

*By Author*

**PERSPECTIVE**

**PROPERTY TAX REFORM**



BY RAYMOND MOLEY

The lack of local revenue and the distortions in urban growth are coming to be attributed to the inequitable application of the tax on land and improvements. And since it is clear that property taxes are an adequate base for much of the needs of local governments, tax experts, economists, and state and municipal officers are seeking reforms. Only through such reforms can the sweep of Federal aid for local improvements be slowed down.

Notable studies have recently appeared on this subject. One is an immense monograph by the Commission on Inter-Governmental Relations.

**HAPHAZARD CITY GROWTH**

Last June, a conference on this subject was held at Claremont, Calif., under the auspices of the Lincoln School of Public Finance. Co-sponsors were the National League of Cities, the Urban Land Institute, and the National Council for Good Cities (ACTION). The Lincoln Foundation provided a grant for the meeting. Sixty-three specialists in taxation participated in the discussion.

A summary of the discussion and conclusions reached at the conference was published in the March issue of *Nation's Cities* and a shorter version in *Fortune*, also in March.

There was quite general agreement that the shortage of local revenues and the distortions of urban growth are due to tax factors. It was also the sense of the conference that the property tax, now the second largest producer of revenue, is still far from being exhausted.

This summary makes clear that because land is underassessed, the high land prices that result discourage building and encourage the holding of great areas out of the market, either vacant or occupied by slum construction.

This means that our tax laws and their administration "harness the profit motive backward." In short, the growth of wealth by building and by the vast stimulation of manufacturing of building material, furnishings, and equipment for homes and businesses is restrained by inflationary land values. Vacant land and slums are grossly undertaxed and provide immense speculative prof-

its for those who invest in them.

The system as it now operates is very largely responsible for the financial plight in which our urban communities find themselves.

The summary concludes:

"Inside our cities land is not taxed heavily enough to discourage the misuse and blighting of close-in land and the spread of slums in what should be almost prime locations. The combination of low land taxes and the customary low assessment of decaying structures helps make slums the most profitable of all real-estate investments, so slum prices have soared so high that big subsidies to write land costs down 70 per cent and sometimes 80 per cent are needed to put profit in urban renewal. New York, for example, has had to pay an average of \$486,000 an acre for slum clearance. At land prices like that only subsidized housing can provide low rents . . .

**BURDEN BELONGS ON LAND**

"In the suburbs, underused land is taxed so lightly that prices have multiplied five-, ten-, and twenty-fold . . . [The] high price of land is the builder's most urgent problem. It threatens to price good new single-family homes out of the market . . . builders leapfrog far out into the countryside to find land on which they can afford to build . . . This sprawl is why cities consume three and four times as much land as they use, and this in turn is why . . . many workers must now spend up to 30 per cent of their take-home pay on transportation and spend twenty hours a week getting to and from their jobs."

Two of the major keys to reform are (a) state laws that direct separate assessments on land and on improvements, (b) greatly improved methods of assessments.

Assessing is the most inefficient, politically oriented, and incompetently manned part of all our government machinery. Provisions are needed for training assessors and state laws to supervise all assessors under Civil Service. The elected assessor must go. Finally, through these reforms a considerable burden now imposed on improvements can be shifted to the land.

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