

## GRADED TAX PRINCIPLES APPLIED TO CURRENT SITUATIONS

### Letters in Pittsburgh Post-Gazette

May 18, 1962

#### **Tax on Land Said To Be Attraction**

Your editorial of April 27, "Squeeze on the City," refers to "the city's real estate tax . . . 37 mills on land and 18½ mills on buildings—a level which officials feel can be raised only at a risk of repelling wanted industry."

It is time, with publication of a new history of the Graded Tax on land and buildings, that our officials begin to take into practical account the significance of this gradation. It is always misleading to lump the two taxes together because whatever is said regarding a tax on land, the opposite will be true of a tax on buildings. A tax on buildings even if low (and ours is far too high) raises their price, punishes improvement, and "repels industry." A tax on land tends to hold down the price and attract developers.

While assessors have been valuing downtown land more nearly at sale price than residential property, and hence need to adopt equitable standards, it seems evident that the tax pressure on downtown land is still not great enough to bring its price within attractive reach. Otherwise planners would not be talking of eminent domain as the only way to assemble land for a major development. The same thing applies to areas needing redevelopment throughout the city.

It is dawning upon planners and realtors in many places, that "slumlords" are reaping profits from crowded old dwellings, because of low assessments; but holding their

land at high prices in hopes of Renewal purchases. Yet when owners want to rehabilitate, they are penalized by the tax proportionate to building value.

City and county will need to cooperate, for many reasons, and the county with its exploding population has tremendous speculative land value. But the city is a long way from having exhausted its potential land revenues.

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#### **Tax Break Due Downtown Merchants**

The Graded Tax League letter printed May 18 was written before the appeal to save Donahoe's store added a new interest to the problem of taxes. Owners of many downtown properties lease them to merchants with a requirement that the latter pay the local taxes. Donahoe's found this impossible and the owner, an out-of-state insurance company, has had to pay and now wishes to liquidate the business.

Taxes were \$56,000 in 1948 when the store was purchased, and it would be useful to know what the new owner had in mind for the future of the property. The taxes are now \$88,000, as Judge Weiss points out, but this is due almost entirely to increases in millage, not assessment. The assessors' chief question should be, "What would you sell for?"

The purpose of increasing taxes on land and decreasing them on buildings—a process which stopped short in 1925, with the Graded Tax remaining at a building millage one-half of that on land, but not applying to school or county taxes—is to hold down the price of land within reach of those who would put it to more adequate use. The process should be gradual, as it was between 1913 and 1925, when probably few owners sold for less than their purchase price.

Land prices in all older central cities are now declining, but are still substantial. They rise whenever there is a hint of new projects, public or private, to buy the properties. Under the law, assessments above sale price must be reduced, but under the same law, most assessments of residential land should be increased. The instinctive desire to favor home and building owners should be achieved by lower building millage, not by falsely low assessments.

In Australian cities, taxation of site values only results in "new buildings springing up among the old"—an automatic renewal without waiting for government plans. But far-visioned plans are needed.

Instead of seeking outside investors, has anyone considered organizing present owners into a joint corporation to do their own redeveloping—giving them all possible bank (and perhaps tax) credit and, certainly, removing taxes from improvements?

If they cannot be drawn into this kind of cooperation, then the community is justified in using taxes as a bargaining instrument.

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