

Copy to Mr. Fowler

October 24, 1934

Mr. Ernest P. Goodrich
175 Fifth Avenue
New York City

Dear Mr. Goodrich:

In a memorandum given by you to Mr. Bittenheim in comment upon our proposal to spread taxes in proportion to land value, with regard to improvement value, you gave the following figures of ratio between the value of land and the value of improvements:

<u>Type</u>	<u>Buildings</u>	<u>Land</u>
Farms	1	5
Office Bldgs.	1	1
Small single-family homes on single lots	5	1

The statement that farm land value bears the ratio of \$5.00 to \$1.00 for improvements was contrary to the writer's impression. I understand that your figures were taken from some census calculations for the entire United States, which probably did not analyze building values.

Cornell University Agricultural Experiment Station, Ithaca, N.Y., has made farm-management studies in various parts of New York State. A report for orchard areas in Niagara County was printed under their Bulletin 565, June, 1933.

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This report did not address itself particularly to the relation of land values to building values, but we find the following statements which throw light on the subject:

Page 9. "The average size of farms on the Dunkirk soils was 74.4 acres, which was about 7 acres larger than on the Clyde soils (table 1)." The average for all soils was 71.8 acres.

Pages 9 and 10 "The average investment per farm in land and buildings on the Dunkirk soils was 73 per cent higher than on the Clyde soils (table 2.) The average value of land and buildings per acre was \$230 on the Dunkirk soils and \$148 on the Clyde soils. About 88 per cent of the total capital invested in these farms was in land and buildings."

Page 20 "After subtracting all farm expenses, except interest, from farm receipts there was left \$1947 per farm on the Dunkirk soil and \$585 on the Clyde soil. This is the average return on the capital invested and for the farmer's own labor. After subtracting interest at 5 per cent on the average capital invested, there was left, on the average, \$488 per year for the farmer's own time on the Dunkirk gravelly sandy loam soil and \$5 per year on the Clyde fine sandy loam. Despite this difference in earning power, the farms on the Clyde soil were valued at about one-half as much as those of the same size on the Dunkirk soil. The poor fruit land was valued at high prices because it was associated with good fruit land."

Page 57 Table 78. Average value per acre of apple orchards set before 1900, 1926 to 1928.

Dunkirk gravelly sandy loam and Dunkirk loam soils	\$386
Dunkirk and Clyde fine sandy loam soils	\$371
Clyde loam and Clyde clay loam soils	\$288
All soils, average	\$355

Page 58 "The average value of the land without trees in old and young apple orchards was \$139 per acre in 1928 (table 84). This is the value of the bare land in the orchards and does not include the value of buildings on the farm. Orchards are generally set on the best soil on the farm."

From the above quotations we draw the conclusion that the ratio of the value of the bare land of best quality (\$139) to the improved value (\$355), which leaves \$216 for the trees, is \$1.00 for land value to \$1.55 for improvement value.

This does not include buildings, fences, roads, drains, and other improvements on other parts of the farm, where it is fair to assume that the ratio of the value of improvements to bare land value is greater than for the orchards, since the report says (page 58) "Orchards are generally set on the best soil on the farm."

In a letter from Mr. T. E. LaMont of the Department of Agricultural Economics and Farm Management at Cornell, October 23, 1934, Mr. LaMont says:

"In reply to your letter of October 19, we are sending Table 8 from An Economic Study of Agriculture in Northern Livingston County, New York.

Table 8

Distribution of Real-Estate Investment
April 1, 1929
(442 farms on which the distribution was obtained)

	Average investment	Per cent of total
Dwellings	\$ 3,273	24.5
Other buildings	3,519	26.3
Land	6,572	49.2
Total real estate	\$13,364	100.0

"In this table, you will note that in 1929, buildings made up about one half of the value of the real estate in that area. The decline in real estate values since 1929 has meant that a higher percentage of the value of the farm is in buildings. At the present time, it is not possible for farmers to divide the value of their farms between buildings and land. In many cases, the buildings are worth more than the farm will sell for."

I have had occasion to make inquiry in Rockland County, N.Y. (fruit farms), in Orange County, N.Y. (dairy farms), and in West Virginia (fruit farms.). My general conclusion has been that on an average productive, well-improved, going farm, the value of all improvements, including buildings, fences, drains, orchards, etc., is four or five times the value of the bare land.

I submit the above not in a controversial spirit but because I feel that in the study of the farm land problem there is tremendous room for research. The farm land problem in detail will differ from the city land problem, but essentially the fundamental principle remains the same, that the progressive, working owner who makes improvements is overcharged in taxes as against the owner of unused or poorly used land, to the extent of two or three hundred per cent.

I hope somebody, some day, will take hold of the farm land problem from this point of view.

Yours very truly,

AMERICAN ASSOCIATION FOR SCIENTIFIC TAXATION, Inc.
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Walter Fairchild
Secretary