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*Land settlement - US.*

# **LAND SETTLEMENT POLICY and REAL PROPERTY TAXATION**

Proceedings of Seminar, Southern  
Land Economics Research Committee  
Knoxville, Tenn. October 9, 1969

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**LAND SETTLEMENT POLICY  
and REAL PROPERTY TAXATION**

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## PREFACE

A distinctive characteristic of the 1960's was man's growing concern for his environment and his willingness to encourage all levels of government to develop programs to reduce wasteful exploitation and pollution. An expansion in natural resource use accompanies growth in population as larger quantities of raw materials are required to produce goods and services to satisfy the demand of additional people. But, a more subtle force has contributed to the rate of use in recent decades--the affluence of the economy that provided income to increase demand many fold. The two factors--growth in population and increased income per capita--and the development of some technology that draws heavily upon the environment, gave rise to a concern for the future. The essence of the concern is a desire to frame and implement a resource policy that will assure a supply of resources for future generations at reasonable costs.

President Richard Nixon in his address to the 91st Congress, 1st Session, July 21, 1969, "Relative to Population Growth," outlined the major issues involved.

In 1917 the total number of Americans passed 100 million after three full centuries of steady growth. In 1967--just half a century later--the 200 million mark was passed. If the present rate of growth continues, the third hundred million persons will be added in roughly a thirty-year period.....

Where.....will the next hundred million Americans live?..... The National Commission on Urban Growth.....recommends the creation of 100 new communities averaging 100,000 people each, and ten new communities averaging at least one million persons. But, the total number of people who would be accommodated if even this bold plan were implemented is only twenty million--a mere one fifth of the expected thirty-year increase.

For some time population growth has been seen as a problem for developing countries. Only recently has it come to be seen that pressing problems are also posed for advanced industrial countries when their populations increase at the rate that the United States, for example, must now anticipate. Food supplies may be ample in such nations, but social supplies--the capacity to educate youth, to provide privacy and living space, to maintain the processes of open, democratic government--may be grievously strained. (Emphasis added).

The Southern Land Economics Research Committee has responded to this problem of land supply-population growth by sponsoring a workshop and seminar on land settlement policy at which ideas were exchanged and proposals discussed. These activities led to the conclusion that much of the problem is economic and political in nature and there is great need for research on specific problems of land ownership, utilization, and development to provide

a basis for framing more adequate settlement policies at both the State and Federal levels of government. The papers presented at the Seminar on Land Settlement Policy and Real Property Taxation and published herewith outline suggested research programs in an effort to stimulate such research in the South.

The Regional Committee appointed Gene Wunderlich, U. S. Department of Agriculture and W. L. Gibson, Jr., Virginia Polytechnic Institute as a work committee to publish the proceedings. The Farm Foundation provided funds to defray publication costs.

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## NEEDS and SUGGESTIONS for RURAL LAND POLICY

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We understand the purpose of this seminar to be a layout of specific research undertakings to generate information useful for implementing land policy.

We will state briefly the need for, and suggest some components of, a land policy. We believe there is need for a national land policy and we would encourage appropriate groups to articulate such a policy. 1/ We follow with a discussion of the relation of policy to research and approaches to policy oriented research.

### Current Status of Land Policy

We do not appear to have what might be called a national land policy. The National Advisory Commission on Food and Fiber commented that we have, if anything, "a collection of subpolicies, each developed from the standpoint of a particular interest--the development of a region or the furtherance of a specific objective." 2/ Yet the need for unifying goals and programs for the Federal and State governments appears to be increasing.

High-speed, high-capacity transportation and communication media have heightened the interaction and interdependence of communities. Greater mobility has created a demand for a nationwide access to resources by a larger proportion of people. Growing population concentrated in smaller areas has upset biological balances, generated social friction, and degraded the physical environment. Various Federal and State policies are increasingly interdependent and when inadequately coordinated may tend to cancel one another or create unwanted results. Separation of powers among levels of government, and jurisdictional limitations imposed by geographic boundaries interfere with planning for the needs of large areas with mobile populations.

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1/ We are aware that the Soil Conservation Society of America and National Association of State Departments of Agriculture, as examples, are working on such statements.

2/ National Advisory Commission on Food and Fiber. Food and Fiber for the Future. 1967, p. 264.



We seem to be particularly deficient in a policy for effective use of rural lands in an urbanized environment. The National Commission on Urban Problems includes, within its scope, means for improving the use of space in central cities and metropolitan areas. The Public Land Law Review Commission is attempting to develop the legal instruments for implementing public land policy.

Former Secretary of Agriculture Freeman, 1/ The Advisory Commission on Intergovernmental Relations, 2/ and others have recognized that rural areas can contribute positively to an urban economy and society, and that adequate land use plans for the nation must include rural areas.

Despite the availability of resource inventories and research, commission and agency reports, and general literature that could contribute substantially to the development of a national land policy, there appears to be no generally accepted policy adequate for national and regional planning by States. Because the authorities for implementing land use planning reside principally in the State governments, some interstate mechanism is needed to articulate the policy.

### **Some Components of Land Policy**

Without attempting a comprehensive statement of policy or exhaustive list of problems and issues, we can highlight some of the major features of a rural land policy. Because we are concerned ultimately with the successful implementation of policy, we have noted first the issue of authorities, powers, and jurisdiction.

Authorities. Under our system of government a fundamental distinction is made in the way land policy objectives or goals can be achieved by the Federal government on one hand and State governments and their subdivisions on the other. Goals articulated by the two levels of government are not necessarily conflicting, but their available powers are different. The Federal government must rely on the power to raise revenue by the income tax and to affect land policy by the spending power. The States and their subdivisions, on the other hand, may implement policy directly through property taxes and the power to regulate land use. An adequate policy must provide for resolving conflicts between various Federal programs, between Federal and State programs, and among and within States which tend to restrict or defeat the objective of a unified land policy.

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1/ O. L. Freeman. Toward a National Policy on Balanced Communities. 53 Minn. Law Rev. 1163-1178 (May 1969).

