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EDITORIAL

The following editorial appeared in the January 8, 1980 issue of the Scranton Times, and is being reprinted with the permission of the publisher:

As the dust settles on the municipal budget-making process across Pennsylvania, it turns out that five communities have decided to either adopt a graded system of real estate tax levies, or increase the ratio between millage on land to that on improvements.

Pittsburgh and Scranton were the only cities with differing rates on land and buildings for some sixty years. Harrisburg, a few years ago, recognized the value of taxing land at a higher rate than improvements as a means of encouraging development—a theory advanced a century ago by economist Henry George.

In drawing up 1980 budgets last month, McKeesport and Allentown joined the growing list of cities with graded real estate taxes. Pittsburgh, Scranton and Harrisburg increased the ratio of taxes on land to that on improvements. Pittsburgh's land tax is five times that of its improvement tax. Scranton's is about 3.7-to-1, and Harrisburg's approximately 3.4-to-1. The ratio had been 2-to-1 in Scranton and Pittsburgh, until Pittsburgh, last year, pioneered an increase in the land tax only.

Other statistics gathered by John M. Kelly, a realty executive who espouses the Henry George theory, show that McKeesport went all-out in adopting graded tax levies for the first time. The ratio in McKeesport is some 4.5-to-1. Allentown's first-time trial was more modest with a 1.7-to-1 ratio.

For years, the advantages of a graded real estate tax plan have gone unnoticed. Even when the property owners sought reductions in the assessed valuations upon which the taxes were levied, only the improvements portion was usually appealed, not the land valuation. As a result, downtown property owners find themselves with what they regard as excessive land valuations, considering the lesser role the downtown plays in the life of the city—even though the value on improvements has been consistently reduced on appeal.

If the Henry George theory continues to hold true, as it has in the past, the higher taxes on land can be expected to discourage land speculation, and to motivate owners of vacant land to develop income-producing developments.

CITYSCOPE, a public affairs TV program in New York, features Philip Finkelstein, in a panel discussing the future of state and local government. The show will be telecast three times over Channel 31 (UHF) and Cable #3, in Manhattan, on 3/10, at 9:30 P.M., 3/12, at 7:30 P.M., and on 3/14 at 12:30 P.M.

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