

# IDEAS

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## The Tax Assessors' Army: Leading Us to Equity?

By Stan Rubenstein

Two hundred years ago many colonists took up arms to resist such injustices as the forced quartering of British troops in their homes. The individual's right to the privacy of his own home, so threatened during our struggle for independence, became a cherished cornerstone of our fundamental liberties.

Today, in our Bicentennial year, we are once more faced with a threat to our homes and hearths. And it is our own local government which may be endangering our historic rights.

Armed with pocket computers and writs of assistance-like authority, an army of assessors has invaded Nassau County searching not for tea or other smuggled goods, but for unrecorded home improvements!

In the next three to four years, over 400,000 homeowners may have their property scrutinized by this band of intruders. Legally, owners need not grant entrance, but they risk arbitrary reassessment. Assessors have met some resistance, but they are still committed to the venture. No area, from basement to attic is free from their inquisitive eyes. This practice is not new; indeed, it has been going on sporadically for generations. But never before have the residents of Nassau County witnessed reassessment on such a massive scale.

Even though the Board of Assessors maintains that their goal is to finally achieve equity, the desire for additional revenues should not be discounted as a reason for their massive undertaking. In the fervent desire to achieve equity—the inclusion of all improvements made without the knowledge of the Assessor's office—the tree may have replaced the forest as a focal point.

Just as a tax, a "massacre" or a "tea party" inspired our forefathers to challenge the abuses of a government 3,000 miles away and proclaim independence, the policies of the Board of Assessors may well ignite the spark for a dialogue on that most confused subject—the property tax.

If the progressive income tax placed as heavy a load on the poor as on the wealthy, it would certainly constitute a major contradiction of intent. A similar contradiction manifests itself in the administration of the property tax. While usually

viewed singularly, this tax actually is a result of the fusion (or confusion?) of two key factors—land and improvements. Once land has been developed there is a common tendency to consider only the increase in the value of homes, overlooking any accompanying increase in land value.

Improvements represent the product of human effort. Carpenters, plumbers, electricians and builders are all part of the laboring force employed to make these improvements. Value thus created is personal; it is the result of individual effort, paid for by homeowners seeking these services. And as the value of property increases benefits accrue, not only in terms of more employment but also in terms of an enhanced neighborhood.

And the response from the assessors? Let's penalize the homeowner, local merchant and factory owner for improving his property and adding to the store of wealth in the community. If those foes of capitalism wished to devise a method to destroy individual initiative and the profit motive, they could not have discovered a better device than a tax on improvements. But this is only half the problem and only half the tax.

Plots of land come in many shapes and sizes. And each plot has value, that can increase. The construction of roads and schools, the addition of water and electric power enhance land value. And value created in land is quite different from that value created by improvements. One is the result of community decision-making

But even a cursory look at the assessment rolls would reveal what seems so economically elemental. Historically, land has been grossly underassessed and, insofar, as the property tax, a virtual untouchable. Let us render unto Caesar what is his. Give unto the tax collector what rightfully belongs to the community—that value that has been created by the community. But it is morally and financially unsound to take from the homeowner what rightfully is his—a part of the value created by his efforts.

A more democratic and economically sound procedure would be to freeze taxation on all improvements and bring taxes on land up to the market value. Land value constitutes an important portion of the total

faster than almost any other economic indicator.

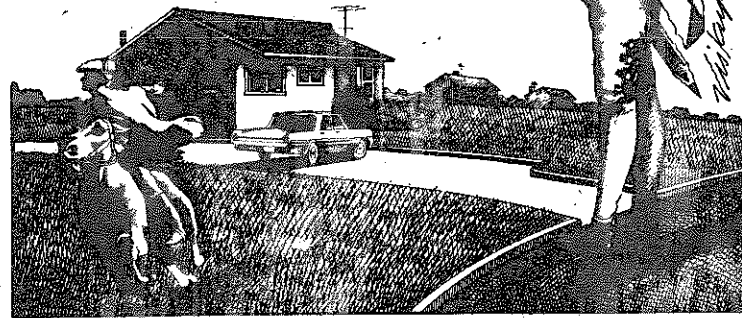
The assessment of land at market value would provide a broad-based source of revenue for local governments. Economically, it would have the effect of implementing a major goal of our economic system, namely, the increase of wealth. Since a heavier land tax would make it unprofitable to hold land out of use, the construction industry would benefit. And, of course, this action would eliminate the need for the assessors' invasion.

The proposal to tax land values has a growing army of supporters. Professor Dick Netzer, Dean of N.Y.U.'s School of Public Administration, one of the foremost authorities on the property tax states that "the land value tax is the economist's ideal, it is equitable; it is neutral in its economic effects; and it is positively desirable as a replacement for the conventional property tax with its many bad economic effects."

The critics of the land value tax charge that it is a regressive tax. But let us explode that myth now. Numerous studies substantiate the fact that property concentration is greater than the concentration of income. Ralph Nader and his associates spent several years studying the problem of property concentration in California and reported that 13.5 per cent of all acreage was owned by one tenth of 1 per cent of the state's population. Professor Mason Gaffney, in a similar study in Milwaukee, found that 10 per cent of the population owned 60 per cent of all assessed value. In another study Gaffney found that 10 per cent of Milwaukee's citizens owned 89 per cent of that city's industrial real estate, and of that figure, 1 per cent owned 59 per cent.

The unleashing of the assessors in Nassau County can only serve to underscore the negative aspects of our nation's inequitable tax policies. The proposal to shift the incidence of taxation from improvements to land may well be a return to the ideals of the Revolution. □

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Newsday Illustration by Gary Viskupic

and action, the other the result of individual preference and effort. Rather than using home improvements as a base for the collection of taxes, common sense dictates that land value be taxed to its utmost.

market value of property. Several years ago the National Commission on Urban Problems estimated that land constituted about 40 per cent of the total value. In point of fact, land values have consistently increased