2/ Advisory Commission on Intergovernmental Relations. Urban and Rural America: Policies for Future Growth. Wash., D.C., April 1968.

Population density and land settlement patterns. Population density, land settlement, and the arrangement of human activity are factors in the design of habitat, community facilities, and home-work relations. Policies should give adequate attention to physical and biological interrelationships including impacts on degradation of environmental quality.

Agriculture and related land uses. Location and composition of agricultural production should be sufficiently flexible to permit shifts called for by changing technology, population, and competing uses. Agriculture as a land use is often complementary to recreational, open space, and other needs.

Forestry and other extensive uses. Extensive and multiple uses of rural areas--forestry, recreation, watershed, urban buffer and expansion zones--should be an aspect of overall land use policy. The relation of public to private ownership is a critical question where land uses in one time or place strongly affect uses in other times or places.

Transportation. Transportation affects the location of productive, recreational and household uses of land. Policies to meet the needs of moving goods and people should recognize the impact on surface land uses.

Interstate relations. Interstate relations, including formation of multi-state planning and programming authorities, are central to a national land policy. Interstate compacts and other legal instruments for coordinating specific programs should be developed.

Land laws. State law standards, related to Federal laws, can assist in avoiding the competition that results in successive degradation of land use practices. Federal programs are easier to design where State laws are similar. Development of improved, uniform standards could be undertaken in the areas of: condemnation, eminent domain, dedication; easements, covenants and development rights; assessment and taxation; zoning, building codes, land use regulations; land transfers, titles, records; ownership, leasing; organizations, corporations, special districts, and condominiums.

Land information. Information is required for development and modification of policies and programs. A comprehensive data base is required which includes inventories of physical features, uses, values, and ownership. Organized systems of data collection, arrangement, and storage are essential to successful management of public programs and private enterprises. Research is needed for understanding of fundamental relationships among land policy variables. Interstate information exchange is needed to coordinate programs and activities. Education provides for the organization and dissemination of land use data and research results.

#### **Relation of Policy to Programs, and in Turn, to Research**

The statement of policy is not necessarily presumed to contain a complete rationalization of some specific measures with the ultimate goals

of man. 1/ It seems sufficient that some desired (or improved) pattern of settlement, use, control, and management may be accomplished with available or foreseeable means. Policy, therefore, is some objective(s) to be accomplished and may be something less than the greatest good to the greatest number.

Programs are the means to accomplish policy. If there are alternative means to accomplish objectives, choices must be made. Choices imply planning. 2/ A plan is an action or sequence of actions based on some known or presumed relation between action and consequence. This is where the land economist comes in. He should have available, in advance of the decision, the information needed for the decision. Research results will supply this information.

Economic research should identify the incidence and magnitude of effects of alternative means to implementing a policy. For example, if zoning restrictions prevent conversion of agricultural land into housing who are benefited and who lose? What is the value of a scenic easement and who should be assessed for its purchase? In controlling the location of summer or second-home development, how should service charges or taxes be imposed so as to reinforce rather than counteract local and regional land use plans? Where should rural services be located to serve urban areas, how should access be controlled, and how should services be financed?

Throughout the consideration of land use policy and research in support of its design and implementation, we are attempting to construct measures--primarily legal instruments and organizations--to eliminate counterproductive programs and activities and support combinations of activities that complement one another in attaining objectives.

### Approaches to Policy Research

There are at least four different approaches to policy research: (1) disciplinary, (2) engineering or technical, (3) clinical, and (4) educational. 3/ Each approach is productive and all are complementary.

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1/ For this we refer economist colleagues to some reminders by Boulding that economics is a moral science. K. E. Boulding. Economics as a Moral Science. Am. Econ. Review, Vol. 59, No. 1, March 1969, pp. 1-12.

2/ John Dyckman. Planning and Decision Theory. Journ. of Inst. of Planners, Vol. 27, No. 4, November 1961. pp. 335-345.

3/ For related classification of policy research, see J. D. Shaffer, "Some Conceptual Problems in Research on Market Regulation" in Federal, State and Local Laws and Regulations Affecting Marketing, N. Dak. Ag. Exp. Sta., 1965.

The disciplinary approach has the social scientist searching for regularities and generalizations through the process of theory construction and testing. The search is motivated by a desire for knowledge without a particular practical problem or client in mind. The problems of the discipline are more significant than the problems of society in this approach.

The engineering or technical approach is an applied approach. The client is society. The problem is identified by the researcher. The researcher searches for a solution to a problem in an optimizing framework. The goals (criteria equation) of society as a unit are defined by the researcher. An optimum solution is found, optimum in terms of the society criteria equation. If the researcher errs in the definition of the problem or the statement of the criteria equation, the research has reduced usefulness.

The clinical approach has the social scientist identifying symptoms and diagnosing problems to be followed by prescriptions to fit the individual situations. The social scientist takes the attitude of the social critic and uses the research process to obtain solutions to problems.

The educational approach is closely related to the clinical approach. The researcher defines an issue or a problem facing society. He then defines alternative solutions to the problem identified and the consequences of each solution. Once these consequences are clearly defined, they are presented to the public. The individual citizen then decides what ought to be done by considering the consequences of various alternatives on himself and others, along with his judgment of what is good. He then exercises his preference through the political process.

We do not propose to rank approaches. However, we do feel there are distinct limitations to the engineering approach for most of the problems associated with public choice in land use controls. The inability to identify a societal utility function for even homogeneous communities places a serious limitation on the economist's search for some optimum solution to a specified set of objectives.

Perhaps there is something to be said for the educational approach. However, to accept the educational approach, one requires a certain faith in the legislative process, educated voters, and ability of researchers to convert available facts into realistic alternatives.

#### **What is to be Done--by the Southern Land Economics Research Committee?**

In relation to land policy we need not dwell much further on need. We have expressed our views on approaches to research for policy. In closing we would like to suggest some specific activities in the area

of land settlement, use, and control and indicate what role SLERC, as a committee, might play.

