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## Tax incentives

# Assessments due for overhaul

To the Editor:

The Incentive Tax League, committed to comprehensive restructuring of the system of real estate taxation in Philadelphia, strongly supports the recommendations for reform made in your recent editorial. Our own research has led to the conclusion that failure on the part of city government to initiate property-tax reform has contributed materially to the declining economic climate of our community.

As long ago as 1970, a study of urban problems by the National League of Cities brought into clear focus the many problems created by ineffective assessment and other property tax inequities. Yet, there remains absent from your editorial and the Pennsylvania Economy League's study what is a critical distinction between the two basic types of real property subject to taxation — *land* on the one hand, and *improvements* thereon.

Under current assessment practices, both land and improvements are taxed at the identical rate of taxation. Such is not the

case in Pittsburgh, Scranton, Harrisburg, and McKeesport. In those cities, the value of the underlying land ("land values") are taxed at a rate in excess of that imposed upon improvements. Statistics available concerning the economic effect of such a differential rate of taxation generally reveal the following:

- Increased sale or development of vacant sites within the urban center.

- Increased residential and commercial applications for building permits, reflecting localized conditions of stabilized tax rates on improvements.

- A far more equitable distribution of the tax burden among property owners.

That such results can be directly attributed to increasing the rate of taxation upon land values derives from the fact that the supply of land is inelastic. The total amount of land available for use is static.

Its value is created not by its owners but by locational advantages created in great part by the

community-financed services: streets, lights, water, sewers, police, fire, public schools and sanitation, etc.

Thus, it is obvious that heavier taxes on land or locational values do not discourage or inhibit improvements; on the contrary, heavy taxes on location could put effective pressure on the owners to put their sites to more productive use in order to make it earn a high return after paying the heavier tax. We feel this result can be obtained in Philadelphia by introducing the following additional reforms:

- Reassess all land values in accordance with a uniform level;

- Require the creation of property tax maps, continually updated with figures provided by bona fide sales data;

- Require annual reassessment of all land values; and

- Do the above despite the acknowledged difficulties inherent with effectively reassessing improvements.

RICHARD L. BIDDLE  
Incentive Tax League  
Philadelphia.

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"Let's divide the earth up into little squares and sell them."

## Letters to the editor

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COMMUNICATIONS SECTION

## Open Spaces? Look to the Nation's Cities

**W**HILE REAL ESTATE DEVELOPERS turn farmland into airports and parking lots, much of the country's urban land sits unused, according to a report by the House Subcommittee on the City. "In the nation's largest central cities, the amount of vacant land is more than twice as extensive as the land occupied by all their commercial and industrial activities combined," the report says. The problem isn't confined to larger cities according to the report. It cites a recent study of Columbia, Mo., for instance, which showed that 47% of all the existing land there was "vacant and developable."

"It's the result of a double standard in taxation," says Robert Josephs, a professional staff member of the subcommittee. "Cities tax build-ings and building improvements much higher than they tax land." The result, he says, is that land speculators buy the land and hold it for its future value instead of putting it to use immediately.

Some cities are trying to do something about the tax problem. Pittsburgh increased its land taxes last year but didn't increase taxes on build-ings. Legislators in California, Nebraska and Wisconsin have proposed tax changes that would impose higher rates on undeveloped land.

—LAWRENCE ROUÏ

## Assessment reforms overdue

The Board of Revision of Taxes has taken two steps that could lead to a cleanup of Philadelphia's tax assessment mess. First, it has admitted candidly that there are intolerable inequities in property assessments that cannot be remedied with present funding and staff. Second, it has pledged to work with the Green administration in seeking solutions.

City Finance Director Edward DeSeve responded promptly and appropriately in welcoming the board's offer of cooperation. Thus the stage is set for effecting major operational and structural reforms in the way properties are assessed and appeals are heard. Mr. DeSeve, as Mayor Green's principal cabinet officer for financial matters, should have a key role in the reform effort even though the board is independent of the city administration.

The Pennsylvania Economy League reported early this month, following a study of 1978 residential assessments, that they averaged as low as 17 percent and as high as 88 percent of market value in different wards — resulting in owners paying vastly different taxes on homes of similar value. The league also studied tax assessment procedures in 14 major U.S. cities and found that Philadelphia is the only one in which the same board that assesses property hears appeals of assessments.

Responding to the league study, the Board of Revision of Taxes has proposed that the city provide more funds in unspecified amount for the hiring of additional assessors and assessor aides, to be supplemented by outside

professional consultants who would be engaged on a contract basis to assess major commercial and industrial buildings where special expertise is required. The board also has proposed, without giving details, that its operations be reorganized and placed under a professional assessments director.

Additional assessing personnel might be justified and, in fact, Mayor Green recommended increased appropriations for that purpose in his budget last spring but City Council refused to go along. Increased expenditures of the magnitude now apparently contemplated by the board, however, could not reasonably be provided by the city without implementation of reforms assuring acceptable standards of competence and professionalism.

Another board proposal, to freeze assessments on existing properties for three years (1981-83) to enable assessors to catch up in their work and start uniform assessments in 1984, would have the effect of continuing present inequities for another four years. The Economy League believes it would be feasible to achieve uniform assessments by 1982, a far more reasonable goal. What taxpayers need is an end to injustice, not perpetuation of it.

The long-range solution may well be, as suggested by the Economy League, the abolition of the Board of Revision of Taxes and the assignment of its assessment and appeals functions to new and separate jurisdictions. Meanwhile, improvements within the existing structure are not only possible but overdue.

*Editorial, Phila Inquirer Sept. 1980*