

Incentive Tax League

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FOR RELEASE

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PRESS RELEASE

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STATE TAXATION COMMITTEE HEARING ON TAX REFORM BILL

On Thursday, 25 February '82 at 11 am in room 234, the State House, Boston, testimony will be heard by the Taxation Committee concerning pending House Bill 2531.

H. 2531, "An Act Relative To Land Value Taxation", if passed into law would allow cities and towns in the Commonwealth - if they choose - to adopt what proponents call a variation of the Pittsburgh style 'graded-tax' plan.

According to Mitchell Chanelis, Deputy Chairman of the Incentive Tax League of Massachusetts, this approach to property taxation would enable communities to gradually lower the property tax rate on buildings and other improvements with the projected revenue loss to be made up for through a corresponding increase in the rate on land values. Under current Massachusetts law the tax rates on land and buildings are the same.

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"A graded tax is in effect in Pittsburgh and other Pennsylvania cities, Taiwan, Australia, New Zealand, and Denmark and offers exciting evidence that shifting the burden of taxation onto land values accompanied by low -- or no -- taxes on improvements to the land can provide a tremendous incentive to positive economic growth without government subsidies," Chanelis said.

"The Incentive Tax League of Massachusetts, a group of economically aware Commonwealth residents, are convinced that legitimate public responsibilities can and should be met, but without burdening the legitimate activities of the private sector - work, saving, and investment. The various legislative schemes now circulating to increase the sales tax would act as a disincentive to such productive activity," Chanelis concluded.

According to an aide to Rep. Andrew Natsios (R-Holliston), one of the 19 legislators who have co-sponsored the legislation, the bill could be "just what the currently faltering construction industry needs right now. There is also a good deal of evidence that it could help to rebuild the older urban areas of Massachusetts." Principal sponsor of the bill is Rep. Joseph Hermann (D-No. Andover) and among its signators is John Olver, Senate Chairman of the Taxation Committee.

HOUSE No. 2531

By Mr. Hermann of North Andover, petition of Joseph N. Hermann, other members of the General Court and others for legislation relative to land value taxation. Taxation.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Two.

AN ACT RELATIVE TO LAND VALUE TAXATION.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Section 23 of Chapter 59 of the General Laws is hereby amended
2 by adding before the final paragraph the following new para-
3 graphs: — The board of assessors of any city or town, with the
4 approval of the city council in a city or the town meeting in a town,
5 may decrease, by whatever amount is deemed appropriate by such
6 council or meeting, the rate of taxation upon improvements in any
7 class or classes; provided, however, that the rate of taxation upon
8 land in any class in which the rate of taxation on improvements has
9 been reduced as herein provided is increased by whatever amount
10 is necessary to achieve the levy that would have been reached in
11 such class, in accordance with the provisions of section fifty-six of
12 chapter forty, had no reduction in the tax rate on improvements
13 been effected. Such reduction in improvement taxation and equal
14 increase in land value taxation may be effected by any city or town
15 annually as desired and at once upon as many of the four classes of
16 property as is deemed fit. In order that a particular tax differential
17 desired by a city or town may be phased in gradually, a single
18 meeting of a city council or a single town meeting may also deter-
19 mine a schedule of increases in the tax differential in any class or
20 classes in such city or town to take place as deemed appropriate
21 over a period of years not to exceed twenty years. In no single year,
22 however, shall the tax differential in any class be increased by an
23 amount exceeding fifteen dollars.

24 The board of assessors in any city or town that has once reduced
25 the taxes upon improvements and raised those upon land values in
26 any class as herein provided shall not, on its own authority, reduce,
27 partially or in toto, the tax differential in such class in any subse-
28 quent year. Such partial or total reduction of the tax differential in
29 any property class shall take place if approved by a majority of
30 those voting in a referendum scheduled for this purpose by the city
31 council in a city or the board of selectmen in a town; provided,
32 however, that at least twenty-five percent of those registered to
33 vote in that city or town vote in said referendum. In no instance,
34 however, shall the rate of taxation upon improvements in any class
35 exceed the rate imposed upon land in that class.

36 For the purposes of this Section the following words, shall have
37 the following meanings: —

38 "Land", real property, not including buildings, structures, im-
39 provements or other things erected thereon or affixed thereto.

