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Part I of

A Report On

"The Impact of a Building-to-Land Tax Shift on Homeowners and Other Property Owners in Philadelphia"

by

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7029

Homeowners in 59 of the city's 66 wards (89%) would save. Homeowners in wards 9, 11, 12, 15, 29, 30 and 60 would pay somewhat more. For example, ward 9 homeowners would pay 2% more with 6%/9.11% rates and 4.6% more with 5%/12.25%. Ward 30, which would have the largest increase, would have corresponding increases of 2.0% more with 6%/9.11% and 4.6% more with 5%/12.25% (see attachment).

These wards had the biggest savings: 25, 26, 41, 48, 54, 55 and 62. Ward 54, with the largest savings, would experience a 6.2% tax reduction with 6%/9.11% and a 14.5% tax reduction with 5%/12.25%.

6. Apartment building and hotel owners save even more than private residential owners. Initially, this should add to their profits and thus encourage new construction. Since there would be less tax on buildings to be passed on to tenants in the form of higher rent, it seems likely that tenants would ultimately benefit also.

7. The category of "stores with dwellings" would pay slightly more with a building-to-land tax shift.

8. Commercial and industrial landowners would pay more with a building-to-land tax shift. A typical commercial property would pay 4.5% more with 6%/9.11% and 10.3% more with 5%/12.25%. It could be said that since these properties generate income, it will be easier for their owners to pay the higher tax and furthermore, these properties are generally quite valuable and hence taxing them more is in accord with the principle of ability-to-pay.

9. Owners of vacant land will pay more, of course. Fully 5.3% of the assessed land value in Philadelphia is vacant.

Taxing buildings less and land more has the definite political advantage of down-taxing property owners and certainly more homeowners. But the main reason for undertaking such a tax shift is an economic one: it encourages new construction and rehabilitation. By reducing the tax on buildings, we make their new construction and rehabilitation cheaper; we reduce the tax disincentive and by increasing the tax rate on land, the city maintains the revenue it needs and in addition, it

The following conclusions are based on assessment figures supplied to CSE by city officials in Philadelphia (see attachments).

1. Each additional 1% property tax on land assessments will yield $14,167,281 in revenue to the city.

2. The current city wide ratio between buildings and land is 3.1416655:1; this means that any individual property owner whose building-to-land ratio exceeded 3.14:1 would pay less in property tax with a building-to-land tax rate shift. Property owners with a ratio smaller than 3.14:1 would pay more and those with that ratio would pay the same amount.

3. If the city will need no additional revenue from the property tax than it is currently obtaining from its 6.75% rate, then we would recommend that the city reduce its tax rate on buildings to 5% and increase its tax rate on land to 12.25%; these rates will raise exactly what the current 6.75% raises. If more property tax revenue will be needed for 1982-83, we recommend that the city reduce its tax rate on buildings to 6% and make up the rest of the revenue from an increase in the tax rate on land. A 6% building tax rate coupled with a 9.11% land tax rate would raise the same revenue as the city now gets from a 6.75% tax rate on both land and buildings.

4. Reducing the building tax rate to 6% would mean a reduction in taxes on all buildings in Philadelphia to the amount of $33,381,642 each year, a surprisingly large sum. A reduction in the building tax rate to 5% would mean that building owners would save $77,890,499 each year.

5. A building-to-land tax shift would reduce taxes for Philadelphia's home owners. In fact, they would save $5,263,386 with a 6%/9.11% rate and $12,319,035 with a 5%/12/25% rate each year. This comes to 2.6% savings with 6%/9.11% rate and 5.9% savings with 5%/12.25% ratio.

encourages landowners to put their sites to a fuller use more consistent with market demand and zoning limits. We can increase the tax rate on land without in any way decreasing its supply, and this cannot be said about any other tax, especially the property tax on buildings.

There is also something to be said for taxing locational values because they are produced by the efforts of government and society at large, as when roads, schools, hospitals, jobs and shopping are provided nearby. Perhaps land values are, therefore, more appropriate for taxation than buildings and wages that are individually produced.

