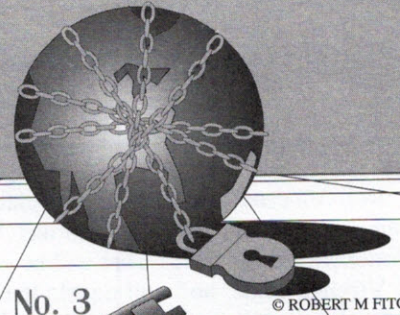


GROUNDSWELL

A BI-MONTHLY PUBLICATION OF
COMMON GROUND-USA



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MAY-JUNE 2003 / \$3.00

VOLUME 16, No. 3

PHILADELPHIA CITY COUNCILORS HELD HEARING ON LAND VALUE TAXATION

On April 29, 2003, the Philadelphia City Council Committee of the Whole held an all-day public hearing at City Hall, presided over by Council President Anna Verna. Among the eight Councilors in attendance was Councilwoman Jannie Blackwell, who had sponsored the Resolution 020509 passed unanimously September 12, 2002.

Resolution 020509 authorized "the Council Committee of the Whole to hold hearings on real estate taxation in Philadelphia and the potential of land-value taxation to encourage development and discourage blight creation in the city; and, further authoriz[ed] the Committee to seek advice and recommendations on real estate tax policy and land-value taxation from citizens, community groups, economists, academia, business executives, officials from other jurisdictions, and other state legislative and executive branch officials."

This action followed the much publicized release on November 26, 2001 of the "Tax Structure Analysis Report" by City Controller Jonathan Saidel. (see November-December 2001 GroundSwell.)

Though a minority of the Philadelphia Councilors were present to hear the testimony April 29, a 222 page transcript of testimony was produced by a legal stenographer. Some of the testimony is posted on the Hallwatch web page of Philadelphia Ed Goppelt, http://www.goppelt.net/pdf/lvt_testimony.pdf.

Josh Vincent, Director of the Center for the Study of Economics, Philadelphia, reports that "a standing room only crowd of Philadelphia homeowners, public policy experts and Geoist advocates gathered in City Council chambers to press elected officials to adopt land value taxation. Dozens of others, including our Ken Ford, were turned away. Hundreds of private citizens showed up or faxed their support to Council, after they had been informed what land tax was and how it would affect them. Those Councilors present heard from dozens of witnesses with all but the Philly Auto Dealers asking for land value taxation. Geoist speakers included Joan Sage, Pat Lowe, Richard Biddle, Joshua Vincent, Al Hartheimer, Dan Sullivan, Sandy Sorlien and Ed Goppelt. Alanna Hartzok and Bill Batt sent written state-

ments. The presiding councilperson declared that more of Council would have shown up, but it was election year. Yet it was in all an upbeat day. The chairman of the Philadelphia Tax Reform Commission, former councilman Ed Schwartz pledged that the commission would take land tax up in a meeting."

Many witnesses, especially from neighborhood groups, commented on the blight-causing effect of the present property tax. Your GroundSwell editor has extracted a few of the other comments from selected testimony from the April 29 official transcript, as follows.

The first witness was City Controller Jonathan Saidel, who commented, in part, as follows. "This past summer, homeowners across Philadelphia received notice that their real estate taxes would increase because of a change in the market value of their homes. Like you, I was upset to see so many neighbors and seniors angrily complaining that their taxes have increased by more than 100 or even 200 percent. ...As one way to reduce real estate tax burdens for Philadelphia homeowners, we can change how we tax property. As I recommended in my November 2001 Tax Structure Analysis Report, I advocate for a system that will tax buildings less and tax land more to encourage individuals to maintain and improve their properties. At the same time, such a shift will discourage speculation and blight by decreasing incentives to allow buildings to decay. Based on my analysis, such a system would reduce real estate taxes on nearly 80 percent of residential property owners. Similar systems in Harrisburg and Allentown have reduced abandonment, encouraged development, and generated popular approval. ...While we have and will continue to reduce the wage tax and business taxes, land value taxation will bring relief to neighborhoods hit by August's reassessments. My proposal is to decrease the tax on structures and increase the tax on land so that Philadelphia could generate an equal amount of revenue from the tax on land and the tax on structures instead of the current situation where three quarters of real estate taxes are generated by the tax on buildings. ...The proposed shift to land value taxation would be revenue neutral as the shift to land value taxation would shift taxes from buildings to land while generating the same revenues. Under my proposal, the School District and the City will receive the same amount of taxes (continued on p. 11)

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they do now. In the future, if the tax base expands, School District and City revenues should increase accordingly. I have long advocated for business tax reductions, and I'm happy to report that these tax reductions improved the City's business climate and dramatically closed the gap between Philadelphia employment growth and US employment growth."

