

Presidential Panel Would Test Site Value Tax

The federal government might encourage experiments to test the merits of site value taxation. This was the suggestion made by the Advisory Commission on Intergovernmental Relations in its recent report to President Nixon.

The Commission recommended against the disbursement of federal funds to the states for the purpose of reducing local residential property taxes and against adoption of a federal value added tax. These comments and other remarks were contained in an ACIR staff report which the Commission in effect accepted.

Noting that "the local property tax is unpopular, is poorly administered, and imposes heavy burdens on low income homeowners," the report endorsed federal property tax relief for low income homeowners and renters. "But," the statement added, "the evidence does not support the launching of a major federal program designed to relieve a substantial portion of the property tax of every homeowner."

The ACIR staff also discussed several ways that existing programs could be used to bolster local administration of the property tax. It suggested that appraisals of real estate by Federal Housing Authority officials might be coordinated with the activities of local assessors; that information obtained by federal agencies in making land acquisitions might be passed on to local assessors, and that mapping operations of the Commerce and Interior Departments be made available to local taxing authorities.

Of some importance was the report's observation that Treasury regulations regarding depreciation of buildings for income tax purposes should be carefully scrutinized. It is commonly agreed that present practices encourage owners to seek over-assessment of improvements to be offset by under-assessment of land so that greater write-offs against income will be allowed.

On the whole the staff report can be considered encouraging. One cannot overlook, however, the recommendation for subsidies to low income homeowners. This ties in with federal programs that have subsidized mortgage interest payments and even guaranteed loans for real estate purchase. All these programs actually subsidize the real estate — hence the land — speculator. As such these uses of federally collected tax revenue have played no small part in the tremendous rise in land prices over the past quarter century. It is difficult to understand why seemingly knowledgeable people want to persist in this practice.

How Much Is Enough?

The question whether a land value tax would yield enough revenue keeps popping up. The questioner rarely is so specific as to indicate what it is supposed to be enough for. Perhaps the inference one is supposed to draw is "enough to replace whatever revenue might be lost from the taxes supplanted." This kind of reasoning makes the whole question a relative one. Nevertheless, the nagging doubt remains in the minds of many sincere people that location value taxation can yield enough to allow it to replace other levies.

This gets down to the idea of just how much production, expressed in dollar revenue, does land produce. Robert Sage of Sun City, Arizona, has come up with fascinating data on this score that he has been at some pains to document. "Government agencies," he writes, "do not gather information on land rent." In response to inquiries to the Departments of Labor and Agriculture about 20 years ago, Mr. Sage relates, he received a telephone call, (in his opinion the authorities didn't want to put anything in writing) relating that the government does not have records on how much a sharecropper pays in rent.

Mr. Sage cites U.S. News & World Report as quoting the Agriculture Department on how much prices of various commodities have risen, but he says, "it won't tell you how much of that price goes to the landowner."

In an attempt to shed some light on the subject, Mr. Sage recounts the Reverend John Taylor's 1802 trek into the wilds of central New York State: "A considerable part of ye lands which are settled, are to hire on lease — the inhabitants have not ye right of soil. \$10 is the common price of 100 acres annual rent." Think of it 10c per acre per year!

Coming into the 20th century, he quotes Ira Wolfert on the dust bowl in Readers' Digest of August 1959 "There was plenty of land available that year (1925). The nomads, known locally as 'suitcase farmers', didn't come in the dry years, and you could rent their fields for a quarter of whatever crop you raised."

Moving ahead, he comes to 1953 when the Wall Street Journal reported on Jimmie Caulfield, a fur trapper for 31 of his 50 years, who, during three days in the marshes gathered "138 muskrat skins and three mink skins . . . the lot went for \$176.65. Jimmie got about \$114. The rest went to pay the owner of the land which Jimmie had leased for the trapping season." Mr. Sage calculates this as 35% of the product going to the landowner, a proportion that is supported by other figures in the same story.

From the same newspaper 16 years later, Mr. Sage extracts: "Mr. Miller, like other tenants, leases his land from the company on a 50-50 crop share agreement." The company is Gulf Timberland.

Is the same proportion of production paid by those who work in the cities? Mr. Sage wants to know. The land of Rockefeller Center in New York has been held by the same owner since 1814, he comments. In 1823 it was rented out for \$125 a year; in 1965 the rent for the same parcel was \$3,800,000. When the lease expires in 2069 the landowner gets the buildings. This last bit of information is from the New York Times of November 11, 1962.

In his own back yard, Mr. Sage observes, land — miles and miles of it in Arizona — is priced so highly that there are only signs "Land for Lease." It is not for sale!

The 1973 Conference

Preparations for the Conference on the Property Tax — this year's Conference to be held in Toronto, July 5-7 — continue apace, according to Mal McCarthy, head of the School of Economic Science in Ontario.

Perhaps a dozen local officials concerned with taxation and fiscal affairs will attend the meeting in addition to a number of men in the academic and professional worlds of finance and public administration, all of whom are familiar to the supporters of the School.

Accommodations (per person) have been arranged as follows:

Glendon College Rooms: \$6.50 to \$7.50 per night.

Inn on the Park: \$22 to \$36 per night.

Muir Park Hotel: \$8 to \$22 per night.

5% sales tax applies to all rooms.

The Inn on the Park is described as a very "posh" resort hotel in the heart of Metro Toronto, about a half-mile from Glendon; Muir Park is a pleasant, modern hotel within a quarter of a mile of the college.

For reservations (early ones are suggested) please

write to Mal McCarthy, School of Economic Science, 2304 Islington Ave., Rexdale, Ontario.

Real Estate Tax Scandal Forgotten

New Yorkers are so innured to political squabbles and the dirty dealing they so often dredge up that a recent scandal about real estate assessment practices caused no more than a ripple of headlines and was quickly forgotten.

It seems that the President of the City's Tax Commission, one Norman A. Levy, allegedly knocked some \$465,000 off the assessed value of property owned by characters of nefarious reputation in the City's fifth borough — Staten Island. Moreover, the realty owner was said to have been represented by a real estate broker who made a hefty \$9,000 contribution to Mayor John Lindsay's last political campaign.

The charges were contained in a voluminous report by the State Investigation Commission that had been appointed by New York's Governor Nelson Rockefeller. It was thought to be more than just coincidence that the City's tax official involved, Mr. Levy, was also a fund raiser for the mayor's political activities.

The charge of "political smear" was raised, of course. Mr. Rockefeller's antipathy for Mr. Lindsay is widely suspected. The Governor recently tried to dust off an old political has been from the opposition party, and to dragoon party chieftains into accepting him as this year's Republican candidate for the mayoralty of New York. The man in question, Robert Wagner, served three terms as mayor before the incumbent's eight years of service.

All these machinations cannot but make one wonder about the efficacy of tax reform if it is not to be accompanied by political reform that will assure equity in assessment as well as application of the levy.

Henry George News
50 East 69th Street
New York, N.Y. 10021

Jacob Himmelstein
137 Union Ave.
Bala, Pa. 19004