

New Jersey Committee Urges Site Value Taxation for Cities

Graded tax, differential property tax, flexible tax—the site value tax by any other name is just as sweet when the path-breaking New Jersey Tax Policy Committee advocates it.

The 5-volume Committee Report contains only two pages dealing directly with site value taxation, but the policy recommendation is strongly worded and has already been singled out as exceptionally note- and newsworthy.

The Committee wrote, "... the economic problems of the major urban core municipalities are so urgent, stubborn, and difficult that the local governments of those municipalities should be provided with every available fiscal tool to deal with their problems, including site-value taxation." The Committee suggested that the New Jersey Legislature empower cities to prepare plans for converting to site value taxation over the next five years. Such plans would be presented to voters in referendum form, and would embody a 100% assessment of the market value of land and a 50% assessment of the market value of improvements.

The Committee rejected the idea of state-wide site value taxation in order to conform with state policy of preserving open spaces.

Flexible Assessment

In an interview in the New York Times, former Newark chief economist P. Bernard Nortman applauded the Committee's Report, and added that "site value taxation is one thing most economists can agree on." Mr. Nortman had championed site value taxation when he was head of the Newark Office of Economic Development in 1966-1971. Mr. Nortman, who

prefers the term "differential assessment" to "site value taxation," also prefers to let the cities fix their own rate on improvements. Flexible improvement rates would permit cities to encourage particular types of activity in certain neighborhoods, and have the added advantage or relieving city planners from forcing their plans on private enterprise. Flexible assessment of improvements would result in investment flowing naturally to neighborhoods with rates most suited to individual enterprises.

Urban Renewal

Encouraging private enterprise in older cities is one of the main goals of the slate of new tax policies proposed for New Jersey. The Committee declared that it was "most impressed" with the possibilities of site value taxation in urban renewal, while at the same time maintaining revenues. Dick Netzer, Dean of the Graduate School of Public Administration at New York University and a member of the guest faculty of the New York Henry George School, provided the Committee with information on this point. Dr. Netzer admitted that some sites with large buildings might generate less revenue under site value taxation, but that proper administration of the tax could result in maintaining present revenues.

To date the other proposals of the Committee have taken the limelight—statewide property taxation and statewide financing of education have been more innovative and controversial than optional site-value taxation for sites. Governor Cahill, Newark Mayor Kenneth Gibson, the New Jersey Association of Real Estate Boards, the Homeowners
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New Jersey Panel

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Association of New Jersey, and the Greater Newark chamber of Commerce, among other concerned groups, have yet to comment. But the tax assessors of Camden and Elizabeth voiced the opinion that the cities would work up a "common position" to present to the Legislature. John Motley, Tax Assessor of Elizabeth, said, "To me it looks like a watered-down version of Henry George's idea of taxing only the land . . . a lot remains to be clarified."

A little less water would result in a lot more clarity.