Ed Schwartz, Chairman of the newly created Tax Reform Commission, said the Commission's charge is by November 15 to produce in writing recommendations on how to restructure Philadelphia's entire tax system in order to reduce the burden of taxation on Philadelphia residents, to make the City more competitive, and to provide a better fiscal climate for the City for people to live and work. "We're methodically going through a lot of different proposals. ... Right now, we do not have a firm position on the land tax. ... But I am here to say that the Tax Reform Commission takes the land tax very, very seriously as a significant proposal for taxes in Philadelphia and one that could do the City a lot of good. And so we are from the very beginning making the examination of the land tax one of our major priorities. For example, the first public meeting that we had to focus on real estate taxes featured presentations by Benjamin Howells, a former City Councilman in Allentown who led the fight for land tax there, as well as Josh Vincent whom you will hear from here from the Center for the Study of Economics in Philadelphia. ... We have a Real Estate Tax Committee on the Commission and we have asked Brett Mandel from the Controller's Office, who sits on the Commission, to chair that Committee. ... The assertion of the Controller this morning certainly has been said, not only by Mr. Saidel, but by Finance Director Betsy Raveal 10 years ago when I was in the Mayor's cabinet, and that is that we could raise the real estate tax with a land tax and 80 percent of the homeowners of Philadelphia, the residential property owners, would get reductions in their taxes if we raise land tax. We're taking our own fresh and somewhat independent look at it. ... It certainly was a proposal that deserved to be examined very carefully. And 10 years ago when Betsy Raveal proposed this to Council and it was not voted for or taken seriously then, I thought that was a mistake because I had a high regard for her abilities as a financial manager."

Dr. Roger McCain from the Department of Economics and International Business at Drexel University is a coordinator for a faculty research group who were asked to do a fairly narrowly-defined job. "There had been estimates of who gains and who loses based on ratios of land to property value that were based in turn on Board of Revision of Taxation data. ... The executive summary is that while, of course, there are differences -- we expect some differences when different methods are used for the same data -- they're fairly small and we don't see any reason for concern about the accuracy of those Board of Revision of Taxation data..."

Testimony of David Zwanetz, Vice Chairman for the

Board of Revision of Taxes, was read into the record. ... "I support the land value tax and City Council authorizes an in depth study of its implementation and effects on each parcel of real estate in Philadelphia. The City Controller should be commended for bringing this issue up for public discussion. The last person to do so was former Councilman James Tayoun. The two tier land value tax is an ... incentive for efficient utilization of land. I believe the land tax will discourage the inefficient use of land and will encourage land to be utilized for its highest and best use. It should encourage the vertical development of land and attract building in our City. The existing abatements are an incentive but engender great resentment among adjacent homeowners who feel they are being treated unfairly."

Joshua Vincent, Executive Director for the Center for the Study of Economics, testified that "we've done research parcel by parcel on how land value taxation would affect various communities, neighborhoods, and types of houses all throughout the City. We've spoken to many, many community groups, mostly homeowner groups. And generally the reception to land value tax has been very, very good indeed. ... The program that we're talking about could be implemented this year by the Council. It's a program that is what I call an annual event. It's just changing your annual property tax ordinance so that you have a higher rate on land values and a lower rate on building values in a revenue neutral manner. Wherever this has been tried throughout the Commonwealth of Pennsylvania and indeed overseas, it has been revenue neutral to the jurisdiction involved."

"In January of this year, the City of Altoona was the latest to adopt land value taxation. They've already sent out their tax bills and the report from the city government there is that the take, the revenue, has not been decreased at all and, in fact, is very stable. The City of Pittsburgh expanded land value tax in 1979 to about a 4 to 1 ratio. Jack Saunder, at the time the head of the Allegheny County Assessment Office, reported that appeals and delinquencies dropped in the City of Pittsburgh."