1. The need for national and State expressions of policy.

SLERC as a committee or as individual members can consult with appropriate public officials in State, regional, and national government and other private or quasi-public organizations. Policy oriented research will presume direct and immediate awareness of State and local land problems. As such, the research input can generate concepts directly useful in the expression of policy.

2. Undertake research.

SLERC can determine research needs, continuously review information deficiencies, and propose perspectives for researchable problems. Through its seminars and workshops, SLERC can do this.

SLERC can encourage formation of technical committees to attack larger problems. It can assemble results of individual research efforts and can encourage, advise, and review individual research undertakings. We would suggest research on the economic evaluation of land use regulation, the effect of taxes on land use, the value of agriculture in urban areas, the external benefits and costs of second home development in open country, and the supply and demand for natural resources as public goods.

Urgency of problems is by no means the sole consideration in problem selection and initiation of research. SLERC must consider its unique capabilities, its capacity to organize small units of research into larger packages, and its ability to work directly with decision makers. Most of all the Committee must focus a commitment of research effort on a specific problem or problem area and then set about fulfilling the commitment.

## LEGAL-ECONOMIC ISSUES in IMPLEMENTING LAND POLICY

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"Policies of Public Control over Land. Insofar as land and resources are affected by public interest, no landowner holds title to land to the exclusion of the rights of the public, including future as well as present generations. Our political philosophy must give meaning and content to the vague idea of "Public vs. private rights" to land. The right to control land uses exists and lies in the sovereign power of the state and may be exercised through the police power, eminent domain, and taxation. The real question is whether the people are willing to make use of these powers within the rule of reasonableness, as decided by the courts and American traditions." 1/

This statement from the Ely & Wehrwein text of 30 years ago can hardly be improved upon. If governmental spending is added to those powers enumerated, we have a full listing of forces that can be used to implement land policy. What the statement does not specify is that these powers or forces are variously distributed among different levels of government in our system.

This paper deals mainly with issues in regulating 2/ land use through the police power. 3/ The influence of the Federal government in the area of regulating land use is indirect, through the spending power. While States have the authority to regulate, they have seldom exercised it. In general, the State's authority has been delegated to local governments, but the exercise of the authority is at the option of the local government.

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1/ R. Ely & G. Wehrwein, Land Economics 475 (1940).

2/ Regulation is distinguished from other types of control that are derived from the use of the spending power, taxing power, or eminent domain.

3/ The police power has been defined as:  
" '...that inherent and plenary power in the state over persons and property, when expressed in the legislative will, which enables the people to prohibit all things inimical to comfort, safety, health, and the welfare of society, and is sometimes spoken of as the law of overruling necessity.' Ill. Law Review, June, 1928, at page 186." cited in Drysdale v. Prudden, 195 N.C. 722, 143 S.E. 530, 536 (1928). The U.S. Supreme Court has suggested that the traditional applications of the police power, public safety, public health, morality, peace and quiet, and law and order are merely illustrations of the scope of the police power and not limitations on it. See Berman v. Parker, 348 U.S. 26, at 32 (1954).

## Perspective

Since the adoption of the first comprehensive zoning 4/ ordinance by New York City in 1916, this tool has become the most widely used method for regulating 5/ land use in the country. 6/ Land use planning is usually explained to the public as a two-step process; (1) development of a comprehensive land use plan, and (2) implementation of the plan by the adoption of a zoning ordinance. This of course explains only the direct approach to what we have come to accept as land use planning.

Given this simple explanation, it is no surprise that the ineffectiveness of zoning is the most frequent explanation offered for our land use problems. 7/ While the explanation could be correct, we have little basis in fact for making such an aggregate evaluation. Firstly, increasing evidence suggests that zoning has never been given a fair chance. Factors exogenous to the zoning process have in many instances exerted undue influence on land use patterns. Secondly, many people have failed to understand the endogenous factors in the zoning process. Zoning is public regulation, not public ownership. Consequently, a fair evaluation can be made only after appropriate recognition of inherent limitations.

## Exogenous Factors

Local Government Finance. In many local jurisdictions the statutory limits on taxes and bonded indebtedness have been reached. As expenses increase, the quantity and quality of community services must decrease. In areas where statutory limits have not been reached, successive increases in property taxes have become politically unpalatable.

Because local governments depend on real property taxation as a source of revenue, they are under extreme pressure to make zoning decisions that will increase taxable valuations and strengthen control

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4/ Zoning has been defined as "...the regulation by districts under the police power of the height, bulk, and use of buildings, the use of land, and density of population." E. Bassett, Zoning 45 (1936).

5/ The other major land use regulatory techniques under the police power are land subdivision regulations and the official map. More limited but widely used types of regulation are building codes, housing codes, and health regulations.

6/ A recent survey of 17,993 local governments found that 53.3% had adopted a zoning ordinance. A. Manvel, Local Land and Building Regulation 4 (Res. Rept. No. 6, The National Commission on Urban Problems 1968).

7/ Disenchantment with zoning probably needs no documentation. However, for a recent list of complaints against it, see The American Society of Planning Officials, Problems of Zoning and Land-Use Regulation 1 (Res. Rept. No. 2, The National Commission on Urban Problems 1968). [Hereinafter cited as ASPO Report]

of fiscal expenditures. At least two practices are fairly common in so-called "fiscal zoning." 8/ First, in the search for additional revenue, local governments have tended to overzone for industry and commercial development uses which are revenue producing but relatively low in service requirements. Second, in an effort to avoid public expenditures, high service-demanding uses are excluded. This is accomplished through such practices as large lot zoning, limiting or prohibiting apartments, restricting or prohibiting mobile homes, and establishing excessively high subdivision and building code standards. Among other things these restrictions limit the construction of moderate-to-low-income housing, which is believed to cause school costs that are high relative to taxable revenue produced. On the other hand, expensive single-family dwellings are encouraged because the ratio of school cost to taxable revenue is much more favorable. This shifting of benefits and burdens among jurisdictions in order to solve fiscal problems is a major factor in the development of urban sprawl. In many instances, it explains the separation of workers residences from places of employment.

