

## The Temptations of Elected Assessors

THE president of the New York City Tax Commission, Michael Freyberg, in a recent TV report, mentioned the Pittsburgh method of concentrating taxes on land value rather than buildings, with underdeveloped land theoretically bearing a heavier rate than well improved land. He was suggesting that the New York Port Authority and the Triborough Bridge and Tunnel Authority were not paying their fair share of real estate taxes and felt the tax on both could easily be increased. He said the feasibility of further tax abatement and tax relief programs to encourage new business and industry were being studied.

In Newsweek of July 4th and 11th, Raymond Moley devoted his columns to LVT and assessments. Referring to recent tax scandals in California, he said the fact that assessors are elected creates a temptation for them to "show favoritism at a price."

The Democratic candidate for governor in Wisconsin, Dominic H. Frinzi, has made a forthright statement on this assessment issue and promises that if elected he will "order the State Tax Commissioner to end tax favoritism to

land speculators by assessing the value of vacant land according to state law." He says vacant land in Wisconsin has been underassessed for years, whereas the constitution and statutes require uniform assessment of all property, improved or unimproved. "Good government," he says, "is a constant struggle against fast-buck land speculators, and the last thing Wisconsin should do is subsidize speculators with tax favors."

And in the Detroit News we read of unfair tax rates in four Wayne County areas. A drive to compel reassessment is being led by two equalization members. A state law was passed last year decreeing that land, buildings and personal property must be assessed at 50 percent of their true cash value, but in several counties this is not the case. Furthermore some assessors have delayed reassessing for fear they might not get re-elected if there was any shifting of the tax burden. Assessments are out of line especially in communities where the last assessments were made as long as 30 years ago.

### NO SCARCITY OF BUILDING LAND

The under-taxation of land is a lot more serious than just a matter of local under-assessment. A second big factor is the federal income tax policy of letting the owners of idle land deduct what little land tax they pay from their income tax base, instead of making the owners capitalize the land taxes they pay. So if the idle land is assessed at 10 percent of its market value, which is probably high, and the tax rate is 4 percent, which is also probably high, and if the owner's top bracket is 40 percent, which is probably low, then the net tax cost of holding land priced at \$100,000 off the market is not 4 percent of \$100,000; or \$4,000 a year, as it theoretically should be; it is 60 percent of 10 percent of 4 percent a year, and if you get out your microscope you will find that 60 percent of 10 percent of 4 percent of \$100,000 is a net tax cost of only \$240 a year, or less than 1/4th of 1 percent. So no wonder so many landowners see no reason to sell until they can get a 1990 price. No wonder they are holding millions of acres off the market, creating an illusion of scarcity.

— P. I. Prentice