

# STATE LEGISLATION AND THE GRADED LAND IMPROVEMENT TAX

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I'm glad to be part of this joint session of Georgists and School of Living members. Years ago, during the Depression, I think it was, when I was conducting public forums in Pittsburg, we had Ralph Borsodi on the platform. I have been interested in and a member of School of Living since. I'm glad to have this visit now and share with you in our common search for a proper and just form of taxation. Mildred is right. This more than any other activity, it seems to me, offers freedom to do all the good things we mutually hope for.

In the 1973 Summer issue of EQUAL RIGHT, Percy Williams put on the front page an article featuring a Pennsylvania Constitutional amendment called "Clean and Green," which would allow some tax exemption to farmers near cities; that is, to be taxed on value as a farm, instead of market value for residence or business. The actual enabling legislation has not passed. Carl Shaw and later discussion have brought out that this is a make-shift or compromise measure caused by not properly taxing land-site values in the cities. This is really a special favor to

farmers. They are burdened, of course, by a premature rise of their land values because urban people are prematurely moving out of cities into farm areas.

At this point the Clean and Green measure may be the best humanitarian compromise we can get. Our governor and others seem to be well aware of its dangers. One of the results will be pushing other land prices up by this kind of "artificial scarcity of land," and cause a resentment between farmers and non-farmers. But most politicians and big leaders were for it. However, a news article one county commissioner unearthed got lots of publicity. An attorney has a one hundred thirty five acre farm across from a big Pittsburg shopping center. He said his land values went up one thousand percent and he filed a special appeal not to have his taxes laid on this value. If he can't get this assessment lowered, he would have to sell his farm. If all the land in the city had been used up, this is what we Georgists think he ought to do. He's in it more for a hobby and this would hardly be causing a "farmer" to sell his farm. Granted that taxing policy within the city is wrong, and this in a sense causes pressure for suburban development of some farms near cities, giving tax exemptions to such land is a mistake and two wrongs don't make a right. So look upon Clean and Green as a temporary measure, hoping that we can in time get something much better, an across-the-board taxation of land values.

Another case was the high price paid for forty-three acres for new homes near the Skybus facilities. Transit authorities owned this land and were paid \$500,000 for forty-three acres - more than \$10,000 an acre. Because of such instances, it is obvious to our governor in Pennsylvania that farmers near towns will have to pledge their land to agricultural use for an agreed on time before they will qualify for a lower rate than other farmers. And if they renege on this promise and sell their land for handsome sums, they will then have to pay at a rate equal to other landowners for the previous five years. I've been talking to Bruce Williams, a newspaper reporter, who has done some study and

work on these matters in Maryland.

**Bruce Williams:** Take the farms between here, Maryland Line and Baltimore. All are in an area pressed upon by suburban development and homes for city dwellers. Our law divided land into several levels: open space for wildlife refuge; agricultural and farming; and then residential and commercial. It includes all the land within twenty miles of Glen Burnie, where I live.

**Bob Allen:** An acre in this area for building homes is going for \$10,000 an acre. The same property sold for commercial use will run \$40,000 an acre. I know of a property with that spread of values that has been paying preferential taxes for fifteen years. It's well known that our governor is disappointed that people do not know the difference in the results of the effect of the tax base - the incidence of taxes it is called. The environmentalists should be on the side of the Georgists. All who want ecological, proper use of land should be. When you exempt a farmer from this particular tax, you enable him to speculate. It does not enable him to continue to farm, but to continue until the price for selling his land is right for him. This is speculation.

**Tim Ryan:** In North Carolina, the law regulates speculation. If a farmer sells at speculative prices, he will have to pay tax rates as if his were commercial property for the past seven years.

**Bob Allen:** I believe in that. If he sells it for industrial use, then he should have to pay back taxes at industrial rates for the past seven years. That's what we're trying to do in Maryland to make sure farms are used for farming and not speculation. As it is now, we're pouring all kinds of money to improve the blighted areas people have left in cities. Huge sums of federal aid go into urban renewal. Why don't we consider wiser plans? I can assure you if we reduce tax rates just 5% on buildings and increase it 5% on land values, it would have such a beneficial over-all effect that in-

increased building and activity in the private sector would mean so many new jobs and so on that we could renew cities without federal aid. And if there is decent activity and more jobs in the cities, people won't be pressuring to leave them at the present rate that creates all this sprawl in the counties.

