

## TO EMULATE PITTSBURGH'S EXAMPLE

In Pennsylvania, under legislation applying to the two "Second Class Cities," Pittsburgh and Scranton have adopted a measure of land-value rating by which the city taxes on real estate have been lowered on buildings and improvements and correspondingly increased on the value of the land alone. This has been carried so far that the rate levied on buildings and improvements, for city purposes, is half that of the rate levied on the value of land apart from buildings and improvements. There is now a movement for the adoption of similar legislation by the "Third Class Cities" of the State, of which there are 47 in all—so that they also shall apply the "graded tax plan" as it is called in Pittsburgh and Scranton.

Mr. Harold S. Buttenheim, editor of *The American City*, has explained the virtues of the Taxation of Land Values and the exemption of buildings and improvements in an article specially contributed by him to the July-August, 1950, issue of the magazine of the League of the Third Class in Pennsylvania. The argument is well and convincingly stated as these extracts show:—

"Almost everywhere in the United States, the attempt to assess and tax tangible and intangible personalty in the same relation to market value as realty has been given up. The trend is distinctly in the direction of further lowering or abandoning taxation on movable goods and hideable securities. But almost everywhere our laws provide that buildings and other improvements attached to the land shall be taxed at the same rate as the land itself.

"If the limit of our intelligence in devising a tax system is to impose the chief burden on property that cannot readily be hidden or moved away, real estate in its broadest meaning is our easy and obvious mark. But when we recognize the distinction between the surface of the earth and the products of human effort, we come to wonder what scientific or ethical reason there can be for taxing the man-made part of real estate at the same rate as the values which are God-given or community created. And we wonder, too, why products of human labor should be taxed at a higher rate when they happen to be attached to the land than when they are loose and movable. Why, for example, when lumber becomes steps in a house should it be assessed at a higher rate than when it becomes steps in a ladder? Or why is a built-in bookcase taxable as real estate, while a movable bookcase is assessed, if at all, as personal property?

"A sane system of taxation would derive the largest possible percentage of the fiscal needs of local governments from natural or socially-created values, rather than from sources which burden or handicap useful individual effort. When one thinks through the elements which create and maintain land values, he finds them to be derived mainly from three sources:—

- "1. Some land has natural advantages of site, fertility, or climate, that cause it to be in greater demand than other land.
- "2. Where population concentrates, the demand for land is greater than for equally advantageous sites where population is sparse.
- "3. Where governmental services are available—police and fire protection, adequate facilities for public education, recreation, sanitation, and the rest—the demand for land is greater than where such services are not furnished.

"Here we have—in the bounties of nature, the presence of population, and the expenditures of government—the major factors in ground rents and land values. Other factors might be mentioned: the enterprise of business men, the inventions of scientists, and the gifts of public-spirited citizens, for example. But those, like our three major factors, are not services for which landowners are justified in levying tribute.

"If these premises are conceded to be sound, they give both ethical and economic sanction for splitting real estate into its two component parts for purposes of assessment and taxation, and for asking legislative authorization in our various states and cities, for a gradual shift of part or all of the real estate tax off improvements and on to the land.

"To these ethical and economic advantages we may add the call of expediency. A sound tax system looks towards the future and is concerned with devising methods that will bring about desirable results. We need, therefore, to consider the possible effect of a graded tax as compared with the present system.

"To impose high rates of taxation on real estate improvements is to discourage new construction and the modernization of existing structures. Under this traditional system or realty-taxation the more the condition of buildings is allowed to deteriorate the greater are the reductions in taxation that are granted.

"The chief beneficiaries of the uniform tax on buildings and improvements are owners of vacant land and of inferior buildings on valuable sites. The chief tax burdens, on the other hand, fall on the owners of properties whose improvements exceed considerably the value of the sites which they occupy.

"I am informed that at the 29th annual convention of the League of Cities of the Third Class in Pennsylvania, held in New Castle on September 19, 1928, a resolution favorable to the Graded Tax Plan was unanimously adopted. This resolution stated that the experience of Pittsburgh and Scranton had demonstrated the value of this method of taxation in encouraging improvement to real estate and in reducing the average tax rate for a substantial majority of real estate owners, without any curtailment of public revenue.

"The resolution also endorsed legislation then proposed for the extension of the Graded Tax Plan to the Cities of the Third Class; and it was further resolved 'That, in order to make the practice uniform with regard to local taxes, and to realize the full benefits of this system, this League also advocates the enactment of similar legislation, applying the same tax system to the levying and collection of school taxes.'

"It is interesting to note, in this connection, that some five years ago, when it was announced in the public press that legislation was to be introduced into the Pennsylvania State Legislature for the repeal of the Graded Tax Law, the Pittsburgh City Council (on March 12, 1945) unanimously adopted a resolution supporting the present law and pointing out that its repeal would adversely affect the taxes of more than 100,000 small property owners in the City of Pittsburgh, increasing their taxes from 8 per cent. to 30 per cent., depending upon the relative assessed value of their house as compared to the assessed value of their lot.

### FORM OF BEQUEST.

I bequeath, free of duty, to the United Committee for the Taxation of Land Values, Limited, the sum of £.....