



Environments in Conflict

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"The path of tax exemptions is a slippery one."

IT IS EASY to demonstrate that urban land use accounts for a relatively small percentage of the total surface available. It is equally easy to show that urbanisation is increasing at a far more rapid rate than hitherto and that personal and mass transport are shortening distances within countries and between continents. An urban population is usually able to command sufficient wealth and leisure time to wish to escape to the wide open spaces. Second homes, caravan parks, camping sites and access to mountains, woods, moorland and water are being sought by more people every year. And in densely populated countries the demands are becoming more difficult to satisfy without loss of scenery, privacy and peace.

Recent years have seen an enormous growth in amenity societies and conservation bodies. More people are becoming concerned about their environment and its future. In some parts of the British Isles, notably the south coast and the west country, the impact of mobile urban man is becoming acute. Apart from the problem of coping with the mass movement of people from London and the Midlands to these desirable areas, there is the question of accommodating them on arrival. The demand is intense and the pressure to change the face of coastal resorts is great. Whole towns and villages are changing character in the space of a few years. The need to use land wisely cannot be disputed.

For many years it has been argued that land-value taxation policies can assist in conservation. Land-value taxation specifically brings home to the owner of valuable land the need to make the best use of it. By reminding owners where it hurts them most—in their pockets—ad valorem site taxes act as a spur to continuous improvement. But is this always desirable? In some cases, the next available belt of land for urban development may also be the most attractive stretch of coast line, woodland, or hillside for miles around. Ought it to be developed or preserved?

Situations of this sort are facing local, state and national governments throughout the world. In the United States, where local property taxes are often derived from land values, pressure has arisen in recent years to seek tax exemptions in the name of conservation. Many states and municipalities have enacted special

legislation to deal with the situation. A recent publication gives considerable background detail to the methods of approach.*

Before examining these, however, there is need to strike a note of warning. The path of tax exemptions, particularly where location taxes are concerned, is a slippery one. Behind the innocent plea of the farmer and the lumber company lurks the gleaming eye of the longer term speculator. Sometimes these people are one and the same. But this is not always true. After all, there is a genuine difference between a successful farmer with many years' experience who finds his land in the path of urban progress and the large real estate company which has invested a few dollars in a weed patch and is looking for a tax haven while it awaits increasing returns. Clearly, once the principle of exemption has been conceded, the legislator is faced with a considerable drafting problem. In the U.S. the general approach has been in one of four directions.

**Preferential assessment:* this takes the form of special valuations based on existing use regardless of economic pressures.

**Easement:* Here the taxing authority contracts with the owner to restrict both taxes and use. In some cases compensation is paid for value foregone.

**Tax Deferred:* In this case a partial tax is levied until a change of use occurs when on capitalisation or granting of a lease the deferred tax rate becomes liable.

**Zoning basis:* The land-use planning ordinance becomes the main platform for assessment. Zoned open space land is valued as if restricted in use while land earmarked for development is assessed at highest and best use under the ordinance.

All these systems have built-in advantages and disadvantages, but the last one, if linked with some form of adjustment for a change in circumstances, seems to be the most promising. The State of Maryland for instance, specifies that the assessor shall have regard to twenty-nine factors when determining values. These include: zoning, applications for zoning changes, character of the area, use of adjacent properties, proximity of services, nearby subdivisions, business activities of the owner on and off the property, recent purchase price, experience of farmer, land productivity, gross yields and others. These are all taken into account in any claim for exemption or partial exemption.

The documented evidence of special conservation land tax assessment now covers examples from twenty-three

*Taxation of Farmland on the Rural-Urban Fringe. Agricultural Economic Report No. 119. Economic Research Service, United States Dept of Agriculture.

states each operating their own schemes. Time will show which of these proves to be the most successful both economically and administratively.

The need for experiment is clear, but one suspects that behind some of the enactments there lies unmistakable cries of special pleading—if not outright attempts to

profit in the name of conservation.

In land tax exemptions vigilance is the watchword. Fortunately, in many states constitutional amendments are required and these can be secured only by open referenda of all electors. Ultimately, justice rests with the people.