

The Goal of Good Assessment

PERRY PRENTICE spoke in Washington, D.C. before the Conference on Property Tax Reform in December, and said in his opening remarks that he knew of nothing more important to this cause than getting Mr. Nader to turn people loose on the subject. The most important event in the history of America, he said, was that Columbus discovered it, but he died without realizing what he had discovered. Similarly the settlers, on arriving at the James River, looked for gold, and not finding any thought they might as well go back to England.

In the conference in Washington he thought they too were discovering something more important than bad assessments, which were just one part of the bigger problem of reforming property tax so its misapplication "would no longer subsidize almost everything we don't want for our cities by undertaxation and no longer penalize what we do want by overtaxation."

Property tax reform, he said, has to start with providing a sensible base. We must first correct what's wrong with assessments, but the principal importance of assessment reform is that once you have good assessments, then you can go after what is fundamentally wrong with the property tax.

He pointed out the familiar contrast between the two halves of the property tax that couldn't possibly be more different. One half he said was defined as a tax on the unimproved value of land—what it would be worth if the owner had never done anything to improve it. He called this the "tax on a value that is 99.44 percent unearned increment, a value created not by what the owner has done or spent, but by an enormous investment of other people's money and other taxpayers' money to make land in this location accessible, livable and richly saleable."

Consider how big the investment of other people's money is. To make one more residence reachable in metropolitan New York the amount, according to figures of the regional planning association, was \$16,750 in 1965—\$20,000 now. On the west coast the figure was only about \$1,000 less for making one more residence around Los Angeles livable and saleable. This constitutes a subsidy substantially larger than the farm subsidy and all the subsidies for foreign aid.

Referring to another part of the conference where emphasis was placed on the fact that underused land is assessed at a very small fraction of what land that is put to good use is assessed at, he said one reason for this is that assessors tend to confuse the property tax with the income tax. If land isn't being used for income they figure you

can't collect a big tax on it. The result—land is undertaxed in direct proportion to its underuse.

The other half of the property tax being on the improvement, is a tax on what owners have spent their own money for, so heavy taxes on improvements will discourage, inhibit and in many cases prevent them from being made.

"To the best of my knowledge and belief," said Mr. Prentice, "heavy taxation of land is the only kind of taxation that actually results in increasing the available supply. If you put heavy taxes on production you usually discourage production. But if you put heavy taxes on land you bring more land out of cold storage.

Why has private enterprise, which has created such an abundance of everything else, failed our needs in housing? Because we harness the profit motive backwards and make it more profitable to let property decay or lie idle than to put it to good use. This is one of the biggest reasons why we have a housing shortage and why America has failed to develop even one really good city. It is also why it subsidizes slum formation, urban decay, premature subdivision and sprawl by under-taxation. It penalizes, discourages and prevents improvement and good land use by overtaxation. "So don't overlook the fact that the goal of good assessment is property tax reform, for without it you're never going to meet the need for good housing in this country," the speaker warned.

Referring to a statement made earlier by the Governor of Pennsylvania which he thought alarming, namely that the property tax was no good and should be abolished, Mr. Prentice told of a group of leaders of the housing industry who went with him to Europe in 1962 to see what they could learn.

There was lots they could have learned, but they didn't learn anything, because they kept congratulating themselves that they were giving home buyers in this country more than the builders were giving in Europe. In England there is no tax on land as long as it is used for hunting or admiring the view. France has no property tax at all. In Switzerland the prices were very high. A house estimated at about \$35,000 by American standards brought \$135,000. This, said Mr. Prentice, is what happens when you don't tax land.

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To me the chief harm of not taxing land values is the damage to our moral values: the inurement to increasingly heavy taxation, the consequent denial of property rights and the obscuring of what justice is in a complex modern economy.

Steven Cord, in Equal Rights