

LAND-VALUATION

by

K. J. KRISTENSEN

Valuation-Provision.

The object of land-valuation for taxation must be to assess the value due to the community.

As the basis for valuation and taxation may be taken either »Annual Value«, or »Capital Value«, the annual value representing the economic rent, that ought to be paid by the owner to the community as a just compensation for the fee simple of the land without private improvements, the capital value meaning the market value of land in its unimproved condition or in fact the present capital value of the anticipated economic rent in the future.

In Denmark as in most other countries we have chosen capital value as basis. But what basis should be taken is entirely a matter of expediency, under different conditions and with further development of taxation the annual basis might be found to be more expedient.

In one fundamental point the rules laid down for the valuation in Denmark are insufficient to meet a further development of the land value-taxation. According to the law and practice, the land is to be valued at its *market price*.

The market price will of course be influenced by the amount of the land-value tax. The market price then does not represent the real value or the full value of the land, but only the part left to the private owner or **expected to be left to him in the future**

The valuation ought for many reasons to give the full land-value due to the community, the value which represents what a reasonable purchaser is prepared to pay as capitalized rent, whether the rent is payable as land value-tax or otherwise.

In this respect it will be necessary to alter the rules of the valuation when the taxation of land values is to be raised essentially.

With this exception the rules laid down for the valuation are in my opinion good and serviceable in every practical respect.

It is of great importance that the rules have been worded briefly and distinctly, the law giving only the guiding principles while all details are left to the valuation authorities with the effect that troublesome legal disputes have so far been avoided.

The law declares the duty of valuers to be to assess the value of land in its unimproved condition having regard to its quality and situation and its capacity for good economic use.

A special provision has been made in respect of agricultural land: land of the same kind and condition shall be assessed at the same value per unit of area (per acre) whether it belongs to a smaller or to a larger property, and shall be assessed at what it would realize in the open market if belonging to a medium-sized farm in an ordinary state of cultivation.

This provision acts as a safeguard for the smallholder, so that he will not be called upon to pay land-value-tax on the extra price he has to pay for his land to get a footing, a price that will continue artificially high so long as a sufficient number of such holdings are not available.

The provision that agricultural land is to be valued as being in an average state of cultivation, acts as a penalty to the man who neglects his land.

This provision does not mean that labour created values are included in the valuation of land.

The ordinary fair state of cultivation is the work of generations. The holder himself cannot ordinarily claim the credit for this. But if this however is the case, as it is especially when land has been reclaimed, the law has a special provision giving the farmer — as other land-owners — a right to claim a tax-free deduction in respect of improvements made by private work or outlay.

Such deductions are given for a period not exceeding 30 years after the improvements have been made, but only in application from the owner. The deduction cannot exceed the additional value due to the improvement, and not the cost incurred by the improvement, and the deduction does not continue after such time as the holder may be said to have recovered his costs through increase in the produce.

Organisation.

A general valuation is to be made every fifth year. The valuers have to assess the value of the land with improvements and the value of the land without improvements separately.

The valuation work is to a great extent carried out by valuers elected by the parish and town councils, in Denmark elected on a democratic basis.

In every local community the land is valued by a board of valuation consisting of two elected valuers and a chairman who is nominated by the government and has up to twenty parishes under his control. **The chairmen of the local boards are organized**

into county-boards, their duty being to decide complaints and to control the assessments and alter them if necessary, before they are used as basis for taxation.

For the entire country the valuation work is being guided and supervised by a central valuation board named »Over-Skyldraadet«, of which 8 members are elected by the parliament and 8 members nominated by the government.

The central valuation board has the final decision of complaints and has to control and if necessary to alter the assessments.

Owners have a right to bring forward complaints not only about the assessments of their own property but also in respect to the assessments of other properties. The local councils as well as the government has the same right.

The democratic organisation of the valuation in Denmark has its historic reasons and I think it the principle of organisation here, even if centralisation might be found more expedient in other countries.

In Denmark, great stress has been laid upon local self-government, but at the same time the spirit of cooperation is so rooted in our country, that the principle of self-government can be united with the principles of common organisation and planning of work without too great difficulty. The necessary conditions are given in the high standard of education of our people and in the fact that the contrasts and distances of different classes are not insurmountable.

But technical assistance ought to be provided for the local valuers to the greatest possible extent.

As regards this technical work, centralisation to a certain extent may be found expedient.

Procedure of valuations.

In Denmark land has always been treated as a sort of property in which the public and the authorities have a rightfull interest.

As a result all facts with regard to ownership, deeds and titles in land, covenants, mortgages, sales and sale-prices are registrered and open to the public.

Further we have for the whole country a registry giving area, and even a measure of fertility of every separate piece of land, and maps showing for every town and village the boundaries and situation of every separate piece of land.

The owners generally find it quite natural to be called upon to give all reasonable information about their properties in the forms send out before the valuation, and if necessary a whole series of information from official sources can be placed at the disposal of the valuers.

The work of valuing land comprises two equally important processes. First, we have to establish at the outset certain «fixed starting points» for the valuation, as many as possible, and as typical as possible, so that the level of assessments is given, and secondly the values of each property must be assessed in accordance with the common level of assessments by taking these fixed starting points or types as a standard.

The thing to be done in valuing these typical properties and establishing the level of assessments is briefly stated to estimate the value ruling in the open market.

The valuers must be guided here in the first instance by information given by effected sales of land without buildings.

Such sales are especially frequent in the outskirts of towns.

But also sales of land with buildings may be instructive as regards land values, when building-values can be eliminated.

And sales of land with buildings have the advantage that they are always frequent more particularly where sales of vacant land are lacking.

In towns we have a still more abundant source of information about land values, namely house and building rents. Where buildings are of the same value and of the same kind and suitable to the site differences in normal rents must ordinarily be due to different situation, and when the differences in rent are kapitalised we arrive at an idea of the differences of the land-values.

For agricultural land that kind of material is lacking, but on the other side conditions are very uniform and the knowledge of what the land can produce and what it is worth is general, and in the country districts most of the valuers themselves are farmers.

The next part of the business of valuation is to assess the values of all other properties by reference to the typical properties chosen as fixed points or to assess every single piece of land in accordance with the established level of assessment.

If this is to be done quickly and reliably the valuers must make use of the fact that differences in situation and fertility influences the value in such a manner that it is possible to a great extent on the foundations of experience to establish general rules to be used by the assessment.

As regards agricultural land the valuers in every county find it not only practical, but absolutely necessary to work out rules or even establish tables setting forth the comparative value of land of varying fertility.

The same might be done with advantage in regard to the influences due to public roads or to distance from the market town.

In towns where the valuers have to deal essentially with the value of situation it has been possible to determine definite relations between the values of frontages and background and to work out regular valuation tables. We have also to a certain extent investigated how corner sites are to be valued in comparison with ordinary sites.

Rules and tables established in accordance with experience facilitate the work of valuation to a great extent, but they are also very important from the owner's point of view because they ensure that all properties are valued uniformly and in proper relation to other properties.

It is even more necessary to give valuers and owners easy access to control the valuation. This can be done to perfection only in one way, that is by using a land-value map of the assessment.

In all towns and in most rural districts with urban development the valuers have suitable maps at their disposal. And we hope to introduce such maps in even all rural parishes, and to make land value maps accessible to the owners.

But to get a good and reliable valuation one condition is indispensable. The valuation must be made use of, or it will fall into decay. Owners and valuers will fail to take any interest in the work, when it is not used for taxation — substantial taxation. It is therefore of the greatest importance for the valuation and for further progress of land-value-taxation, that we have got now a substantial tax on land values.

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