

## GRADED TAX LEAGUE OF PENNSYLVANIA

*Reduce Taxes on Homes and Buildings — Stimulate Private Enterprise and Employment*

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## A STATEMENT by the GRADED TAX LEAGUE OF PENNSYLVANIA

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ULI Report

The summary of the Urban Land Institute report on "Changing Urban Land Uses as Affected by Taxation," which appeared in the Pittsburgh papers of November 19, 1962, quotes an unfortunate reference to the Pittsburgh Graded Tax. This may well be revised in later studies which the Urban Land Institute and also other research bodies are proposing. The present publication, based largely on a conference, June 16, 1961, with a dozen Pittsburgh people, and on an article printed in 1934 using a questionable interpretation of data, recognizes that this is very inadequate, since the Institute selected Pittsburgh for study chiefly because of its unique tax system. But the Graded Tax League congratulates the Institute for directing and planning further attention to the Graded Tax, long ignored in local discussion. This is a fresh sign of the interest stirring in many places, ranging from graded tax bills introduced in Hawaii, California, Montana, Michigan, and Canada, to a Boston bank advertisement advocating taxes on land instead of buildings, and the continuous campaign of the Luce builders' journal, House and Home.

The Graded Tax League has sought to keep Pittsburgh planners and officials informed on these nationwide and foreign developments. It denies the implication emphasized in press accounts of the Urban Land Institute report--that there is anything in the current philosophy of land value taxation "running against" the practice of "modern land planning." One of its authorized publications, "The Pittsburgh Idea," written in 1960 and featured in a column by Mel Seidenberg, Post-Gazette, Sept. 2, 1961, devotes special attention to the need for thorough planning, to guide developers as well as tax officials in facing the uncertainties of older central cities such as Pittsburgh.

The statement by James P. Pickard, author of the ULI report, that provision of open spaces, parking, etc., "runs squarely against the Graded Tax"---"which is supposed to force urban land to develop into higher uses"---is countered by his reminder that in depression (or uncertainty about the future) the effect is reversed. But when the tax brings pressure upon owners to sell, taxes will be "capitalized," Dr. Pickard says, i.e., allowance will be made for them, so as to reduce high sale values, thus "flattening" or spreading the use of land over wider areas.

Along with provision for open spaces, Pittsburgh's more obvious need, as the report emphasizes, is new building and rehabilitation of the old. It shows full awareness that taxes in most cities have "a deterrent effect.... The minute a major improvement is made to an old building its assessed value goes up." "Property taxation places a premium on neglect and rewards under-maintenance in our older city areas."

Since Dr. Pickard raises the question why Pittsburgh still has slums, it should be pointed out (as he does) that the two-to-one rate on land does not apply to school or county taxes and the combined rate on land is not twice

but only 1.4 times the rate on improvements. Pittsburgh has had no promise of lower rates on buildings since 1925, and the cost of government has increased. Perry Prentice, publisher of House and Home, reporting a conference here (in the issue of June, 1958) said that Pittsburgh's "very important tax policy is so watered down as to be ineffective as a slum deterrent. A much bigger differential is needed to make the tax really effective against slums." Probably also the general ignoring of the Graded Tax results in missing its psychological advantage. The city ought to be looking forward to much lower rates on improvements. 9,35

Wherever zoning or land-assembling is accepted by the community as necessary to provide for better spacing and planning, and if zoning restricts building and thus reduces rent, prices and assessments will fall accordingly; although with foresighted owners the opposite may be true. The space around Gateway buildings has added to their rental value, and like most of Pittsburgh's new structures they were given an incentive by the building rate, lower than elsewhere. Australian experience as well as Pittsburgh's--of a rising market at the time the higher land rate went into effect--suggests that further reduction of building rates may bring a boom. But the tax on land value always acts as a brake, and the fear of falling prices for its larger land investors seems the chief reason why Pittsburgh has not extended its experiment. The "brake" should make it easier for redevelopment authorities to assemble land at reasonable prices.

The Graded Tax League of Pennsylvania, while devoting recent attention to the third class cities such as Erie and McKeesport where local groups are promoting land value taxation, has been studying the Pittsburgh problem and seeking to be as objective as visiting critics. "The Pittsburgh Idea" quotes Emerson: "The wise man throws himself on the side of his assailants. It is more his interest than it is theirs to find his weak points." It has proposed cooperation with local research agencies in finding and analyzing locations where the Graded Tax may seem to have brought difficulties; and has anticipated steps which may be recommended in these cases.

It finds in the ULI report not only critical questions but many valuable re-enforcements for Graded Tax advocates, such as the recognition of "their strongest arguments" pertaining to urban fringes where farm land increases many fold in price; the discussion of Federal taxes and their light treatment of land-gains, and their deductions for local land taxes; and the frank dealing with assessment practices. Facing the fact that assessors are always subject to pressures and are "criticized for using judgment factors," "the use of such judgment may be highly constructive to the local economy." In "The Pittsburgh Idea," an analogy is drawn with the management of a hotel or resort where shops and dwelling units are leased by an owner on the basis of market demand (not "ability to pay") but with discretion as to full or less than full occupancy. This philosophy has much in common with "modern land planning" and "public planning controls,"--though it finds agencies such as ACTION-Housing agreeing that mass demolition and redevelopment cannot keep up with steady deterioration throughout a community, and more self-regulating controls and incentives are needed for the city as a whole. 32 18-23 28,30 31

The Graded Tax League will have other detailed suggestions and comments for submission to the Urban Land Institute and the local agencies with which it is in contact; and anticipates that early publication of the final chapters of "Pittsburgh's Pioneering in Scientific Taxation" by P. R. Williams, former chief city assessor and now consultant to the city treasurer, will be a major contribution to future evaluations of the Graded Tax.