

# A Taxpayer's Appeal

by TOM SHERRARD

**I**N California the law provides that all taxable property must be assessed at a uniform fraction of its market value. This law is not self enforcing. If an assessor tends to ignore the law little can be done to force him to comply. It is expensive to assemble evidence and difficult to prove a case even if a taxpaying victim has the facts. No adequate procedural law exists to implement the substantive law which requires assessments to adhere to a uniform percentage of market value. Yet in spite of the difficulties, something constructive is being accomplished in the studies made by Roy Davidson indicating that vacant land and poorly improved land was being assessed at a much lower fraction of its market value than well improved land (see page 1).

Considerable public opinion was aroused when a group of Georgists known as Basic Economic Education, Inc., headed by Sidney G. Evans of San Diego, petitioned an assessment review board to equalize all vacant land assessments with well improved land assessments. In the application for review we alleged that a particular home, belonging to Jack Canaan, was assessed in the range of 20 to 25 per cent of its market value, while vacant land generally throughout the county was assessed, on the average, at 4 to 8 per cent of its market value. We asked that vacant land and poorly improved land be assessed at the same fraction of its market value as the Canaan home.

There was no law to serve as a guide for this unorthodox case, so we took what steps we could by modifying known procedures.

At the hearing we were refused an

opportunity to submit evidence on unequal assessments on the pretext that vacant land is not similar to well improved land. Apparently we could have compared assessments of vacant lots near the Canaan property because the assessor himself offered to do this. We were, however, flatly refused the right to show assessments on large parcels of land, and the petition for equalization of assessments was denied.

There being no other recourse, we petitioned the superior court for a refund of illegal tax paid under protest. The court then was required to decide whether or not we had a fair hearing and has made an important ruling in our favor by saying, "yes, Mr. Canaan, you can have the opportunity to show unequal assessments, even though properties are not similar. If you can prove your case you can have your taxes refunded." This has directly overruled the deeply entrenched custom of limiting complaining taxpayers to a comparison of similar property only. That is as far as the case has proceeded at this time.

The next logical step in the Canaan case appears to be in connection with the liberal discovery procedure of California. Apparently we can now force a disclosure of anything which might show bias in the assessor's office in favor of relatively light assessments on land. This might include evidence of favoritism, acceptance of favors, campaign contributions, land speculation by significant deputies or anything else relating to our allegations. The illegal conversion of an ad valorem tax into a use tax might be discovered.

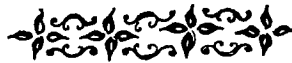
There has been ample press coverage of this lawsuit in the newspapers and on TV. Those charged with ad-

ministering the laws of public finances as well as the public at large are being given the opportunity to evaluate concepts well known to Georgists. This has been an education effort unrelated to a political campaign or bills in the legislature. The lawsuit has focused attention on important economic issues.

My conclusion is that the Canaan case has added, perhaps in a small way, to a very important body of knowledge. Whether it can be cited as a guide for others who later advocate a change in assessments remains to be seen. It has become clear to me that

our fair and just sounding law on assessments is an ironic facade. Many taxpayers believe the constitutional provision requiring assessments at full cash value offers them a bargain. They don't realize that land speculators are getting a far greater bargain. A workable law with teeth in it is clearly needed.

Perhaps eventually the difference between land and production will be expressed in our assessment laws. A reform of assessment laws is a direct, simple and easily understood way to accomplish more land value taxation.



### **Land Undervalued**

*(Continued from page one)*

but these appear to range from 30 to 50 per cent for inventories, with machinery and equipment sometimes valued as high as 100 per cent. You can see from these great disparities in the assessment of various types of property how it is possible to come up with an average for all classifications of about 25 per cent and then equalize between counties.

### **Vacant Land at Lowest Rate**

Here are some specific examples of underassessed land cited in a nine-county study conducted for the State-wide Homeowners Association: 10 industrial acres in Alameda County with a market value of \$171,500 had an assessed value of \$3,100 or 1.3 per cent; 320 acres in Imperial County selling at about \$1,000 an acre carried a market value of \$304,000 and an assessment of \$24,550 or 8.1 per cent; and a commercial lot 50' x 114' in San Mateo County, selling for \$21,850, was assessed at \$1,330, a 6.2 per cent ratio.

Of 243 vacant land cases 32 per cent were assessed below 5 per cent and almost 90 per cent were below 15 per cent of the market value estimate. By contrast 87 per cent of improved residences were above the 15 per cent assessment level.

Relating the findings to the school finance problem in the state, over 400 million dollars was the projected cost to the public schools alone of illegal underassessment. At least another 400 million is being lost by county and city governments. Confirming similar underassessment finding of the U.S. Bureau of the Census, several reports of the California State Assembly, and recent investigations of school district and other governmental site purchases, the conclusion of the survey was that "consistent underassessment of vacant land and slums has placed an unjust and inequitable burden on owners of improved property. Throughout the state local assessors have been in clear violation of constitutional provisions guaranteeing all citizens equal protection of the laws."

Growing discontent with higher property tax rates poses a serious di-