N Z STUDY SHOWS TAX SHIFT RESULTS

What happens when property is taxed on the basis of an "annual value" assessment relying on the yearly rental that can be obtained for land and improvement, or on the basis of "capital value" whereby the criterion of assessment is the presumed selling price for land and building, or on the basis of "unimproved value" which is the raw land evaluation?

Some answers to this question can be found in a study by the Valuation Department of New Zealand showing the results of the alternate systems applied to sections of the city of Wellington.

The report is part of a continuing survey based on computer readouts of property taxation experience. It warns that this data from the assessment rolls of April 1, 1965 has already been outdated by events. By way of explanation, the report states, "as buildings are erected, land subdivided, urban motorways claim property, and legislation is passed amending existing rating [taxing] law, there will be altered distribution of rates whatever the system."

Despite these disclaimers, some of the findings are worth noting.

For example: the study reports that land that does not need intensive capital investment for the use to which it is being put "would pay considerably less taxes under the capital value or the annual value system." Obviously, it would not get off as easily if taxes were to be paid on assessments based on unimproved value.

If the ratio of capital to unimproved value is less than 3:1, the tax would be smaller under the capital value system and probably the annual value system than under the unimproved value assessment. This would seem to be an obvious conclusion. But the report adds that there are many sites with relatively low capital investment that are capable of earning above average rents, and these would not necessarily benefit under an annual value system.

Older single unit dwellings generally would pay less under a capital value system, whereas they are not materially affected by the annual value system as contrasted with unimproved land valuation. Newer homes, however, pay higher taxes under the two alternative systems.

Shifting from unimproved land assessment to a capital value would not increase taxes for suburban shopping centers, but their levies would go up under an annual value system. For center city commercial properties the shift would cause a smaller decrease in taxes under the annual value than under the capital value system. Similarly, industrial properties would carry a heavier burden under the alternative systems.

These findings would seem to support widespread opinions as to the effects of land value taxation, although the report cautions that assessment and tax "rating in a dynamic community is a continuous study and conclusions reached at one point in time must be amended as the situation dictates" and each municipality is a specialized study, indicating that conclusions drawn in one place may not apply to another.

India's Land War

Landlordism, long a sore spot in the political economy of the subcontinent, has reached something of a low point in a dispute that is tying up land and condemning more Indians to starvation.

In Pachampettai, India, one third of the cultivable land, where three rice crops a year used to be harvested, is lying fallow while landlords and tenants battle.

Twenty tenant families have been cultivating this land for generations. But they have been evicted from their rice paddies and no crop has been planted for the past 18 months.

All the land will remain uncultivated until the issues of ownership, wages, limitations on holdings, and presumably politics have been threshed out in the courts. So far, most of the cases have been going against the tenants because the landlords have the money to hire the best and most influential counsel. The tenants, on the other hand, are compelled to work as casual labor not only for their keep but to pay lawyer's fees.

"Tears of blood flow from our eyes when we see our fields lying parched and untended," the wife of an evicted farmer is quoted as saying in a New York Times dispatch.

CITY TO PUNISH COMMUTERS

New York's Mayor Lindsay has somberly stated that the 600,000 commuters who come into Fun City to work each day have a stake in the city. By virtue of this reasoning, his Honor says, they should be taxed for the use of the city. Contrariwise, the city has an enormous stake in these 600,000 commuters. It is the commuters who contribute a large part of the location values of property in the city. Without them, the value of these locations would be seriously lessened inasmuch as activity would decline and demand for land would be reduced as a consequence.

It is certainly no fault of the commuter that the city persists in its archaic pursuit of taxing the labor products of people rather than the land value the community creates.

It is embarrassingly obvious that taxing commuters, who help create the city's land values, will induce these people to look to their own localities for employment. This is self-defeating. Conversely, if the land value were taxed, more commuters would be encouraged to come into the city, heightening the value of the land, enhancing the amount of the tax and promoting true growth.

The Henry George **NEWS** is published by the Henry George School of Social Science monthly, except July and December, 50 East 69 Street, New York, N.Y. 10021. Patricia Sullivan, Editor. Second class postage paid at New York, N.Y.

JACOB HIMMELSTEIN
SYCAMORE COURT APTS.
MERION, PA. 19066