax burden falls unevenly.

Homeowners, according to Coyne, are expected to pay $3.7 million of the extra tax. But, those figures show that half of that extra tax will be paid by only 28% of the city's homeowners. In other words, homeowners in 9 of the city's 32 wards will pay, on the average, nearly three times as much in additional land-value tax as homeowners in the other 23 wards.

These figures are derived from figures Coyne used to support his case for the land-value tax increase rather than a wage tax increase.

During the budget hearings, Coyne used a computer to identify city properties listed as houses or dwellings in the regular tax accounts in the records of the county Board of Assessment, Appeals and Review for 1978.

(cont'd on Page 3)

(continued from Page 1.)

These listings exclude land owned by corporations and tax-exempt organizations and include owner-occupied, rental and commercial properties.

Time pressure meant that the computer couldn't do all it was intended to do, but it seems that only about $81 million — or about 21% — of city land is owned by homeowners.

Evidence is plentiful that this small proportion of homeowner-owned land is typical in most cities. It appears that "Prop. 13 type property tax relief" helps the homeowner very little, while providing a veritable bonanza for commercial and financial interests.

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