

# LVT would boost

## Milwaukee economy

VOTERS in Milwaukee would not support land value taxation.

So claims Gary J. Barczak, who serves on the Wisconsin State Assembly as chairman of the Committee on Local Affairs.

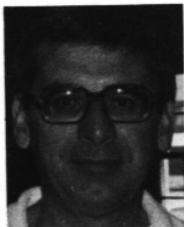
"The majority of the voting population would not support it," he told *Land & Liberty*.

This is a surprising assessment, because a recent study of the Milwaukee property tax concluded that:

- 60 per cent of owners of non-residential properties would benefit from a drop in their bills if the tax fell on land values alone.

- 46 per cent of residential land owners would have their tax burden cut as well.

These facts emerge in a report from the Legislative Reference Bureau,\* a unit attached to the policy-making board of the Common Council, which is composed of 16 aldermen.



● Gary Barczak —

The bureau report calculates the shifts in the tax burden, using 1978 assessments and assuming that total property revenue would remain the same.

The shifts in the property tax would be dramatic.

Manufacturers would experience an average 50 per cent cut in their tax bill. Older, densely-developed districts in central locations would have decreases averaging 26 per cent. Multi-family properties would enjoy tax cuts of 41 per cent, and small apartments a drop of 23 per cent.

These cuts, of course, would have to be offset by increases.

Worst hit would be the owners of vacant land: their bills would rise by an average of 193 per cent, with valuable sites experiencing an increase of up to 350 per cent. Commercial property taxes would increase by 27 per cent, single family units by 14 per cent, and neighbourhoods on the city fringes

with large, valuable sites would find their tax bills rising by 11 per cent.

These shifts would produce striking benefits for the recession-struck Milwaukee economy.

- Manufacturers would retain more of their profits for reinvestment — leading directly to the creation of more jobs.

- Families would have more to spend on basic and durable goods — thereby boosting aggregate demand, and stimulating the output of locally-generated products and services.

- And the construction industry would find its biggest obstacle — the price of land — removed almost at a stroke, as an increase in the supply of vacant sites on to the market forced down prices to realistic levels.

### By Ian Barron

OPPONENTS of land value taxation claim that site values would not provide an adequate tax base.

The bureau report presents a theoretical means by which to determine the answer in particular cases.

According to this theory, land in Milwaukee would have to produce a minimum rate of return of 8.7 per cent to allow the land to function as an adequate tax base.

The report does not make any recommendations for or against a change, but does propose further research.

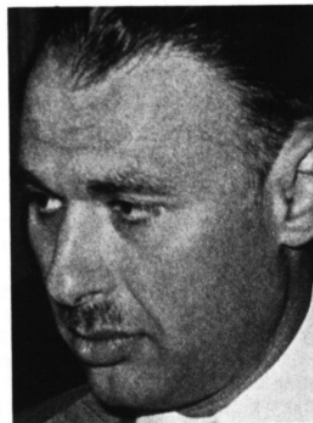
And it suggests that a transition to land value taxation could be undertaken over a period of years, to minimise the severity of adjustment. It states:

"Conversion to a tax on land values can be pursued gradually, employing a schedule of differential tax rates on the value of land versus that of improvements over time. This would encourage new and different uses, utilizing land more efficiently while diminishing the short-run costs of adjustments incurred by present land owners."

\**The Redistributive Impact of Land Value Tax Reform in Milwaukee: An Empirical Study*, Milwaukee: Legislative Reference Bureau, 1981.

## NEWS in BRIEF

### Stern back again soon



PROPERTY tycoon William Stern, who went bankrupt in 1974 owing £118m, will be free to resume business in October 1985.

Mr. Stern, above, controlled Britain's biggest housing empire, and during the land boom of the early 1970s he gave personal guarantees which broke him when the market collapsed.

Those guarantees, said the High Court judge at his recent bankruptcy hearing, had been "largely a confidence trick" because the lenders thought he was a millionaire several times over and would have the resources to meet his obligations.

Said Mr. Justice Walton: "It was — and I mean this in no pejorative sense — largely a confidence trick. Mr. Stern was supposed to be a man of immense wealth who did not have all his eggs in one basket. Unfortunately, as it turned out, Mr. Stern *did* have all his eggs in one basket."

## GUILTY!

THE BUDAPEST city court recently gaoled 43 people to terms ranging from one to five years on charges of over-valuing property.

The property was being expropriated for municipal housing estates.

Among the accused — who split the proceeds — were assessors, lawyers and property owners.

## QUOTE

MR. PETER Woodrow, recently-elected president of Britain's House-Builders Federation, said:

"When land supply is curtailed, often by the process of public participation, prices rise and access to new homes is reduced."

Land prices in parts of Britain had doubled in the past 18 months, reported Mr. Woodrow.