"Most of our work has been done in row home communities in Philadelphia. They see dramatic drops if there were a land value tax. And it's the kind of reduction that applies to everybody. This is a universal tax abatement. They don't have to apply for a TIF [Tax Increment Finance district], they don't have to live in a KOZ [Keystone Opportunities Zone], they don't have to apply for a 10-year tax abatement; all they have to do is exist in the City of Philadelphia. And with the change in the property tax rates, they will get that benefit. ... This is a chance for the City simply to say, 'Thank you for staying in the neighborhoods. Thank you for keeping the faith in Philadelphia. Thank you for doing all this on your own.'

"Behind me is an (continued on p. 12)

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illustration. This is the impact of land value taxation on residential properties in the City of Philadelphia. Green essentially means tax savings. Each dot represents one parcel. What you're seeing is an overwhelming number of tax reductions in our poorest and our most working class neighborhoods. You do see increases, for example, in North Philadelphia, [zip code] 19122, 19121. Why? Because there's so many vacant parcels. There's so many abandoned homes. They would see a tax increase for sure. And that's good. These people for years have benefited while other people against all odds keep investing in their homes. Now when you get to 19121 or 22, who saves? It's the owner occupiers. The people that have kept the faith in North Philadelphia, they are aye sayers, just like everybody else in Kensington, Port Richmond, Olney, Overbrook. I could go on to the many neighborhoods, especially South Philadelphia. Eastwick, the many neighborhoods where almost every homeowner would see a reduction on their taxes and the people that have contributed to blight and the corrosion of our communities would finally have to pay the piper."

A summary of the testimony of Janet Milkman, the Executive Director and interim President of 10,000 Friends of Pennsylvania, was read into the record. "10,000 Friends of Pennsylvania is an alliance of organizations and individuals from across the State committed to land use policies and actions that will enable Pennsylvania to strengthen its diverse urban, suburban, and rural communities and reduce sprawl. We seek development that will support the social and economic viability of Pennsylvania's cities and towns, protect environmental quality, conserve fiscal resources, and preserve our State's exceptional rural and heritage resources. 10,000 Friends' principles have been endorsed by over 200 organizations representing well over 310,000 Pennsylvanians. I am here today to support the Controller's proposal to institute a land value tax, changing the way land and real property are taxed in Philadelphia, to a system where the tax on land and the tax on structures and improvements each generate an equal amount of revenue..."

A summary of the conclusions of Dr. Kenneth Lusht, professor at the Pennsylvania State University, who has done extensive research into land value taxation, was read into the record. Dr. Lusht's "conclusion after looking at land value taxation and its implementation in Melbourne, Australia, is that there is evidence of a long run association between the use of site value tax and the intensity of development and indications that the use of the site value tax stimulates faster development. Taken together, these results support to varying degrees recent analysis of the site value tax which conclude that the tax is non-neutral, encouraging faster and more extensive development."

Frank Concannon, a certified public accountant and

Controller of the City of the Allentown, testified on the history of the land value tax in Allentown. "It's properly known as the property development incentive taxation system. It came into existence in 1997 as part of our Home Rule Charter, which was adopted by the voters of Allentown in 1996. We had to have a government study Commission, approved in 1994 by a vote of the residents of the City, 60 percent to 40 percent. The land value tax was introduced as part of the Home Rule Charter which was also adopted by the similar 60 percent to 40 percent. ...An important factor in our land value tax is that it was intended to be revenue neutral. And it has turned out to be. ...How does it work? Instead of all real property being taxed at one fixed millage rate, a change is made in the apportionment between the millage on the land and the millage on the improvements. That's expressed as a ratio. And in 1997, the first year, the millage was at a ratio of 1.4 to 1; 1.4 for the millage on the land to 1 as a millage on the building. A progression of approximately 30 percent each year in the ratio increases it to presently 4.7 percent to 1, almost 5 to 1. This means that approximately 82 percent of the total millage rate on the property is assigned to land and the remaining 18 percent millage rate is attributable to improvements on the building. ...In the packet there is a sheet headed "Construction and Property Values," which shows the number of building permits and the value of the anticipated construction. That is for the past 12 years, 6 years prior to the enactment of the land value tax and 6 years subsequent. The average number of commercial construction permits issued was 18 permits per average year as compared with 34 in the average year subsequent to the land value tax. A similar increase took place in the residential construction. ...Enacting the legislation necessary to implement the tax and tax change was not easy, but it seems to be very well accepted now after seven years."