The problem of fiscal zoning is so predominant that a recent report on land use regulation prepared by The American Society of Planning Officials for The National Commission on Urban Problems made the following observation:

"Certainly, there are many improvements that can be made in our system for regulating land use. But until we make substantial progress in rationalizing tax and fiscal policy for local government, fiscal zoning will continue to plague all land-use regulation." 9/

Revenue that is inadequate to finance local government has caused problems in addition to fiscal zoning. Over three-fourths of the jurisdictions attempting to regulate land use and building practices have no full-time employees engaged in administering and enforcing the regulations. 10/ For those jurisdictions having full-time employees, only 1 office in 9 is directed by an employee paid as much as \$9,000 a year. Such statistics are shocking when one considers the dimensions of land development in the country.

In many instances assessment practices have conflicted with regulatory objectives. Inadequate revenue of course creates pressure, which in part gives rise to the problem. One example is the practice of taxing land zoned for agriculture on its potential value for urban development. Given

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8/ For further discussion see ASPO Report, supra note 7 at 69.

9/ Id. at 70.

10/ See Manvel, supra note 6, Foreword.



this conflict, the regulatory objective is easily defeated. The farmer argues that it is difficult or impossible to continue farming because of excessive taxes. This argument, coupled with the contradiction in public policies, strengthens any case for zoning change. The result has been that zoning of land for agriculture generally has not been effective in timing urban development.

Fragmented Governmental Decisionmaking. Decisionmaking is fragmented among various levels of government, among jurisdictions at the same level of government, and within governmental units.

The location of highways and other transportation facilities has had a major impact on land settlement patterns. Decisions regarding highway location have generally been made by State agencies charged with that function, and, in the past, these decisions have been made largely independent of local land use plans. The problem is but one illustration of inherent regional-local conflicts that our existing institutions have not resolved.

Among and within local jurisdictions, public expenditures have not been coordinated with land use regulations, in part because revenue for some public services come from sources other than general income to the city or county. Illustrative services include schools, parks, sanitation, water supply, hospitals, urban renewal, and housing. 11/ For example, the decisions of independent water and sanitary authorities regarding water and sewer extension can determine almost irrevocably the path of development. It is fairly common for such decisions to be made independent of land use plans and regulations.

Land Speculation. Zoning has not in the past, and probably will not in the future, have much effect on land speculation. As to whether this is a "fault" of zoning depends on the critics' point of view. Virtually everyone would agree that zoning would be more effective in absence of speculation.

The leap-frogging of urban development has frequently been attributed to large lot zoning. A recent report by The American Society of Planning Officials suggests that it more often results from a developer bypassing land that is being held off the market in anticipation of a major rise in its sale value. 12/

The role of speculation in the process of urbanization has not been adequately researched. It has been generally accepted, however, that most of the increment in land values that accrues to the speculator has been created by local expenditures for public services. As the evidence

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11/ See. ASPO Report, supra note 7 at 55.

12/ Id. at 66.

on this increases, we can anticipate a variety of techniques for recouping a larger share of the socially created increment. Proposals for doing this range from public ownership of undeveloped land to so-called "betterment" taxes. Compulsory requirements for the dedication of park and school sites which have been used in some States, may have some effect on land speculation. 13/

The three problem areas discussed--local government finance, fragmented governmental decisionmaking, and land speculation--illustrate the lack of minimum conditions for an effective land-use regulatory system.

### Endogenous Factors

In developing a perspective of the problems that are endogenous to the zoning process the observation that law is a variable is particularly relevant. The useful analytical technique of considering law as a constraint appears to have distorted the views of some researchers so that it becomes analogous to a physical barrier.

A description of zoning as a legal tool is inadequate for purposes of analysis. Conceptually, zoning involves two separate and distinct governmental processes or functions; legislative and judicial.

Legislative Process. Zoning is primarily a legislative process. 14/ While there are some exceptions, the usual source of authority to zone is the State zoning enabling act. Generally, the power can be exercised only by the jurisdiction specifically authorized, is limited to the power expressly granted or necessarily implied, and must be exercised in the manner of and subject to the limitations contained in the enabling act. 15/ Since zoning is generally of legislative creation it can, subject to certain limitations, be expanded or reduced in scope, or be removed by a simple act of the legislature. The implication of this for researchers is that changes in this area of the law are simple relative to areas controlled by the common law.

It is significant to note that the recipient of the delegated authority is the local government's legislative body. While most enabling acts provide for the appointment of zoning and/or planning commissions to plan and make recommendations, the advice of such groups is not binding on the legislative body. The significance of this is that the decision-making power rests with local, popularly elected officials. Consequently, if

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13/ Of course a major problem in this area is that we have not measured the socially created increment and therefore have little or no basis for determining what is a "fair" requirement from developers or others.

14/ C. Haar, Land-Use Planning 149 (1959).

15/ See R. Anderson, 1 American Law of Zoning at 135. 136 (1968).

researchers are to influence land use regulations, they must appeal to either State legislatures or the legislative bodies of local government. If there are problems inherent in the land use regulatory framework, we must assume that (1) sufficient information has not been produced or communicated to justify legislative change, or (2) the democratic process is not functioning properly and legislators are unresponsive to the demonstrated needs of society. As researchers we are primarily committed to dealing with the first assumption.

Two areas are suggested in which land economists could make significant research contributions to legislative decisionmaking in zoning. The first would be of prime concern to State legislatures, the second to local legislatures.

(1) Regional and Local Effects of Land Use Regulatory Decisions. Generally, the authority to regulate land use rests almost entirely with local governments. While a number of States have passed legislation giving various types of planning authority to regional or multicounty areas, only one State has given general zoning authority to a regional agency. 16/

With rare exceptions, there is no mechanism through which local land use regulatory decisions are reviewed in the context of regional problems. In situations where there is review, its effect is virtually always advisory only.

