

Philadelphians Get the LVT Message!

by Josh Vincent

Last issue, we outlined the framework of the problem and the George-inspired remedy for Philadelphia. Now, an update of what's happening:

City Controller Jonathan Sidel's program of tax reform was publicized throughout the early months of 2002. In conjunction with the Center for the Study of Economics, the Controller's office made about a dozen presentations throughout the city, from groups as small as the pastorally-named Bella Vista Neighborhood Association to a West Philadelphia umbrella group of 15 neighborhood associations. In all circumstances save one, land value taxation and the tax reform were supported vocally and enthusiastically; the land value tax in particular was grabbed as a notion by those homeowners barely making a go of it in the distressed areas of West Philly. On the other hand, the leafy and exclusive confines of posh Chestnut Hill would rather maintain their tax breaks and green space easements without the complication of paying for their fair share of urban resources. At that meeting, one the classy burghers even verbally wished a painful death to one of the Controller's staff. *Charmant!* Those to the manour born always have *le mot juste*.

To further emphasize the seriousness of LVT in a city-wide tax reform package, long-time Georgist Ed Dodson of Fannie Mae organized and sponsored a forum on land tax on January 30 and February 20, featuring such speakers as your reporter, Nate Saunders, business administrator of Harrisburg, noted assessors, Dr. Nic Tideman as well as Controller Sidel. Cosponsors for the event included the Center for the Study of Economics, the Pennsylvania Economy League and 10,000 Friends of Pennsylvania. Total attendance was over 200, with heads of neighborhood CDCs, City Council staff, local NGOs, press and interested citizens. The assemblage was educated about land taxation in general — and about its successful application in cities like Harrisburg. They showed considerable insight into how it would affect Philadelphia neighborhoods in particular.

The January 30 forum was intended to dovetail with the first City Council hearings on the Controller's plan. That hearing was scotched by an unseemly squabble/verbal riot amongst the council on a matter unrelated to the plan.

The hearings did take place on February 12th. Fifty-three invited witnesses spoke in favor of cutting the hated city Wage Tax, along with Business Privilege Tax and the the Net Profits Tax — as well as LVT. There, a fault line was exposed. Although the Panjandrums¹ of the Philadelphia business community were foursquare for tax cuts for themselves, they were less enthusiastic about the one aspect of the plan that directly makes the cuts possible and helps neighborhoods: LVT.

Without a reshaped property tax that relies on land values for revenue, the tax cuts cannot be achieved and no amount of posturing would be able to explain away the need for government to protect and succor the tens of thousands of desperately poor in North and West Philadelphia. Neighborhoods that have been assuming an ever-greater share of the tax burden over the past 35 years need to have that load lifted from labor capital's back. Although it's always good — in municipal politics — to be sensitive to the needs of car dealers, parking lot owners and oil refineries, this is one time that they have to cater to what the people and the neighborhoods need. The needs of business people and homeowners are identical in Philadelphia in 2002. The process is only just starting. By June 1st, 2002, we might have a city in the US that rewards initiative whilst protecting the dispossessed. But in Philadelphia — more than in many places — what is obvious and what is essential do not necessarily translate into action. Georgists and Philadelphians need help from *Georgist Journal* readers! Check out www.philadelphiacontroller.org to see the tax reform program and see how you can help — and then take a look at www.phila.gov to see if you can pinpoint the bottlenecks to reform. *Carpe Urbis!*

Saidel: Here's How It Would Work!

The following example is from Philadelphia Controller Jonathan Saidel's "Tax Structure Analysis Report":

Consider the case of the North side of the 1900 block of Market Street. The block is occupied by two properties: the Independence Blue Cross building and a vacant grass lot. According to the Year 2000 Board of Revision of Taxes Data File, the Independence Blue Cross building had a total assessed value of \$31,624,512 (\$5,080,600 on the land and \$26,543,912 on the building) and the vacant lot had a total assessed value of \$1,951,680 (all on the land). Setting aside questions about the stark difference between the land values (both parcels are of near-equal size but the land under the Independence Blue Cross building is valued at more than 2.7 times the neighboring vacant land), the two properties provide an excellent extreme example of how the proposed shift to land-value taxation would affect Philadelphia real estate. Under the proposed shift, the Real Estate Taxes on the Independence Blue Cross building would be reduced by \$267,385 (10.2 percent), while the Real Estate Taxes on the vacant lot would be increased by \$196,456 (121.8 percent). As a result, the owners of the Independence Blue Cross building would see their overall operating costs reduced and would be able to lower rents for tenants. The owners of the vacant lot would face higher tax bills and would be encouraged to do something productive with the valuable Center City land, or sell it to another party that would.

¹ What's a Panjandrum? Well, your Editor had to look it up, too: a panjandrum is a muckety-muck — a slang term used to deride a high-and-mighty individual. It comes from "The Grand Panjandrum", a character in a nonsense story by English playwright Samuel Foote (1720-1777). Muckety-mucks and Panjandrum, alas, often oppose LVT.