Dan Sullivan, currently the director of the Henry George School on South 10th Street, Philadelphia, for 25 years has been dealing with land value taxes in Pittsburgh for the most part as Director of the Center for Local Tax Research in Pittsburgh. "We have done this [2-rate land value tax] in 17 cities and a couple boroughs in Pennsylvania and so I'd like to talk about what worked and what didn't work. The first thing is, make small shifts at first and then you can make larger shifts as people get used to it. Also, as soon as you start taxing the land and buildings separately, it gives a chance for the assessors to start adjusting to changes in the market, and also it gives the chance for people to appeal their land values independently. Right now you can't appeal your land value. You can only appeal the total. ...The only two cities that rescinded the land value tax did so because they got a big tax shift all at once, and it antagonized people who were over-assessed..."

"Avoid class warfare. The important thing is you have people who represent people who will pay more. The Board of Realtors supports this; there's some very powerful members of the Board of Realtors who pay more. And so the approach that the Board (continued on p. 13)

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of Realtors have used with their own membership has been, if this has the benefits that it's claimed for -- and as we look at it, we think it does -- it's better to pay a high tax in a City that's dynamic than to pay a low tax in a City that's dying. ... There's no guarantee, even now, with the current packages that you will be revenue neutral. Any time you change taxes, you can slide an increase in there. But the political repercussions are such that you should never do it. ... Another thing you can do, you have various redevelopment programs and loan programs and things to help people renovate their property. 'We're trying to get the City redeveloped. We're not trying to punish you. You're getting a tax increase and you're qualified for the loans.'

"The thing that undid Pittsburgh was that there was a political coup. The first Republicans fired 85 assessors and went in there and did a very political change of the assessments and hired an outside company that totally botched the land values. In a way, you're lucky that you don't control the assessors.

"One question raised was about supermarkets. The thing with supermarkets that they do have parking lots, but not of them have the same. We looked at this in Pittsburgh. The supermarkets that had the competitive disadvantage from land value tax were the ones in the prime neighborhoods with the huge lots. And what we found is the supermarket in the poor neighborhood that is a neighborhood supermarket has a relatively small parking lot and maybe half of his land is parking lot, [and] has a competitive advantage under land tax over a supermarket on very expensive land where 80 percent of its land footprint is parking lot.

"A question was raised about Sunoco. Their tanks are mostly all exempt because they've appealed and got them classified for machinery. Sunoco pays no taxes on most of structures you see. There are some office buildings and things. Sunoco doesn't get out of paying the tax by leaving. A corporation can't say, I'm going to take my land and go somewhere else. So Sunoco is in a position that if they decided they wanted to reduce their land value tax, the best thing they could do is sell some of the land to somebody else. It's harbor land. It's very valuable land. There's also some super fund questions. The minute Sunoco stepped away from that land, they would be liable and the whole corporation would be liable for any cleanup. So I don't see Sunoco leaving as a cause of this. You can't help Sunoco in going from buildings to land because they've already got their buildings exempted. You would probably help Sunoco in going from wage tax to land because people don't want to work in the City of Philadelphia because of the wage tax. The more you reduce the wage tax, the better..."

A written statement from Harrisburg Mayor Stephen Read was submitted into the record, partially quoted from as follows. "...We have had the land value tax in place for years and have found it to be an important incentive. Presently, we have a ratio of 1 to 6 in place, meaning that the millage rate on improvements/buildings is a tax rate only