It is generally believed that there are substantial external effects of local land use regulatory decisions. 17/ While the concept of regional government has generally been politically unacceptable to date, compromises are being proposed which would give some control over regional matters to some type of regional agency, leaving local matters in the hands of local government. Economic research is needed on the external effects of local land use regulatory decisions, in an effort to identify the types of decisions that should properly be placed under regional control.

(2) Economic Framework for Local Land Use Planning. The existence of conflicts between the public interest and private rights in land has long been recognized. Before planning and zoning were ever proposed, the English common law nuisance rule held that one could not use his property so as to cause harm to the property of others. Since it was an understood principle in the law, this view of fairly direct external diseconomies was used to rationalize early land use planning and also zoning. Beyond this relatively simple idea, there was no framework for consideration of economic issues such as external economies or indivisibilities. Lacking such a framework a planning theory developed. 18/

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16/ N.D. Cent. Code §§ 54-34.1-11 (Supp. 1967).

17/ See ASPO Report, supra note 7 at 7-12.

18/ For an explanation of the planning theory see R. Babcock, The Zoning Game 120 (1966).

The zoning enabling statutes of many if not most States require that planning or a master plan must precede the exercise of the zoning power, but the statutes seldom specify what is necessary to satisfy this requirement. Since the delegation of authority is a legislative function, the courts are constrained from going beyond the requirements of the statute. As a result, almost any evidence of planning or a plan is considered adequate. Economic inquiry into questions of the public interest and private rights should be made a requirement in the land use planning. Alternative courses of action, including distributive effects, should be evaluated prior to local legislative action. Beyond this point, many issues become practically foreclosed. Previous papers presented by Drs. Gibson 19/ and Wunderlich 20/ have discussed the economics of property rights in land. Research in this area should be expanded and oriented toward developing an economic framework for local land use planning.

Judicial Process. There is a tendency among land economists to overstate the role of courts in the planning and zoning process. Key court decisions have had great impact, but most decisions are of relatively minor importance from the standpoint of overall land policy.

Since the original endorsement of zoning by the U.S. Supreme Court in 1926, the scope of judicial review has been limited primarily to two kinds of questions: "(a) has the legislative body the authority to act? (b) have the requirements of administrative due process been observed with respect to adoption, interpretation [Sic, interpretation], and administration of the ordinance in question?" 21/ The first question deals with statutory interpretation of the grant of power in the enabling act. The second raises constitutional questions and gives rise to far more litigation.

The fact that there has been persistent constitutional attack on zoning does not mean that such attacks have usually been successful. As a noted authority recently observed, zoning generally, and the standard components of zoning ordinances, have not experienced a major judicial disapproval since the original endorsement in 1926. 22/

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19/ W. Gibson, Property Rights and Land Settlement Policy, Toward A New Land Settlement Policy: Some Viewpoints and Research Questions (1967).

20/ G. Wunderlich, Concepts of Property Rights and Land Use, Restructuring the Community for the Living Generation 22 (Proceedings of the Forty-seventh Conference of the American Country Life Ass'n Inc. 1968). A Concept of Property 21 Agricultural Economics Research 1 (1969).

21/ D. Mandelker, Managing Our Urban Environment 28 (1963) [quote from Robinson v. City of Bloomfield Hills, 350 Mich. 425, 86 N.W.2d 166 (1957).]

22/ R. Anderson, 1 American Law of Zoning 31 (1968).

As he suggested:

"Constitutional challenge continues to be a major weapon in zoning litigation, because (1) the courts consider each zoning case on its unique facts and sometimes hold that a zoning ordinance which is not unconstitutional on its face is unconstitutional as it applies to particular land, (2) planners and planning lawyers have been prolific in their invention of new zoning techniques which arguably present novel constitutional questions, and (3) zoning restrictions by their very nature impose a basically rigid pattern of land use upon a community which is dynamic." 23/

An analysis of court opinions attempting to balance public and private interests in establishing constitutional limits on regulations under the police power would be highly entertaining for economists, but is beyond the scope of this paper. It seems probable, however, that had land use planning been developed with supporting economic theory and analysis, the courts could have evolved a more precise concept for the presently meaningless term "general welfare." 24/ In defense of the courts, it can be said that they have neither the jurisdictional authority nor the administrative machinery for a comprehensive analysis of land use planning problems. Their decisions must be based on the issues and evidence that are presented by the litigants who appear before the court in specific cases at a given point in time. Research to improve judicial decisions, should perhaps be directed at the land use planning process. A more analytical approach at the planning stage would ultimately sharpen the issues and improve the evidence presented to courts, and thereby improve the decisions.

There is, nevertheless, a major void in the legal alternatives that are presently available for implementing land use plans. The choice is frequently between a poorly defined "reasonable regulation" under the police power, for which no compensation is made (even though the owner may actually be deprived of a substantial use of his property), and a taking of the fee interest under eminent domain, for which full compensation is made. 25/ There is generally no middle ground between these extremes. 26/

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23/ Id.

24/ "General welfare" as used in the context of traditional applications of the police power; "health, safety, morals, or general welfare." See also note 3 supra.

25/ See D. Mandelker, Managing Our Urban Environment 501 (1963).

26/ While the purchase of less than fee interests is possible with some governmental units, the use of eminent domain for such a purpose is probably not legally possible without a specific authorization from State legislatures. See ASPO Report supra note 7, at 49.