February 24, 1982

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TAXABLE ASSESSMENTS BY CATEGORY

DATE 2/10/82

WARD	PRIVATE RESIDENTIAL LAND	PRIVATE RESIDENTIAL IMP.	APARTMENT BUILDING AND HOTELS LAND	APARTMENT BUILDING AND HOTELS IMP.	STORES WITH DWELLING LAND	STORES WITH DWELLING IMP.	COMMERCIAL LAND	COMMERCIAL IMP.	INDUSTRIAL LAND	INDUSTRIAL IMP.	VACANT LAND	VACANT IMP.
1	4850800	24024100	311200	1401300	1243800	4761200	1983250	1352350	2461500	2011700	592100	
2	6490700	31297700	418300	1822700	2965900	9368300	3106300	4361600	1549000	2198000	1301000	
3	7806300	25365800	836600	3344100	973900	2370400	820900	1566300	59600	145700	85200	
4	5261700	20492200	747000	2698700	669400	2053600	207600	263200	214600	208600	138000	
5	20117300	103969200	10210700	31352300	5132400	13561400	108051000	205193500	17074700	38022100	[illegible]	
6	2561200	9040800	838000	3184500	785600	2111100	1319400	3129900	217400	724600	347900	
7	4760300	20962700	185200	791400	581100	2599900	1475100	2520700	7821800	18444000	983600	
8	21194600	91671800	32238500	100147100	8375400	17416000	142335300	301869288	8504300	17326500	10729000	
9	20637700	51925200	1648200	16034600	616600	1753000	2010100	5342500	83500	146200	3719100	
10	9102900	40804000	909400	5097800	489400	1705600	1138400	2416300	122000	338500	223950	
11	4205700	11334900	1494300	4573700	816500	1903600	1465700	1088300	2602500	5830400	780100	
12	7832800	24357300	2275200	8644300	1204600	4136000	3393400	5283800	900800	2342700	596500	
13	6134550	25188550	1486000	6318100	1205500	2548700	2227600	2577300	1794500	2747700	424600	
14	1119100	3604200	537000	1228300	623800	923700	1937700	2322700	610300	2091600	900950	
15	15489600	36751700	877000	4493800	1221500	2514600	1153500	2708000	302100	306100	623400	
16	1804200	10557300	47200	155400	236800	1279400	674500	965800	829500	533100	238800	
17	7396820	29819080	1192090	5818710	909910	2953290	1440010	1986590	397000	897000	373600	
18	3040000	11735300	120900	404700	858000	2107200	1158600	1761600	4375300	8558200	1114880	
19	2343700	7646600	155800	250500	520100	1662200	659300	875400	1388700	1903300	958600	
20	1709900	6832300	457300	1801000	116700	309700	502200	719600	293100	603100	370900	
21	22706800	87114200	3021700	24286400	890100	2670600	4224900	8055300	1305800	3452400	3255800	
22	13999300	50986700	2287200	11069600	504600	1315800	808000	2738900	109300	96600	438700	
23	6162200	32172200	1154900	6480500	1983800	4166100	3742800	8369500	3760800	7496900	1116300	
24	2058500	6825500	1925500	9540200	414300	1251900	4642500	17500300	3510300	2907100	398900	
25	3756400	25485500	217200	1064200	1598200	5917500	2926100	3556500	1037100	2989400	344070	
26	7206800	45789700	860500	5368300	798200	4069500	3876500	5948700	14277300	6730100	1559500	
27	2003100	6680100	5749600	31530300	555800	1497400	5689500	16818400	3255900	5035900	774500	

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TAXABLE ASSESSMENTS BY CATEGORY