one-sixth of the millage rate charged on land. Such a policy rewards the productive use of land. The greater the investment, the greater the savings to the owner/developer over a single tax rate system. In other words, it is a reward for initiative and private investment risk. Moreover, a higher millage rate on land tends to discourage real estate speculation by irresponsible absentee owners - a genuine problem in probably every city in Pennsylvania. The City of Harrisburg was listed as the second most distressed city in the nation twenty years ago. It had sustained precipitous decline over nearly three decades - a decline far greater in proportion than what has even been experienced by any urban community in this state or, for that matter, every other state with the exception of one. Harrisburg, in the current era, launched aggressive initiatives related to economic development, the creation of non-tax revenue sources and a constant effort to refine and improve the operations of city government. These remain our triple, equally important priorities. As part of our economic development incentives, the land value tax policy is key and, without it, a significant amount of new investment would not have occurred here during recent years. In the current era, we have registered in excess of \$3.1 billion in new investment. The number of businesses on the City's tax rolls has increased from 1,908 to more than 5,900. Taxable real estate values have increased from an aggregate of \$212 million to over \$1.6 billion. The number of vacant properties has been cut by 85%..."

Carter Murdoch, Ph.D., Managing Director of Research for the National Association of Realtors and principal economist, testified that "this project raised interest among our research staff. Our chief economist David Loray, in particular really likes the project in that the research is indicating that it is a win/win policy decision. The Research Division of the National Association of Realtors has collaborated with this research project and we believe collectively that it is in the best interest not only [for] the City of Philadelphia but homeowners and the real estate community as a whole."

Rev. Bruce Edwards, President of the Urban Leadership Council commented on this innovating and very exciting initiative. "Since the formation of the tax reform coalition that was spearheaded by the Greater Philadelphia Chamber of Commerce, the City Controller's Office, several members of this honorable body and joined by a host of business, civic and grass root organizations, much has transpired on the tax reform front. This coalition that I speak of to date has played a dynamic role as it relates to the passage of legislation that provides for continued reductions in the City's burdensome wage tax, business privilege tax, the passage of legislation that supported the creation of the Tax Reform Commission, and recently our support of City Council bill 030073 that ties property tax increases to reductions in the City's wage tax. ...I am here today on behalf of our member organizations to lend our unqualified (cont'd on p. 14)

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support to what we believe will be a real catalyst for positive change as it relates to taxation in Philadelphia.

"The City Controller's Office through its release of the Tax Structure Analysis Report, the recently released study done by Drexel University for the Controller's Office relative to the shift to land value taxation and the work done by the Center for the Study of Economics are all to be applauded and now serve as a guide for further positive movement towards reforming the way in which our City collects taxes in general and assesses real estate in particular. To a great degree our current system allows for slumlords and their propensity to allow properties to deteriorate and to remain in a state of disrepair year after year with no penalty or incentive to be good citizens of our City. Land value taxation challenges the prudence relative to taxing buildings at all."

Kevin Mazzucola, Executive Director of the Automobile Dealers Association of Greater Philadelphia, spoke on behalf of our Philadelphia members who sell and service new vehicles in 28 stores within the City limits who are opposed to the institution of a land value tax. "Even though my members disagree with the City Controller proposal for a land value tax, I want to compliment him for stimulating the discussion of a bolder approach to reducing Philadelphia's taxes. In the past, most of his other proposals have benefited automobile dealers and other businesses in the City. It's hard to argue with targets set for reduced rates on the wage tax and business taxes. ...Prior to this hearing, we were able to analyze the impact of this proposal on 20 of the 28 new car dealers in our City. Our analysis found that 2 of the 20 dealers would experience a relatively small tax reduction. And that the other 18 would experience tax increases, many of them very steep increases..."

Sandy Sorlien, listed as representing Ridge Park Civic Association, said she was testifying as a private citizen. "I'm in favor of the land value tax for Philadelphia even though my own taxes would go up under such a system because I have a big yard. I'm a photographer who lives on the Roxborough-Manayunk line. ...Most Philadelphians agree that the current system of taxation in Philadelphia is broken and has been chasing our residents away for decades. We have to try something serious and we have to try it now. A two tiered gradual shift toward a land tax makes sense to me the way it was done in Harrisburg and other Pennsylvania towns and cities."

Christine Schwarz, said "Controller Saidel's tax reform proposals, cutting business taxes, wage taxes and changing the way property is taxed simultaneously, address the problems our City faces holistically. I have presented the ideas of land value tax to the members of two civic associations of which I am a member, Wissahickon Neighbors Civic Association and Manayunk Neighborhood Council, and the membership there received these ideas favorably. ...In my section of Manayunk, I pay \$1200 a year in taxes. If you

were to tear down my house, that same piece of property would bring in \$100 a year in taxes. Why should we continue to encourage blight of this sort?"