A "middle ground" approach has recently been proposed that may have important implications for the zoning of land for extensive uses, including agriculture, conservation, flood plains, and open space. This is a system of compensative regulations. 27/ Under compensative regulation, if a court finds that a land use regulation is so restrictive that it is an unconstitutional taking of property, the local government imposing the regulation has the option of compensating the owner for the partial taking, and the restriction remains on the property. Generally, under current law, if a restriction is found by a court to be an unconstitutional taking, the restriction is voided and the owner may use the land as he wishes. This of course leads to similar constitutional attacks by adjacent landowners and an eventual erosion of the whole implementation scheme. The zoning of land for extensive uses, such as agriculture, has in the past been particularly vulnerable to such attack. Consequently, land use planners were reluctant to try extensive use districts because of the uncertainty that they would survive constitutional attack, and the rather drastic consequences that might follow if they did not. Presumably, compensable regulations would eliminate this objectionable feature. 28/ A number of problems need further research before a system of compensable regulation can become operational.

SLERC should: "Develop Methods for Valuation of Open Land Uses in Rural-Urban Fringe Areas." There has been increased interest in the preservation of open space, in conservation practices and in recreation uses in rural-urban fringe areas. Purchase of the fee interest becomes prohibitively expensive. There are few alternatives among the open uses of privately owned land that will give the owner a reasonable return on his property. Agriculture is generally considered compatible with these objectives and consequently, efforts have been made to retain it. At least three implementation techniques have been proposed and/or tried. These include (1) differential taxation (2) purchase of less than fee interests, and (3) compensative regulations. A problem that is common to all three approaches is the valuation of agriculture as a land use in this setting.

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27/ F. Bosselman, Alternatives To Urban Sprawl: Legal Guidelines for Governmental Action 27 (Res. Rept. No. 15, The National Commission on Urban Problems 1968).

28/ The following advantages have been offered as favoring compensative regulation over the acquisition of development rights: "(1) compensation need not be paid in advance; (2) compensation need be paid only to those persons who have specific development intentions that are thwarted by the regulations; (3) if the cost becomes too heavy the government can modify the regulation and alleviate its financial burdens; (4) the damages to be awarded can be more equitably assessed on a case-by-case basis than in an overall manner; and (5) the case-by-case approach avoids the tremendous administrative problems created by an attempt to undertake a wholesale valuation of the development rights of an entire area." F. Bosselman, supra note 27 at 35.

## Conclusion

The problems in implementing land policy are largely attributable to lack of coordination of the various forces or powers available to governments. Our system for regulating land use is not likely to improve unless countervailing forces are dealt with and minimum conditions for a successful regulatory system are established. There are also a number of limitations inherent in the concept of regulation. However, since we are a nation of private landowners the regulatory power will always be a significant governmental force in implementing plans. Research to improve its effectiveness is needed.

## STATE and LOCAL TAXATION for ADEQUATE PUBLIC SERVICES

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In view of the broad nature of our subject, some restrictions had to be placed on the scope of this paper. We decided to restrict most of our remarks to those dealing with some of the problems associated with real property taxation. In Fiscal 1966-67, Census reported State and local government collected \$61.2 billion in taxes and the property tax furnished \$26.3 billion or about 43 percent of the total. For local governments, Census showed that the property tax furnished over 87 percent of the tax revenue, whereas for State governments the amount was less than 3 percent. 1/

You can see that in the United States the property tax is mainly a tax for support of local governments. The State legislatures, however, have designated the classes of property that may be taxed and sometimes they have imposed rate ceilings for local jurisdictions. Administration for the most part is left to local governments. In practice, the county government or town usually classifies and assesses the various classes of property. The local taxing jurisdictions determine the amount of money they need and the tax rates necessary to obtain that amount.

The property tax has been defined in its broadest meaning as a tax upon wealth, both tangible and intangible, that has exchange value. The tax usually has been levied at a common rate on all property within a given taxing district on a given date. The local assessors determine the value of the property to be taxed. Two broad classes of property for taxation purposes have been established, personal and real. The line of demarcation between real and personal is not distinct, but in general, immovable property has been classed as real whereas movable property has been considered personal. The movability characteristic has been of paramount importance from a tax standpoint. If you can move property you can hide it. How easily it can be hidden determines the practicality of property taxation. As a result, many classes of personal property--especially intangibles--have been exempted from taxation. The extent that this has occurred is apparent when you consider that Census reported the total assessed value of all personal property in the United States in 1966 amounted to about 13 percent of the total property assessments. 2/

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\*The views expressed here are our own and do not represent those of the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

1/ U.S. Bureau of the Census, Governmental Finance in 1966-67. 6F67, No. 3, p. 5.

2/ U.S. Bureau of the Census, 1967 Census of Governments, Volume II, Taxable Property Values, p. 2.



Solving problems of administration by exempting property from taxation, however, is not without its costs. Presumably, if it is equitable to tax a man, in part, on the basis of all the property he owns that tax ought to be levied on the basis of all property he owns. From the standpoint of an administrable tax, it may be desirable to make a distinction between a man who has \$100,000 in real estate and a man who has \$100,000 in stocks and bonds. From the standpoint of an equitable tax, it seems to make little sense. Furthermore, when taxation makes it cost more to hold one kind of property than it does another, economic efficiency is impaired.

Nevertheless, real property makes up the bulk of all assessments. It usually includes both land and buildings. Census showed in 1966 that over 60 percent of the assessed value of local realty was non-farm residential property. In fact, in that year it amounted to \$236 billion. In addition, farm property was assessed at \$43 billion. 3/

Fractionalized assessment of real property is one of the major issues in the administration of property tax. Although this practice often is contrary to statute, courts have often sustained it, noting that it causes no necessary inequities providing individual properties are all assessed at the same level. Assessors contend that this procedure lessens complaints from taxpayers. But by the same token, it makes it more difficult for a taxpayer to know he is being mistreated. Critics have argued that when an assessor departs from market value, he errs more widely in maintaining equity. Empirical evidence has validated this assertion. In spite of this, fractionalization is the rule rather than the exception. In 1966, Census reported that the average assessed value of one million real estate sales throughout the United States was 31 percent of market value. The average percentage varied from 4.6 percent of market value in South Carolina to 77.5 percent in Alaska. 4/

Concurrent with fractionalized assessments in creating problems in property taxation is the fact that not all property is valued locally. Normally, certain classes of property--railroads and utilities--are valued by State agencies. In 1966, Census reported State agencies appraised property that were assessed for \$41.6 billion. This amount represented about 9 percent of the assessed value of all property.