DATE 2/10/82

WARD	PRIVATE RESIDENTIAL LAND	PRIVATE RESIDENTIAL IMP.	APARTMENT BUILDING AND HOTELS LAND	APARTMENT BUILDING AND HOTELS IMP.	STORES WITH DWELLING LAND	STORES WITH DWELLING IMP.	COMMERCIAL LAND	COMMERCIAL IMP.	INDUSTRIAL LAND	INDUSTRIAL IMP.	VACANT LAND	VACANT IMP.
28	2836600	12150900	30800	97400	407800	1712400	200200	431700	293400	586600	180900	
29	1979100	4831100	348000	686100	672300	1171300	527800	769600	641600	2191200	192500	
30	5627600	13054200	1870800	4250900	1589300	2768400	1961700	1969900	1394100	1430700	1139200	
31	3452000	16000600	194500	799100	841900	2973000	1055550	1616650	4543300	4957100	1558420	
32	2580700	9908800	580700	1593400	372600	1001900	482400	752800	110300	219300	259000	
33	6743500	39297200	495600	2496200	1084600	2740300	2094800	3579300	3255600	9051000	313800	
34	14530400	61654300	2713600	11420400	1317100	4566000	2456100	3394700	970200	1936300	467200	
35	10950200	54304400	2197900	11302200	915100	4304900	3549800	15615100	2501900	8769100	684900	
36	8558600	32002200	271600	952700	1664600	4546500	1262000	1866300	2692400	5028900	907500	
37	2280200	9463500	403800	1413300	580100	1899800	928000	1242500	675200	1167500	550650	
38	8256100	28004500	687900	4905000	421900	1330100	1232200	1399900	3055300	8879700	927600	
39	10789400	64542300	743300	3478500	2271300	10067800	4841000	9449800	11955500	25452200	3095000	
40	14388400	85569600	2807200	14262600	1722700	5243600	5748200	6783300	7132600	14726200	4757800	
41	5916100	38829800	774000	4840600	708200	2643300	1996400	3294000	3142300	4959100	406300	
42	7539900	43745300	1237500	5758300	1123300	3968000	2165250	3221100	2091200	5135800	364980	
43	5443000	22891900	884300	3107000	991000	3227500	2161200	3558600	901500	2117800	262000	
44	3617300	14534200	623500	2349900	768400	2568200	527100	943700	128500	400300	133500	
45	6388610	36430800	195900	485600	758700	3721900	4249000	6967340	10679300	30261000	2356160	
46	6494100	21181300	3598000	12524700	819500	2023500	636800	1055100			61600	
47	584400	2110200	689400	2216400	472400	1327300	1786500	1939500	58100	172700	377100	
48	5072800	31020300	131600	577200	627600	3168200	869300	1547500	5535000	2747400	183900	
49	9371490	33743810	2475040	10552860	1407870	3933830	2583600	3292700	341050	957750	283800	
50	11795600	58123100	1736500	9046000	493200	1801100	1508400	2510700	127200	81000	305600	
51	6954400	28163400	1009000	3422500	1047400	2755800	1222200	1693500	1096300	2912500	387670	
52	9266500	37873900	5282700	27574800	557000	1663100	5978100	8489700	1113500	3205200	4261400	
53	12903100	52932500	1569200	7541900	458700	2039700	1362800	2784900	29400	35100	237500	
54	6389700	53094100	1042100	6511200	410400	2196000	1806300	3227200	74300	107600	29500	