Fred Murphy, a resident of the Fiddler Square area of Philadelphia, is a professor in Fox School of Business and Management at Temple University. He said "the Center City Residents Association did a study of taxes in the City of Philadelphia just released on our CCRA website. ... Philadelphia continues to shrink while other cities are growing, in good part because the tax system drives business and people from the City. Taxes in the City are exorbitant. We can document families where City taxes are 20 percent of take-home pay. The City system fails because it's inefficient, encourages cheating, is unfair in its application, even among residents of the same neighborhood, and has distorted the regional economy to the detriment of the City. After receiving my real estate tax increase, I started looking at comparable neighborhood property tax rates. I was appalled and incensed that the BRT is valuing for tax purposes rental real estate properties at substantially lower market rates than the owner-occupied properties. Why should an owner of real estate investment property and in many cases the absentee owner living outside the City be subsidized by owner occupied residents? ...The process encourages lying, exaggerated claims, bad maintenance and destruction of property values. "

Richard Biddle, a Chestnut Hill resident, agreed that the assessments are a mess. "And it's very clear that if you look at residential properties, they're getting constantly reassessed. Commercial, industrial, and vacant land are not reassessed. For the car dealers to come in here and claim that they're being potentially overtaxed if we go to a land tax is just outrageous because they're simply not reassessed now. Their assessments are all over the place. The land tax is a win/win proposition for Philadelphia. With a land tax, residential homeowners pay less and get more value for their up-front investments for their residences. They pay much less for the land value component, which is the current speculative bubble driv[ing] up the hot neighborhoods, and that is when they're purchasing the residences. They pay much less in terms of the current low land value taxes [that] are capitalized into higher prices for the land. Paying a higher land value tax also means more affordable housing across the board for Philadelphians. You can call it a partial universal tax abatement because all building taxes are lowered year after year. The land tax is a win/win for straightening out the BRT assessment mess. Once differential rates, i.e., land and buildings having different millage rates, are introduced, however slight, then all parcels have legal standing to challenge their land value and building assessment allocations."

Christopher Patusky, Deputy Director of the Fels Institute of Government where he teaches Government Law and is responsible for operations, (continued on p. 15)

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spoke as President of the Fairmount Community Development Corporation. "If you look at the map of vacancy in Fairmount, you'll see that we have a strip of property between Poplar street and West Girard Avenue that has some significant blocks of abandonment. We support the land value tax because we're convinced that it will force the owners of these abandoned properties to either give up the properties to the City through tax sale or sell them."

Ed Goppelt [webmaster hallwatch.org] said that having looked at the statistics compiled by the Controller's Office, "my understanding is that if you pass the land value tax, about 75 percent of your constituents will receive a tax cut. It seems to me you have a rare opportunity to do something which is in our City's best interest, won't cost the City a dime, and in addition to those advantages is also smart politics. All that is needed is for you to enact the land value tax here in Philadelphia. ...The land tax, in my opinion, would help turn around neighborhoods in decline, such as those in Olney and Fairmount, by encouraging homeowners to fix up their houses and also encouraging businesses to invest in their properties. It would also discourage Sam Rappaport-type speculation by penalizing those who buy valuable downtown property and then keep it vacant for decades as the property deteriorates."

Patricia Lowe, a resident of Rhawnhurst and a school activist who used to live in Olney, said "I know from looking over Hall Watch [web site], the properties in Olney by and large would pay less under land value tax. Most of the residential properties in Philadelphia, especially the row houses. By the same token, people who own row houses for the most part are less affluent than people who own houses with more land around them. So in that respect, the land value tax is more progressive than a regular property tax, real estate tax..." She presented a copy of the "Ethical Land Tenure Interest Religious Resource Directory," and a copy of the second edition in 1998 of "Land Value Taxation Around the World."

