

THURSDAY, MARCH 10, 1966

The Scene

By ANDREW CHANCELLOR

IT WAS A MODEST house in a modest neighborhood, and the owner of the house, who lived in it, was visibly proud.

He showed off the new kitchen and its remodeled windows, a new bathroom on the first floor, lowered ceilings with recessed lights, and a sturdy new back porch which, he said, would be screened "so the kids can sleep outside in summer."

He had done most of the work himself, although neighbors had helped him with some of the jobs, as he in turn would help them. He had worked on the repairs at nights, on week-ends, and during vacations. He now had a better house, the neighborhood was accordingly improved, and, in a way, the stock of housing in Pittsburgh was just a little less shabby.



Mr. Chancellor

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But he'd broken the city law, and he knew it. For the law requires getting a building permit before making such repairs.

It's a reasonable law because it assures that the work done will meet standards of safety and zoning, and it can protect the homeowner from being bilked by an unscrupulous contractor.

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But getting a building permit means alerting county tax assessors, and that in turn can mean paying higher taxes for improved property.

So the industrious homeowner in this instance preferred to ignore the law and take his chances on eluding the eye of the assessor. (There are about 140 county assessment people in the field; over a period of three years they are supposed to cover some 800,000 taxpayer accounts—and a single account can include several buildings and parcels of land.)

This story, in which there is no personal villain, points up a problem that will hobble most American cities, and especially a city with housing blight so widespread as Pittsburgh's, as they press on with programs to improve their neighborhoods and retain middle-income residents.

The problem is, how do you spur homeowners and landlords to rehabilitate their properties when, on top of the cost of repairs, they would also have to pay higher taxes? Shouldn't there rather be a tax incentive for this essential improving of neighborhoods, as by exempting part of the cost or stretching out the rise in assessment?

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Tax abatement and tax exemption programs, such as New York City has for rehabilitation of rental property, are out of the question here. Expert opinion holds that this is forbidden by Pennsylvania's Constitution, whose relevant clause says "all taxes shall be uniform, upon the same class of subjects."

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So to permit this sort of housing reform, the state Constitution would first have to be amended. But even after the amending, the writing of just and workable regulations would be difficult.

For one thing, you would have to make sure that landlords did not reap a double benefit, one from tax incentives and another from higher rents. Also, you would have to adjust the incentive formula to the income level of the homeowner (for the less he earns, the more of a break he should get on his efforts to improve his property).

But such difficulties can be overcome. And they will be, as more and more of the citizenry realizes that it's inconsistent to exhort people in deteriorating neighborhoods to spend for repairs when, as a near consequence, they will be hit with higher taxes.

The People Speak

THURSDAY, MARCH 17, 1966

Pittsburgh Has A Tax Incentive

In his very interesting column (The Scene, March 10) Mr. Andrew Chancellor (in discussing the financial and legal problems of a citizen of modest means who had remodeled and improved his home only to be faced with higher taxes due to the increased value of his property resulting from such improvements) raised a pertinent question of concern to all citizens, "Shouldn't there be a tax incentive for essential improving of neighborhoods, as by exempting part of the cost or stretching out the rise in assessment?"

Recently many thoughtful citizens throughout the country who are interested in better housing and in urban renewal have suggested that tax and assessment methods

should be so modified as to encourage the improvement of real estate in general and to discourage the holding of valuable land for speculation at high prices. But it is rather amazing that so many are unaware that the Legislature of Pennsylvania has repeatedly enacted sound legislation designed to achieve this purpose. And that Pittsburgh is the one large city in the United States that pioneered by adopting such a policy more than 50 years ago during the second administration of Mayor William A. Magee.

In many states there are constitutional obstacles. But fortunately, an amendment to our state constitution was not necessary; the doors are open in Pennsylvania. It is, of course, unconstitutional to confer a special tax privilege on any individual taxpayer, however deserving he may be because of his financial limitations. Our state constitution does require uniformity of treatment but permits classification of property, so that different classes of property may be taxed at different rates. This permits cities to impose a lower tax rate on buildings and a higher tax rate on land. This is being done successfully here in Pittsburgh. If we examine the city tax bills for 1966 we will find that the land tax rate is \$38 per \$1,000 of valuation, while the building tax rate is only \$19, or just one-half of the land rate.

This tax plan is in operation only in the second class cities of Pittsburgh and Scranton. But any of the 48 cities of the third class now have the option of adopting a similar plan, or of even going farther in the direction of exempting improvements from municipal taxation. Several cities are now giving this question serious consideration, including Erie, New Castle and Uniontown in Western Pennsylvania.

And right here in Allegheny County, such cities as McKeesport, Clairton and Duquesne could adopt such a plan at any time under the enabling act of 1951 (amended in 1959) which was sponsored by Senator Bernard B. McGinnis, a long-time advocate of land value taxation and of lower taxes on homes and other improvements.

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