The problem of locating comparable market values for all classes of property also creates inequities. Some classes of property, such as residential property, enter the market quite often, but others, such as industrial or commercial properties, do not. Railroads and public utility property are seldom sold. As a result, these properties have to be valued on the basis of cost, replacement value, capitalization of income, market value of stock, and other indicators of value. When different measures of exchange value are used, the problem becomes one of finding an equitable adjustment factor between classes. This is what causes problems for State Boards of Equalization.

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3/ Op. cit., p. 7.

4/ Op. cit., pp. 42-47.

In recognizing that different measures of exchange value are being used, State Boards of Equalization have used different levels of appraisal in equalizing property valuations. In fact, some States have passed laws specifying different levels of assessment for different classes of property. These practices are currently being challenged in the case of railroad property and a Federal law has been proposed to prevent such practices.

To further complicate assessment procedures, many assessors have found themselves in the role of fiscal officer in their community. This situation exists because many States have statutory rate limitations on many local governments. These limitations have proved to be very restrictive for local governments who reach the maximum rate if their assessed values remain fixed. Expenditure limits can be increased if assessments are raised, but the assessor faces a hornets' nest full of complaints if he radically increases assessments.

Most of our discussion up to this point has been concerned with inequities in assessments between classes, but an even more important problem in property assessment is that of maintaining equity within classes of property. In most communities, the exchange of real property does not occur very often. As a result, the assessor faces the problem of valuing properties based upon comparative exchange values. Unfortunately, no two real properties are exactly alike. Different appraisals result. The assessors problem is to pick the one that is most apt to reflect exchange conditions and to convince the taxpayer that this is correct.

Even though administrative problems are important, the impact of a tax on an economy may be more important. Whether a tax is regressive or progressive has a marked effect on income distribution. To determine this, it is necessary to know who bears the burden of the tax. Initially, for the real estate tax, the owner does. But whether in time the tax can be shifted to someone else is debatable. Most economists agree that taxes on bare land (where there are many owners) rest on the owner of the site and are not shifted. It is believed by many that the tax is eventually capitalized into the value of the land. This same line of reasoning is followed regarding the incidence of taxes on residential property. But, it is argued that property taxes levied on improvements and personal property used in businesses are shifted forward to the final consumer of the service. This is considered to be especially true for utility and railroad properties. Census found in 1966 that over 57 percent of the assessed values of all properties were residential or farm properties. 5/ In light of this fact, a major portion of the impact of the tax can be estimated from the Treasury Department's "Statistics of Income."

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5/ U.S. Bureau of Census, 1967 Census of Governments, Volume II, Taxable Property Values, p. 7.

This report shows the distribution of adjusted gross incomes and the amounts of real estate taxes claimed by taxpayers. The adjusted gross income figure corresponds quite closely to what we commonly call net cash family income except incomes received from Social Security and railroad retirement funds are not included. This exclusion tends to understate incomes in the lower income brackets. To lessen or eliminate this effect, only those data showing taxable returns and claims for real estate tax exemptions were analyzed. More than one-quarter of the individual taxpayers in 1964 listed these two items.

How these real estate tax deductions compared with different levels of income are shown in Table 1. Note the average real property tax was \$3.27 per \$100 of income in 1964. It varied from \$9.16 for the income class under \$2,000 to \$1.58 for the income class over \$50,000. This is quite a high degree of regressivity, but, if regressivity is measured in terms of the number of taxpayers involved, the real property tax appears less regressive. Only 12 percent of the taxpayers who had incomes less than \$5,000 claimed real estate tax exemptions and about the same percentage who had incomes over \$15,000 claimed exemptions. Seventy-six percent of all taxpayers who owned real estate and claimed an exemption had an income between \$5,000 to \$15,000. The tax per \$100 of income varied from \$3.80 for the \$5,000 to \$6,000 income class as compared with \$2.95 per \$100 for the \$10,000 to \$15,000 class. For the vast majority of real estate taxpayers, the property tax is not heavily regressive. The results for the upper and lower brackets, however, can not be ignored.

Dick Netzer has made a set of estimates of the over-all incidence of the real property tax in 1957 based on assumptions as to the incidence of various parts of the tax. He also estimated the incidence of property tax financed expenditures. He suggests that the property tax is somewhat regressive up to about \$10,000 income, but then becomes progressive. Furthermore, if one accepts Netzer's estimates of the incidence of property tax financed expenditures, benefits from the tax appear to more than offset the tax for income groups below \$7,000. Netzer concludes that "if the existence of the property tax and the relative ease of squeezing more revenue from it actually have contributed to the rapid rise in local expenditure in recent years, then the institution has redistributed real income from rich to poor, on balance, and in fairly large amounts." 6/

One of the major problem areas in property taxation at the present time centers around the question of how best to tax property located in the expanding fringes of our major metropolitan areas. These problems have given rise, among other phenomena, to the passage of differential assessment legislation in nearly a third of the States in the last 10 years.

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6/ Dick Netzer, Economics of the Property Tax, (Washington, Brookings Institution, 1966) p. 62.

Table 1.--Estimated regressivity of real estate tax based upon U.S.  
individual income tax returns, 1964. 1/

Adjusted gross income class	Returns in each income class <u>2/</u>	Real estate tax per \$100 of income <u>3/</u>
	<u>Percent</u>	<u>Dollars</u>
\$600 under \$2000	.66	9.16
\$2000 under \$3000	2.08	7.06
\$3000 under \$4000	3.89	5.40
\$4000 under \$5000	6.13	4.44
\$5000 under \$6000	9.14	3.80
\$6000 under \$7000	11.60	3.51
\$7000 under \$8000	12.18	3.38
\$8000 under \$9000	11.07	3.22
\$9000 under \$10,000	9.08	3.11
\$10,000 under \$15,000	22.50	2.95
\$15,000 under \$20,000	5.71	2.86
\$20,000 under \$50,000	5.08	2.43
\$50,000 and over	.88	1.58
All	100.00	3.27

1/ Derived from U.S. Treasury Department, Statistics of Income,  
Individual Income Tax Returns, 1964, p. 40.

