A New Legislative Victory in Pennsylvania

THE friends of land value taxation have again gone to the Pennsylvania Legislature for help with permissive legislation and have again met with success.

On September 17th the state Senate, by a unanimous vote of all Senators, Republican and Democratic, adopted the McGinnis Bill, No. 535, an act amending the Third Class City Act of 1931, P.L. 932, as revised and amended in 1951.

On October 2nd the House of Representatives adopted the same measure on final passage by a vote of 138 to 45. The bill was signed by Governor David L. Lawrence in the presence of Senator Bernard B. McGinnis of Pittsburgh and Speaker Hiram G. Andrews of Johnstown.

Local option in the taxation of land and improvements for the 47 cities of the third class had been won by an act of 1951 also sponsored by Senator McGinnis. But this legislation was inadequate for the purpose intended because of an existing limitation on the tax rate that could be imposed. The new amendment, Senate No. 535, was drafted by the Graded Tax League of Pennsylvania and introduced in the Senate by Mr. McGinnis (a trustee of the Henry George Foundation) on April first. Senator McGinnis made a strong speech in support of the bill when it came up for action in the Senate, in which he said in part:

"Back in Pittsburgh in 1913, we had a great Mayor, a Republican, William A Magee. He came to this Legislature and got a bill through which authorized second class cities of Pittsburgh and Scranton to tax land and buildings separately, and at different rates. In those days we had what we called the Schenley Farms in the east end of Pittsburgh. There was nothing on those farms except cows. But the taxes were doubled on land in Pittsburgh and Scranton and today there is not a vacant foot on those farms. There are beautiful homes on every foot of ground on the Schenley Farms. When my former bill was before us, Senator McMenamin of Scranton said that his city was becoming a ghost town because the coal had been mined all around there. He said the people of Scranton and the Chamber of Commerce got busy to advertise Scranton, and promised: "If you come to Scranton, we will not tax, your machinery and we will tax your buildings only half of what we tax the land." In 1951, he said, thirty-five new industries had come to Scranton.

"Pittsburgh is booming. The United States Steel Company moved its offices from New York to Pittsburgh and built a 'story of steel' forty-four stories in height. The Aluminum Company came from New York and erected an aluminum building thirty-four stories high. The Equitable Insurance Company came from New York and spent 55 million dollars building office buildings. They are now building another one costing twenty million dollars. And the Hilton Company is building a hotel in Pittsburgh, just about to open, costing twenty million dollars. Senator Blass was in Pittsburgh last week and told me that he was amazed at the progress in the heart of the city.

"In 1905, in my senior year in Cornell University, we had lecturers in political economy. One of these was Henry George, Jr. His father, Henry George, wrote the book called

Progress and Poverty, which has been printed in many languages and has had a world-wide circulation. Henry George must have said something and I hope that I can induce every Senator on this floor to . . . get a copy of *Progress and Poverty* and read it from cover to cover."

The enactment of this McGinnis amendment will open the doors in all cities of the third class for a sweeping change in the levying of their real estate tax. The new law will give city officials much greater freedom in the use of land value taxation. While there is still a legal ceiling on real estate tax rates, this will be largely nullified so far as land taxes are concerned. The amendment stipulates that "higher rates may be levied on land if the respective rates on land and buildings are so fixed as not to constitute a greater levy in the aggregate" than the real estate levy that is now authorized in cities of the third class. A serious obstacle has been removed; the act now permits the complete shifting of municipal taxes from improvements to land values, should any city, through its councils, so decide. Any step toward that end can be taken at any time without restriction. Now it is up to the people and their representatives in the councils to realize the advantages of taking such steps.

PROPOSED TAX CUT IN DETROIT

ABOUT a year and a half ago five representatives from the Detroit Henry George School visited the Detroit Board of Assessors and argued for a tax cut on newer homes, pointing out that corrections could be made in existing assessment procedures without involving new laws. They considered it something of an accomplishment therefore, when on November 4th the Detroit Times announced, in the leading front page article, that there might be a tax revision which would affect the majority of Detroit's 300,000 home owners over a three-year period.

The first cuts would be on 60,000 houses up to 12 years old. In the following two years assessors would review older property, with higher tax bills resulting possibly for some 230,000 owners. Land values also will be reviewed and in many instances probably will be increased. The hike in land values, however, is not expected to offset the decreases in assessments.

This plan, if approved, would be the first general property tax reduction since the depression. There is one possible threat to the program: there are more voters owning older houses than newer ones.

The city's practice of assessing new homes at a higher rate than older ones is said to be one of the two major factors discouraging new home construction in Detroit. Lack of available land is the other. Older homes also might enjoy reductions if it is determined that their land values are too high. It was estimated that reductions on newer homes would be about 10 or 12 per cent. Assessments against older houses may go as high as 25 per cent.

A survey of assessment records in Detroit shows that two houses standing side by side, one thirty years old and the other five, will be taxed at far different rates. Assuming the two are each worth $15,000 the older house will be assessed at about $5,000, with a combined annual city, county and school tax bill of approximately $250. The house next door, worth no more, but many years newer, will carry an assessment of about $8,000, with a combined tax bill of about $400.