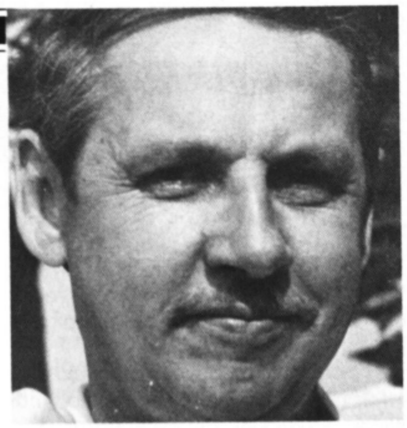
LAND SPECULATION

Sharp-eyed Henry warns speculators to keep well away



● Henry Ferry

By JOHN GREEN

HENRY FERRY is a taxman with a difference: he would rather not collect a red cent of revenue.

At least, not under the Land Gains Tax, which he calls a "unique, one-shot tax."

But that is not an open invitation for land speculators to move in on Henry's patch and expect to escape paying dues under Vermont law, which he administers as Chief of Miscellaneous Taxes.

In fact, speculators would have a tough time trying to hoodwink Henry. "I am an accountant and I have to look with suspicion when someone declares a nil return on his taxes," he says.

The Land Gains Tax is an anti-speculator tax. Mr. Ferry would rather not collect under this law, because that would mean that the speculators had been successfully warned to stay out of town.

When it was first introduced in 1974, he was obliged to collect $1.3m. That figure has now slumped to an annual $980,000, which suggests that the tax is having some effect.

It is a penalty on selling land within six years of purchase. The tax rates are shown in the table.

● If you sell land within a year of buying it, and make more than 200 per cent profit, then Mr. Ferry is obliged to take 60 per cent of the profits.

● If you hang on to the land for just over five years, and then sell for under 100 per cent profit, the tax-take is five per cent.

The tax was introduced because the governor was looking for a way of raising $3.2m to fund tax abatements for old age pensioners.

"Real estate is a really powerful lobbying group," Mr. Ferry told *Land & Liberty*. "In Vermont, the sale of real estate is far the largest business.

"But the Land Gains Tax slipped through unnoticed into law during the end-of-session turmoil."

VERMONT had a serious problem with speculators during the early 1970s, and this tax was supposed to frighten them off.

"The dream of many people from Boston and New York was to slip up to Vermont, grab a farm in transition, 200-300 acres, split it up into 10-acre lots and sell them off for $200 to $300 profit.

"That type of activity has come to a screeching halt."

The out-of-state speculators are not in a hurry to tangle with Henry these days. Indeed, he proudly declares: "Even many Vermont speculators have taken their operations to New Hampshire and other states, because this law is like banging your head against the wall."

The tax rate falls to zero on profits made from land sold over six years after purchase. Doesn't this mean that speculators just hold on to the land for a longer period, instead of having a rapid turnover? "Speculation is a short-term activity," says Mr. Ferry

Some speculators tried to avoid the tax by selling part of their land for sums that fell short of the original purchase price. This was the kind of ruse they tried:

> **Buy a piece of land for $100,000, then sub-divide it into small lots. Sell five of these lots for $15,000 each, bringing in $75,000 – well below the original purchase price.**

Henry, however, has a tape measure and pocket calculator. He works out that the original piece of land can be sub-divided into ten saleable lots, each of which was therefore bought for an average of $10,000 by the speculator.

So the profit made on the sub-divided land was $5,000 per lot. And if that profit was made within six years of purchase, Henry Ferry arrived on the doorstep with his hands palm up!

Speculators – BEWARE!

VERMONT LAND GAINS TAX

Holding period: Years	Profit: Per cent 0 – 99	100 – 199	200+	Revenue $1,000	
0-1	30	45.0	60	1978	748
1-2	25	37.5	50	1979	888
2-3	20	30.0	40	1980	913
3-4	15	22.5	30	1981	1253
4-5	10	15.0	20	1982	986
5-6	5	7.5	10		

CHURCH LAND

HOUSING IS A PRIORITY

A REPORT by the Church of England's social policy committee questions the church's approach to the sale of its land.*

Church-based housing associations, in particular, argue that socially-valuable projects should have the first claim to purchase church land. But the church's determination to sell to the highest bidder on the open market frequently means that land is diverted from these uses.

The committee, chaired by the Suffragan Bishop of St. Germans, the Rt. Rev. Brother Michael, wrote the report with an "underlying belief that the provision of an adequate supply of housing is fundamental to the well-being of society and that there must be a Christian concern to ensure that access to housing is given equitably to all."

**Housing And Homelessness: Social Policy Committee of the Board for Social Responsibility of the Church of England*, CIO Publishing, £2.50.