WARD	PRIVATE RESIDENTIAL LAND	PRIVATE RESIDENTIAL IMP.	APARTMENT BUILDING AND HOTELS LAND	APARTMENT BUILDING AND HOTELS IMP.	STORES WITH DWELLING LAND	STORES WITH DWELLING IMP.	COMMERCIAL LAND	COMMERCIAL IMP.	INDUSTRIAL LAND	INDUSTRIAL IMP.	VACANT LAND	VACANT IMP.
55	8582500	64292300	815500	6352500	833300	3222300	2097700	3648700	79800	173400	203900	
56	20488900	74771200	6217900	37375400	573100	2580000	5594600	12399300	505100	1399700	2103900	
57	15647700	65126900	2578200	16469700	257700	995400	2828300	6564900	1469500	9272700	709000	
58	32488900	125007800	5511500	34356300	2172700	5143800	4854200	12825900	5895700	16370500	5035000	
59	7843500	27764500	2266700	10193300	726800	1785900	2622300	2921400	358400	1441100	600900	
60	6147600	17562700	1794100	4734900	1256400	2257700	2416600	2757000	241200	672600	483200	
61	9670200	51133900	2052300	10397400	1350900	2738400	1977700	3958400	1012700	1719100	312150	
62	7378950	53555300	911300	5673100	548200	2657100	1972700	3176500	192400	658200	366750	
63	14942200	60822900	1776900	14497600	273800	1228900	1180600	3979700	225400	854400	572600	
64	7396000	40173100	1060800	7744700	515100	1333300	1971000	4137600	10200	97600	303200	
65	10475200	56529300	1601800	11261000	387600	1543900	2376700	3952600	6936500	14281900	1980600	
66	27323400	114924600	3744500	20049500	91700	403200	6306900	7256100	8228300	32137400	1645300	
	571,347,820	2499,607,340	137,128,430	622,174,670	69,784,180	206,181,020	394,362,160	772,267,518	168552950	350655150	75552530	
	4.37493:1		4.53716:1		2.95455:1		1.95827:1		2.08039:1		0	

ACE3

TAXABLE ASSESSMENTS BY CATEGORY

DATE 2/10/82

WARD	PRIVATE RESIDENTIAL LAND	IMP.	APARTMENT BUILDING AND HOTELS LAND	IMP.	STORES WITH DWELLING LAND	IMP.	COMMERCIAL LAND	IMP.	INDUSTRIAL LAND	IMP.	VACANT LAND	IMP.

GRAND TOTAL LAND 1416728070

GRAND TOTAL IMP. 4450885698 3.1416655:1

GRAND TOTAL COMB 5867613768

Philadelphia - 2/10/82 Report of Assmt. Dept. - B:L Ratios for Pvt. Residential, by Ward

Ward	Ratio	Ward	Ratio	Ward	Ratio	Ward	Ratio	Ward	Ratio
1	4.95:1	16	5.85	31	4.64	46	3.26	61	5.29
2	4.82	17	4.03	32	3.84	47	3.61	62	7.26
3	3.25	18	3.86	33	5.83	48	6.12	63	4.07
4	3.89	19	3.26	34	4.24	49	3.60	64	5.43
5	5.17	20	4.00	35	4.96	50	4.93	65	5.40
6	3.53	21	3.84	36	3.74	51	4.05	66	4.21
7	4.40	22	3.64	37	4.15	52	4.09		
8	4.33	23	5.22	38	3.39	53	4.10		
9	2.52	24	3.32	39	5.98	54	7.71		
10	4.48	25	6.78	40	5.95	55	7.49		
11	2.70	26	6.35	41	6.56	56	3.65		
12	3.11	27	3.33	42	5.80	57	4.16		
13	4.11	28	4.28	43	4.21	58	3.85		
14	3.22	29	2.44	44	4.02	59	3.54		
15	2.37	30	2.32	45	5.71	60	2.86		

- Avg. Ratio for all Wards = 4.37493:1
- Avg. Ratio for the Entire City = 3.14167:1
- 89% ($^{59}/_{66}$) would pay less with a building-to-land tax

ADDENDUM

Based on more recently received information from city officials, the following are what the various classifications of property in Philadelphia would pay on the average under a 6%/9.11% building-to-land tax rate shift as compared to the current 6.75% one-rate property tax:

	Bldg. Asmt.	Land Asmt.	Pays with 6.75%/6.75%	Pays with 6%/9.11%
Pvt. Residential	$5,695	$1,301	$ 472	-2.3%
Apt. Bldgs. & Hotels	17,105	3,770	1,409	-2.8%
Stores	6,769	2,291	609	+1.0%
Commercial	43,408	22,166	4,426	+4.5%
Industrial	54,747	26,316	5,472	+3.8%
Vacant	-	2,836	191	+35%

(These amounts are based on the assessments for each class and on the number of taxpayers in each class per T. Michael Mather's letter to Steven Cord, 2/23/81; Mr. Mather (chairman, Phila. Litigation Dept.) got those numbers from the Philadelphia assessment office.)