Kathy Harris, representing herself and also the Olney community, said "Here we are just getting over the promised wage tax cuts that were almost rescinded and changes in business taxes and we get the BRT real estate reassessments. Property taxes are out of control and disproportionate. We are paying for assessments that may have been justifiable when the value of many of the properties were on the rise. But, for many, such is not the case any longer. Somehow the Board of Revision of Taxes has missed this. ...I have been paying a lot of attention to run-down properties and checking on what their assessments are and will continue to do so in the future. It is not fair during this era of anti-blight initiatives that ones who choose to do routine maintenance and improve on their properties are the ones penalized. It is not fair that derelict landlords and owner occupants get tax breaks for the eye-

sores that plague our communities. Now I look at properties that undergo major renovations with zoning permits and new construction. They are exempt from the increase in real estate taxes on the structure for 10 years. Now there's incentive. PHA [Public Housing Authority] owns properties. As we build more and more PHA properties, we are not getting the real estate tax revenue as we would from privately owned properties. All this adds to the deficit and the insult we bear.

"...Can we afford LVT? We cannot afford not to. We are losing people hand over fist because they are tired of waiting for something to happen that will make residency and business more appealing. Land speculation has cost us thousands of dollars each, and we have been left to balance that deficit. The more we improve, the more we are penalized. The ones keeping the land from being improved should pay the debt they owe. The fiasco with the public school system which affected my two youngest children and the threatened end to cuts in City wage taxes, along with the increased real estate taxes for my eldest leads me to fear that my children will be among those who choose not to stay and I will not be able to argue that point. If we give the professional vision Mr. Saidel's tax package offers a chance, you will see how it not only identifies and addresses economic vertigo, but clearly provides a blueprint for putting an end to the never-ending disarray and catch up we've come to call progress. As the changes in wage tax, business tax and land value tax all play their part in community and economic resuscitation, I believe we will experience positive change. I urge you to support Jonathan Saidel's vision and well-written proposal for LVT. If we do not think as progressively as our City Controller, Philadelphia's financial hardships will continue to increase as more and more flee. Land value taxation is fair and does not discriminate."

Albert Hartheimer, Vice President of the Center for the Study of Economics in Philadelphia, said that shifting taxes off buildings onto land is a subtle mechanism which produces varying change in who pays the tax, how much they pay, and how much the benefit. ...We use taxation to encourage or discourage people's behavior. We tax tobacco heavily to discourage its use; we tax alcohol heavily to discourage its use. The present real property tax in Philadelphia taxes improvements heavily which discourages building, and taxes land lightly which encourages speculation. I understand that in Philadelphia 75 to 80 percent of the real property tax is on improvements and 20 to 25 percent is on land. Do you really want to discourage building? Because that's what you're doing. If you improve the City by adding to your house or erecting a new building, your first visitor will be the assessor who will assess your new building or addition. The resulting tax is your penalty for improving the City. ...Tax policy should encourage improvement, not discourage it. You can reverse this situation with a lower tax on buildings, and perhaps some day no tax on buildings. ...We know from experience in 20 Pennsylvania taxing jurisdictions that whenever the tax rate on buildings is lowered, somebody builds; and whenever the tax rate on

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land is increased, somebody builds. It's a win/win situation. We recommend local gradualism in which the rates are shifted gradually over a period of years. The result is that the positive effects of land value taxation are evidenced gradually and no one is hurt in the process...

"I would recommend to the automobile dealers that they understand that when you have land value taxation, you have more economic activity. And with more economic activity, they will make more money even though they pay more land tax. ...The land tax has a very unique property, unique solely to the land tax. And that is that it increases its own tax base. The more you reduce the tax on buildings and the more you increase the tax on land, the more building and remodeling will occur. And as this happens, the demand for land will increase and the value of the land will increase, thus increasing the tax base.

...There was a big discussion earlier about property where the taxes are now uncollectible and they're going to continue to be uncollectible even with land value taxation. To my knowledge, in those 20 [Pennsylvania] taxing jurisdictions that have used land value taxation, they have not experienced any great degree of uncollectibility after as compared to before. ...Consider that with the land tax, you cannot burn it, you cannot put it in a Swiss bank account, it's there for everyone to see. And the art of assessing, which has nothing to do with tax policy, is such today that assessments can be very accurate. ...The land tax is a very steady base. It permits government to plan, and it permits government to carry on without the increases and decreases that are associated with the sales tax and with the income tax."