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FULL VALUE LAND ASSESSMENT

by Philip Finkelstein

Perhaps the first and easiest job is to open up for public scrutiny the entire assessment process itself. A good deal has been done to help the individual taxpayer understand and, if need be, contest his assessment. Much less has been done in most jurisdictions with regard to the total tax base. There is no reason why the public debate about the property tax should be restricted to the annual haggling over the mill rate. A full, early public disclosure of the total tax base would give every jurisdiction a fair estimate of the rate needed to obtain the desired revenue level whether less, the same, or more, than in the past year. Even a simple breakdown of that base into basic property types would give the taxpayers and voters a pretty fair idea of who will be paying how much. A public description of the base in terms of new construction, new valuations and the factors used in these corrections would also go a long way to dispel the fear of the assessor.

But the residue of fear will not be dispelled by disclosure alone. Most taxpayers think they benefit from a fractional assessment. Much as the assessor draws fire for failing to do the job, he risks even greater displeasure when he does. It is very difficult, if not impossible to convince a taxpayer, particularly a homeowner, that assessing his property at anything near what he thinks it is worth won't end up costing him more.

*Prepared for the Toronto, Ontario, Conference,
International Association of Assessing Officers.*

*Other Finkelstein dates in recent weeks included :
New York Civic Assembly of the Women's City Club;
Real Estate Practitioner's Institute at the C.W.Post
College on Long Island; and the Conference on Tax
Policy of the Alternative State and Local Policies
Association in Washington D.C.*

"But money is only a medium of exchange and a measure of the comparative values of other things. Money itself rises and falls in value as compared with other things, varying between time and time, and place and place. In reality, the only true and final standard of values is labor - the real value of anything being the amount of labor it will command in exchange."

Indeed, the experience not only in California but in many jurisdictions where assessment at full value is taken seriously, would seem to justify that fear. The stake in maintaining a low fractional assessment is greater than any notions of equity, parity, or even sadly enough, legality. Politicians know this and run from full value assessment like the plague. And when there is no place to run and the courts have finally closed off the hiding places, it will be the bearer of bad tidings, the assessor, who will be dealt with accordingly.

To escape that precarious position as well as to make certain that local government, the property tax, and not incidentally his very own job are all worth preserving, the assessor should be quite literally, laying the groundwork for full value assessment. For it is the land that can and should be first of all assessed at full value. The land portion of most parcels of real property is that which is most likely to be subject to inflation and least likely to be assessed at full value. Despite the current fashion of older buildings, it is the land value that appreciates and structures that depreciate. Improvements are more likely to be assessed properly because they are recorded when made. Land assessments sometimes do not vary from their original recording date, leaving the anomaly with which we are all familiar, the most valuable parcels bearing the lowest assessments in a jurisdiction. Correcting such misassessments may well be the single largest benefit we can confer on the entire process to restore both its legitimacy and accuracy.

But there are even happier results of moving to full value land assessment. Homeowners who fear reassessment typically have most of their value in their homes, not in their small parcels of residentially zoned land. Moving their land assessments to full

(continued on Page 4)

(continued from Page 1)

value will not increase their tax liability. In fact, the attached study of a suburban school district in Long Island shows that four out of five homeowners would have a tax decrease under full value assessment of their land. Of the twenty percent who have increases, the majority are not typical homeowners but those sitting on multi-acre parcels with minimal residential improvements. We need not characterize this minority as speculators to recognize them as nevertheless a very privileged class of taxpayer who have long been able to enjoy more while paying less.

Opponents of reassessment like to cite the fearful costs in time and manpower as a means of delaying or even deterring the dreaded day. By moving on land assessments we can knock out perhaps ninety percent of cost, as much of the time, and most of the uncertainty. Decent maps, current sales data and access to a computer are the basic requirements for the job. No need for an army of busybodies trying to learn how many bathrooms have been added or attics finished. The probability of an accurate valuation of land alone, given modern methods including those recommended by the IAAO itself, is at least as great

as the results of the arcane calculations of probable and potential income, capital investment and replacement costs. And the results can be kept as current as any jurisdiction requires, at least annually, in most cases.

The administrative and fiscal, economic and political arguments for assessing land at full value, persuasive as they may be, still pale before the equitable and yes, if you will, moral ones. Is it fair, is it right, for those who invest in their property by improving it to pay for the benefit of those who do not? Or, in the reverse, shall we continue to subsidize the profit in increased land values, while penalizing the development of new improvements? Shall those who claim to own natural resources be dealt with more kindly be the taxing authority than those who live by their labor or man-made wealth?

Assessors need not be crusaders for reform. Neither should they stand in its way, defending the methods and practices of the past, even their own. Alternatives, especially those combining fundamental justice with sound fiscal administration, should not be disregarded or dismissed.

(cont'd from Page 3)

To reduce poverty and bring about a more equitable distribution of wealth, Collins said, George advocated the taxing of land alone, and not buildings or improvements on them. The goal of the so-called "single tax" system is to discourage speculation by removing profit from landholding.

ACCORDING TO Collins, here's

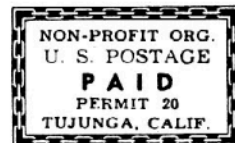
how George's system would work: Land owners would be taxed at an assessment level based on the optimum use of their property; this would discourage the rich from holding unused land, and encourage developers to utilize land in the most strategic locations before resorting to outlying areas; thus "land value taxation" would stimulate uniform urban development and promote the fullest and most efficient use of land.

If you're interested in finding out more about Henry George and his answers to America's current economic crises, his historic birthplace at 413 S. 10th st is open to the public Mondays through Fridays from 2 to 5 p.m.

For more information about the free courses, which are approved by the Adult Education Council of Philadelphia, call George Collins at WA2-4278.

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