40 "Improvements", real property, not including land.

41 "Land value taxation", that portion of the property tax on any
42 real property that results from application of the property tax rate
43 as determined by the board of assessors under the provisions of
44 section fifty-six of chapter forty upon the assessed value of the land
45 contained in that real property.

46 "Improvement taxation", that portion of the property tax on
47 any real property that results from application of the property tax
48 rate upon the assessed value of the improvements contained in that
49 real property.

50 "Class", any of the four classes of real property as defined in
51 section three of chapter fifty-nine.

52 "Tax Differential", the amount, in dollars per thousand of as-
53 sessed valuation, by which the rate of taxation upon land values in
54 any class exceeds the rate of taxation upon improvements in such
55 class.

Land-based

DEC. 3 - 1981

state tax

plan offered

New bill encourages home improvements

By Andrew Gully
Eagle-Tribune Writer

BOSTON — When you think of Pittsburgh, you probably think of football and steel.

But, according to state Rep. Joseph N. Hermann, the Pennsylvania milltown has something else to offer — something that could mean new life for Massachusetts milltowns, like Lawrence.

That something else is a dramatically different property tax plan which the North Andover Democrat and other legislators believe could spur economic growth, cut down on urban sprawl and eliminate unfair tax practices.

The plan unveiled by Hermann and a bipartisan

Rep. Hermann

Please turn to page 3



New tax plan puts emphasis on land

From page one

mann said. "It's the bill of the future as far as property taxes go." Pittsburgh and several other Pennsylvania cities that have adopted the plan have experienced an upsurge in construction and a reduction in what Hermann called urban sprawl.

House of 17 other legislators at a State House press conference yesterday would allow Massachusetts cities and towns to drastically change the way they tax buildings and land.

In communities that adopted it, the so-called "graded tax" plan would place a higher value on land than on the buildings that occupy the land.

Under the current tax structure, 80 percent of most property taxes are based on the value of the building and the other 20 percent on land value, according to Hermann.

"One of the best things about this bill is that land tax will not penalize people for building on and improving their property," Hermann said. "In fact it will encourage them to."

The proposal was submitted in the form of a "local option" bill, which means the communities would have the choice of adopting it or staying with the current system.

The proposal would also give cities and towns the option of using the new tax structure in any or all of the current classifications: residential, commercial, industrial and open land.

The plan, sponsors said, would stimulate development, discourage the speculative holding of land by slumlords and developers and allow homeowners and businessmen to make improvements to their buildings without facing higher tax bills.

"At last we're giving the commonwealth an alternative," Hermann said, adding that the plan would probably decrease property taxes for urban homeowners and increase them for slumlords and owners of vacant lots.

"It's not radical, it's innovative," Her-

based tax system in that city. The primary effect in Massachusetts would be felt in urban areas like Lawrence.

Sponsors of the measure hope that in addition to spurring development, the land-based tax would also help prevent corrupt or unfair assessing practices by limiting the amount of discretion an assessor has in determining property value.

Hermann said Pittsburgh recorded \$300 million worth of new building permits last year, the first full year of the land-

Lawrence (Mass.)
Eagle-Tribune

3 DEC '81

Bill to shift property tax burden from buildings to land proposed

A group called the Incentive Tax League, joined by a number of Massachusetts legislators, is pushing a bill that would allow communities to shift the property tax burden from buildings to land.

Mitchell Chanelis, deputy chairman of the league, said at a Boston news conference yesterday that 18 legislators were co-sponsoring the so-called graded tax bill filed for consideration in 1982 session.

He said the measure would allow "a distinction between the products of human labor and natural resources," and permit the tax ratio between buildings and land in Massachusetts to be reversed.

The effort is modeled after activity in Pennsylvania, according to sponsors.

Pittsburgh taxes land at a higher rate than buildings, and this has led to a building boom, lower housing costs and a general upturn in the economy, it was claimed.

Buildings in Massachusetts are taxed at five times the rate of land, the sponsors said. The opposite is the case in Pittsburgh, they said.

The measure is aimed at urban areas, with the intent of making it unprofitable for people to hold vacant land, slum dwellings or other properties that could be put to better use.

Boston
Herald-American
3 DEC. '81