

Tax on land value instead of buildings eases homeowners

How would you like to have your property taxes cut? And how would you like to see land speculators pay much higher taxes? Wouldn't that prompt them to put new buildings on the land, creating more jobs in your community?

Fans of Henry George, a New York City mayor born a century ago, who was the first to argue that taxes should be on land value — and not on buildings — have long advocated such a property tax shift. Now evidence is emerging in various Pennsylvania cities — especially Pittsburgh — that they are right.

That's good news for homeowners, who've been getting tax bills with big increases in recent days while public services are being cut due to declining tax revenues as many businesses hit by the recession have closed.

But if you don't live in Pennsylvania, don't expect to convince your city council to follow Pittsburgh's example, unless your state legislature passes enabling legislation like that of the Keystone State. (Probably not one governor will propose it.)

Last week the Pittsburgh City Council raised taxes on land value for the fifth time in six years, while it cut property taxes on the value of buildings. So the average homeowner will see his prop-



MIKE McMANUS

NORTHERN PERSPECTIVE

erty taxes drop from an already low \$420 to \$392. Yet the total tax collections will remain the same as land speculators pay more!

How is this possible?

If you look at your property tax bill, you'll see that it is really two taxes — one on the value of your land and the other on the house. The rate of taxation on each is the same in virtually every community, except a few in Pennsylvania.

Way back in 1913, Pennsylvania allowed Pittsburgh to double property taxes on land compared to the rate on buildings. That gave an incentive to owners of particularly valuable land — as in the downtown area, to build new buildings (which are lightly taxed) on

land (that is heavily taxed). The result was the building of Pittsburgh's "Golden Triangle" of office headquarters long before federal urban renewal aid was available in the 1940s and 1950s.

Exactly four years ago, Pittsburgh redoubled its land tax from 4.95 percent of assessed value to 9.75 percent while holding the building tax rate at 2.475 percent. A year later, the land tax jumped to 12.55 and then to 13.3 percent in 1982. Last week, the city council pushed it up to a big 15.15 percent. The building rate, which had inched up to 3.2 percent in 1982, will fall in 1983 to 2.7 percent. As an added incentive, Pittsburgh passed a complete property tax exemption in 1980 for all new construction (but not on the underlying land value) lasting three years.

The result has been spectacular.

The value of new construction in the old steel city has soared from an average of \$81 million a year in 1976-8 before recent tax changes to an astonishing \$351 million per year in 1980, 1981 and 1982 despite a recession that has pushed area unemployment up to 14 percent.

Other factors are involved in Pittsburgh's "Renaissance II" as it is called, most notably the dynamic leadership of Mayor Richard Caliguiri, who

has built bridges of trust and cooperation to the business community, and the opening of new exclusive bus lanes to Pittsburgh's downtown, plus pentup demand for office space.

But nearby McKeesport has no such "advantage." Yet it has seen a 36 percent increase in its building permits in 1980 and 1981 since it up-taxed land (from 2.45 percent to 9 percent) while down-taxing buildings (from 2.45 percent to 2 percent). Building permits averaged \$1.7 million a year in 1977-9 before the change and \$2.3 million afterward.

Now compare those figures with what happened in Clairton and Duquesne, similar adjacent cities whose economic mainstay is steel, just like McKeesport.

The value of new construction dropped 30 percent in Clairton and 14 percent in Duquesne, while it went up a third in McKeesport. Scranton, which has had a land tax four times that of buildings has been debating shifting its entire property tax to land value. The mayor supported the change, but it was opposed by the City Council.

"It certainly isn't surprising," says Steven Cord who edits a publication called Incentive Taxation. "After all, if we tax land more, won't we encourage

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