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Tax plan has winners, losers

Winners and losers are listed followed by estimated 1986 tax bills, estimated bill under split-tax proposal and percent of savings under proposed plan.

Winners

- **West End home:** \$3,120, \$1,773, 43.17 percent.
- **South Side home:** \$614, \$409, 33.27 percent.
- **West End condominiums:** \$78,025, \$4,886, 93.76 percent.
- **Billings Sheraton Hotel:** \$213,684, \$10,509, 95.08 percent.
- **Transwestern III building:** \$59,088, \$9,554, 83.83 percent.
- **Rimrock Mall (major parcel):** \$313,909, \$281,473, 10.33 percent.

(Figures compiled by Hossein Varamini from Yellowstone County tax records)

Losers

- **Ryan Oldsmobile:** \$15,441, \$23,418, -51.66 percent.
- **4 Seasons Shopping Center:** \$22,406, \$37,265, -62.32 percent.
- **ToyotaLand:** \$11,310, \$25,835, -128.43 percent.
- **K mart (Central Ave.):** \$65,715, \$91,723, -39.58 percent.
- **Cenex truck stop (Main Street):** \$3,139, \$7,402, -135.84 percent.
- **King Avenue and 24th Street West (city-owned land):** \$595, \$1,768, -196.98 percent.

Prof pushes plan to increase land-tax rates, spur growth

By PAUL J. HOLLEY
Of The Gazette Staff

An Eastern Montana College economist has a taxation proposal to promote development by increasing land taxes.

Hossein Varamini, an economics and finance instructor, has suggested a land-value taxation method that would place a higher tax burden on land while reducing, or even exempting, taxes on improvements.

The plan, he says, would cut taxes to most residential property owners while still raising enough money to pay for public services. The tax plan would only be applied to residential and commercial property.

The present taxation method, used in Montana and most other places, applies the same tax rate to both land and improvements.



VARAMINI
home taxes fall

Land-value taxation — also called site-value or split-rate taxation — dates back to the 1700s and was espoused by 19th-century economist Henry George.

George believed that land should be the only source of tax revenue because all wealth stemmed from land ownership.

A modification of George's tax theory has been used for several years in Pittsburgh and other western Pennsylvania cities. There, improvements are taxed at a low level than land.

Varamini says the land-value taxation concept encourages development and new construction and discourages speculators from buying bare, unimproved property and simply sitting on it.

"In economics, we have a widely accepted theory that if there is a limited supply of something, the price is the only determinant," said Varamini.

"Under the current system, a developer can buy land and pay low taxes," he said. "All they do is reduce the supply of land and drive the surrounding land prices up. High

(More on Land, Page 14A)

CONTINUED STORIES

Land

From Page One

er taxes would give them an incentive to develop the land."

Varamini is in his second year of teaching at EMC. A native of Iran, he holds a master's degree in business administration from Phillips University in Enid, Okla., and a doctorate in economics from Kansas State University. He has lived in the United States for eight years.

The EMC teacher says he started work on the land-value tax proposal this spring. Assisted by an economics student, Pat Perry, Varamini researched and applied the land-value method to selected Yellowstone County properties.

Varamini has circulated his proposal to some members of the Legislature's Revenue Oversight Committee, and he hopes to interest the public in the idea.

His figures, based on current tax valuations and levies, call for a land tax-rate of 11.46 percent and no tax on improvements. The present local rate on both land and improvements is 3.86 percent.

The proposal would raise the same amount of revenue — \$157 million — as residential/commercial property taxes did in Yellowstone County last year, he said.

The plan would cut property-tax bills on almost all Billings residences because the value of the homes often exceeds the value of the lots, he said.

Also saving would be commercial properties occupying relatively small land areas, such as the Billings Sheraton Hotel and the Transwestern III office building.

Meanwhile, businesses that use large amounts of land and undeveloped properties would bear the brunt of property taxes.

Property-tax plan 'intriguing'

For example, Ryan Oldsmobile would see a 51.66 percent tax increase while K mart's tax bill would go up by 39.58 percent.

"Those who use land to make money, should pay more taxes," Varamini said. "In the short term, some will suffer. But, in the long run, it is a more equitable tax system."

Businesses faced with higher property taxes can pass their expenses on to customers, he said. Homeowners, meanwhile, would see more disposable income through the lower property-tax bite.

Most important, Varamini said, the tax plan would spur construction because land owners would realize no gain by keeping undeveloped land.

Revenue Oversight Committee members and a tax reformer are lukewarm to cold on a property-tax proposal offered by economist Hossein Varamini.

"It has a lot of merit," said committee member Sen. Tom Towe, D-Billings. "But, it's a little more than I'd want to grab onto and make a cause right now. From a political standpoint, it's not practical, but it's a very intriguing concept."

Towe said he fears that land-value taxation would meet with considerable landowner opposition if it came on the heels of a recent state law that increased tax bills by reclassifying suburban land.

Another committee member, Sen. Bruce Crippen, R-Billings, said the proposal is unrealistic.

"He (Varamini) seems to think that it is unconscionable for anybody to buy land at a low price and resell it at a high price," he said. "That taxation is a function of the income tax, not the property tax."

Crippen, developer of the Homestead Business Park in Billings, also takes issue with Varamini's assertion that developers make money by putting no improvements in land.

"There's \$4 million invested in utilities at Homestead. Where does he get the idea that all developers just take the money and run?" he asked.

"If we want to limit land development, then don't do it with a property tax," Crippen said. "But, if we want to see development, we can't afford to make it so onerous for anyone to come in here and build."

George Anderson, a Helena accountant who co-chairs the Montana Tax Reform Education Committee, said the land-value concept sounds interesting but it may not accomplish very much.

MONTREC is sponsoring a ballot issue that would freeze property taxes unless the 1987 Legislature establishes property-tax reforms.

"I'm happy to see government raise money as long as it's done fairly," Anderson said. "My feeling is tax reform is not something that drives somebody out of the economy."

Varamini is unruffled by the response.

"Whenever you have a change in a taxation system, some are going to win and some are going to lose," he said. "What's important to consider is who is going to win and who is going to lose."

Rep. Mel Williams, D-Laurel, Revenue Oversight Committee chairman, said it's unlikely the group will look at the proposal anytime soon.