

THE PITTSBURGH PLAN

[The effects of the "Graded Tax Law" in Pittsburgh, whereby the city taxes are now levied on buildings at half the rate levied on land values, were described by Percy R. Williams, member of the Pittsburgh Board of Assessors, in the NATIONAL MUNICIPAL REVIEW for December, 1925. Extracts from this informing article were reprinted in our issue of last month; the following is the concluding part of the statement.]

HOUSE TAXES REDUCED

Apartment houses almost uniformly show substantial savings in taxes under the graded tax, for the reason that they are usually structures of some size and value erected upon land of moderate price such as is to be found in residential districts. Two of the newly erected apartments show savings of 27 and 33 per cent respectively, in one case the actual tax saving being over ten thousand dollars for one year. On the other hand, a number of manufacturing plants and department stores occupying valuable land may be found which will not show any direct benefit in lower taxes from the graded tax, but as an offset to this, it should be remembered that very substantial savings have been made by manufacturers through the Act of 1911 completely exempting all machinery from taxation, while the big department store is entirely free of taxation upon its stock of goods, whereas in other cities such stores pay heavy taxes on their "personal property."

But it is the home owner who stands out as the chief direct beneficiary of the graded tax. Only in rare instances do we find a home owner who has not been benefited to some degree by lower taxes through the operation of the graded tax law. The most striking example of the effect upon taxes on homes is afforded by an analysis of the taxes paid by property owners in the 13th ward, a typical residence ward, which shows that out of a total of 4,252 assessments, there are 3,250 cases where the taxes paid under the graded tax are less than would be paid under the old flat rate system, these savings ranging from 5 to 35 per cent. Of the remaining 1,002 assessments where the taxes paid under the graded tax system are higher, it is interesting to note that 980 of these represent vacant lots, leaving only 22 "improved" properties that are not paying lower taxes, and these 22 are properties that are not very adequately improved.

CENTRAL PROPERTIES

There has been an impression in the minds of many that the owners of large office buildings profit by the graded tax at the expense of the home owners because of the relatively small building investment of the latter. This assumption, however, is altogether contrary to the facts.

The high land values in the downtown business district, known as the "Golden Triangle," much more than offset and cancel the partial exemption of the skyscrapers and other large structures in that section, while the home owner, though possessing a structure that seems insignificant by comparison with the skyscraper, is apt to find the value of his building from two to five times greater than the value of the land upon which it stands.

Our survey develops the fact that it is only the exceptional business structure in the downtown district that has a value sufficient to offset the high land value and thus show a saving through the graded tax. A study of approximately 1,200 property assessments in the "Golden Triangle" (comprised of parts of the 1st and 2nd wards), shows that only 8 per cent, or about one out of twelve, pay lower taxes by reason of the graded tax. Since high land values are always to be

found in the heart of the business district of a city, it is obvious that, under either the old or the new system, the downtown wards must pay the greater share of real estate taxes, but the higher the land tax, the greater is the proportion paid by the downtown section.

PRESENT STANDING OF THE PLAN

The expediency of the graded tax plan lies in the fact that it means tax relief for the majority of taxpayers and that it encourages the improvement of real estate, thus stimulating the development of the community. The justice of the graded tax plan rests upon the fact that land values are socially created, growing with the growth of population and the extension of public improvements, and are, therefore, in a peculiar sense a natural and logical source of public revenue.

Naturally, the graded tax has not been without opposition. It has been fought by those largely interested in unimproved land, as well as by some who are opposed to the plan in principle. Its repeal has been attempted on several occasions, but its friends have rallied on each occasion and frustrated these efforts. It has been defended by the leading civic organizations and the daily press is practically unanimous in declaring for the maintenance of the law upon the statutes.

The present city administration, which is friendly to the graded tax idea, is not proposing at this time any further extension of it beyond the limits of the present Act, but takes the attitude that now that the law has become fully effective, the plan should be given a period of five or ten years in which to fully demonstrate its value. When the taxpayers generally awaken to the realization that the repeal of the law would mean a substantial increase in taxes for the great majority of real estate owners, they are sure to present effective resistance against any future efforts to upset the system. As the graded tax grows in public favour, it seems unlikely that there will be any backward step, and there are even now indications that, within a few years, steps may be taken by interested citizens to extend the partial exemption of improvements beyond the present point through new legislation. Whether or not this will actually be brought about is, of course, largely a question of the development of public opinion as to the advantages of the improvement exemption idea.

One of Æsop's fables tells of the monkey that put its paw into the jar to get at the nuts inside; having filled its paw it found it could not draw it through the narrow neck of the jar. The intelligent way to get the nuts was to tip the jar up. So we shall have to invert the order of proceedings in our rating and taxing methods if we desire to do the right thing in the right way. Then we shall be able to get at the nuts in the jar of social benefits.—D. J. J. O., in the STOCKPORT OBSERVER.

Third Impression

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