John Weaver: Another result would be that older people, with their children grown and families off to college or married, older people could move back into cities to the relative comfort of a condominium or high rise apartment. Pittsburg has used the graded tax to improve the central triangle and center city. More tax on land values than on buildings has renewed central Pittsburg in a sensible and noticeable manner, a number of them high rise condominiums.

Bob Allen: This gradual move, shifting taxes from building to land by 1% to 10 % should be applied state wide. This would reduce the cost of land on the public market.

John Weaver: In general there's too much appeal to misplaced sympathy in this tax muddle. People are appealed to to give exemptions to the poor property owner, the poor widow, the poor elderly couple, or the poor teacher whose property is taxed. Instead of a rational look at the whole problem, we complicate it with one exception after another, most of which play right into the hands of landowners and land speculators.

Loomis: I doubt if anyone wants more than I a rational tax system. And I see the reason and rationality of the land-value tax. Yet I raise a question as to values. What values and what way of living should have priority in the use of land? Take our situation here at Heathcote School of Living. Our thirty-seven acres are set aside for homesteading, a productive use of the land for gardens, orchards, small animals and general family maintenance living. Round about

wealthy families from Baltimore are bidding up the land values. Our land values and our taxes reflect this. If this trend continues, our taxes could become too high for us to meet from our homesteading efforts. Should homesteading be given up because wealthy bidders want our land.

Bob Allen: Rationality means we must follow natural law - the natural law of using land for its proper and best use.

Loomis: Agreed. But what is the proper and best use? Is the rich family with his suburban home, three cars and a swimming pool the highest and best use of the land in this area? See what I mean? Our culture places a high value on material things; the more one has of money and goods, the more he can bid for the land. Georgists claim that we must follow this natural pressure and let the land be used by these wealthy bidders. What does that do to the School of Living homestead way of life which we claim is normal and best, the most human, allowing the development of human capacity and satisfactions?

Bob Allen: If we had a rational society and removed all privileges there wouldn't be such a disparity in wealth as there is today. Everyone would live by his earnings and this wouldn't permit millions of unearned income on the one side and poverty on the other.

Loomis: Granted, and I long for that day. But in the meantime I believe we homesteaders must understand the bind we are in because of the pressure of glamour oriented suburbanites. We make our claim for a tax that permits our way of life and not to have to be pushed off to more remote, more marginal land every generation.

Evan Lefever: Seems to me the Georgist philosophy does favor the city pattern. It looks upon city as a higher value, and as long as land is valued in money

and goes to the highest bidder, urban values will predominate. The land will go to the wealthy families who have money. Natural law, as you state it, does seem to give the urban person first place.

Bob Allen: Possibly; but I am sure that a land-value tax, widely used, is consistent with decentralization, the modern homestead and all the ideas and values of Ralph Borsodi. I repeat that an across-the-board land-value tax would concentrate business and business people in cities and afford so much space there that all homeowners could have a garden. Now urban families can't do that because city land is held out of use for speculation. City people have to be crowded so close together now because land is so high priced, they can't even afford space for a garden. Under a land-value tax, cities would exist only for transportation and communication. Downtown Manhattan is the only sensible place for Wall Street and the stock market.

John Weaver: Yes, it's sensible to encourage concentration of industry on high valued land; leave some open space for gardens, parks, broad streets in the cities. Pittsburg is making fast progress in this way. Nairobi, Kenya raises all its taxes from land values; its a beautiful city.

H. Lefever: Even beautiful cities don't make good living or even good residential environments. It takes gardens and growing; real productive living for that.

Loomis: Maybe this is the time to inject that Borsodi asks us to test every social action, every personal action with three consequences: Is it good for humanity? Is it good for liberty? Is it good for nature? In other words, can human beings live well? Are they free to withdraw from it if they don't want it? And does it hinder or help nature - is it ecological?