2/ Taxable returns reporting taxes deducted.

3/ Average amount of real estate taxes reported in each income class  
divided by average income reported for those deducting taxes in each income  
class.

The initial impetus for this legislation seems to stem from the rapid rise in property values which takes place as a city expands. As urban development moves nearer, the likelihood that land will be needed for shopping centers, housing developments, and other urban uses in the near future becomes steadily greater. Hence, farmers find the value of their land, and their assessments rising rapidly. At the same time, there is little if any increase in their cash incomes from farming. Pressure for relief of some sort develops.

The number of farmers who are affected, however, is relatively small in comparison with the total number of voters in a State. Hence, it is unlikely that differential assessment legislation would have been successful without support from other groups. These other groups are more difficult to identify, and they have probably differed from State to State. Nevertheless, it is possible to identify groups which often have been important in the passage of this type of legislation. Preservation of open space has become a major concern of many urban residents, and they see farming as one way of preserving open space. Hence, garden clubs, conservation organizations, and similar groups have pressed for passage of these laws in some States. Other individuals and groups join in because they feel farmers are being treated unfairly under the present tax laws. Still other non-farmers join in for other reasons. Among these are the speculators who are holding land which they expect to sell at a substantial profit for urban uses, in a few years.

Broadly speaking, the resulting laws can be grouped into three categories: preferential assessment, deferred taxation and restrictive agreements. (We use the term, "differential assessment" to denote all three types, collectively.)

Preferential assessment provides that land devoted to agricultural use shall be assessed on the basis of its value in that use, and that market values reflecting potential uses such as housing sub-divisions shall be ignored. In early 1969, laws of this type were on the statute books in 9 States.

The deferred tax laws are somewhat similar, but they provide for eventual recapture of some of the taxes. The assessor is required to determine the value in agricultural use; current taxes are based on this value. He also determines an assessment based on market value, in the same manner as the assessment of other property. When land passes into non-agricultural uses, this second value is used to determine the additional taxes which would have been levied, in the absence of the deferred tax law, for the 3 or 5 preceding years. These taxes are then due. Laws of this type are in operation in 5 States.

The third type of law is the restrictive agreement. These laws provide for voluntary agreements between local governments and the landowners, under which the landowner agrees to maintain his land in agricultural

use for a number of years in the future. In return, he is granted assessment on the basis of agricultural use. Laws of this type are in use in California and Hawaii. A similar law is on the statute books of Pennsylvania but it appears to have had relatively little use.

From the standpoint of the criteria of good tax policy--social justice, consistency with economic goals, ease of administration and compliance, and revenue adequacy--differential assessment laws are certainly not an unmixed blessing. However, time limitation prevents us from discussing this problem here. They are discussed by Hady in a forthcoming article in the American Journal of Agricultural Economics.

From the viewpoint of this seminar, perhaps a more interesting set of questions revolves around these modifications of the property tax to implement land use policies. Differential assessment is often urged because it will preserve farming, or because it will preserve open space, both of which the advocates of differential assessment obviously believe should be a part of the State land use policy. It is clear that one can not adequately evaluate these tax measures as tools of development policy until that policy has been decided. Nevertheless, we believe that a number of useful observations can be made.

One problem area involves the term, "open space." While this term can be a very useful concept, it can also cover up a lot of fuzzy thinking. Especially in a country such as ours, with a recent history of widely dispersed settlement, open space is a very appealing concept. Too often, people forget to ask the question, "Open space for what?" Open space has different meanings to different people. To some, it means recreational areas: Parks, golf courses, and similar land uses. To others, it appears to mean any low density land use other than a junkyard or a dump. Still others value open space primarily as a tool for forcing city expansion into certain patterns and densities--corridors of intensive use reaching out from the central city, with wedges of open space in between, for example. We would suggest that discussions of differential assessment would be advanced if we forgot about the "open space" terminology and talked about the specific functions of land which we have in mind. If we are talking about recreation, perhaps the tax preference should be confined to golf courses, camp grounds, and similar recreation areas. Farms are not recreation areas, except in their role as scenery. The average farmer very properly objects to having his gates left open and his fields trampled by urban "trespassers." If we are talking about channelling urban development, then it may make sense to offer tax preferences to owners of land in those areas where we do not want urban development. Even here, however, the community may want to consider whether farming is the land use it really wants. If it is not, then perhaps the community should restrict its subsidies to the use it wants.

If preservation of farming does have a place in the land use plan, the next question must be whether differential assessment really helps to preserve farming. Unfortunately there is little research, and it is hard to design any, to answer this question. The motives which cause a farmer to continue farming, or to quit, are complex and varied. Any one who has worked with farm account data has observed numerous instances of farmers who consistently earned little or no return to labor (after imputed returns to investment were subtracted), but yet continued farming. Clearly, other factors influence decisions to stay in business, and these factors are hard to identify and harder to quantify. Hence, it is difficult to design research which will determine the effect of differential assessment laws on decisions to quit farming. It does seem doubtful, however, that tax reductions would loom large in a farmer's decisions when he is offered \$5,000 to \$7,000 per acre (the average 1963-65 prices near Washington, D. C.) 7/, for his land.

A definitive answer to the question of the effects of differential assessment on land use would require a comparison of the rates at which land moved out of farming with, and without, these programs. In the case of restrictive agreements, for example, it is known that the California law has seen extensive use, and that the penalties are strong enough so that nearly all of that land is likely to remain in agriculture for the next ten years. The crucial question, it seems, is how much of the land now under the California Land Conservation Act would otherwise have been converted to urban uses within the next ten years. On this point, we know of little information.

The available data do suggest that the land market is very active even where differential assessment laws are present. For example, a recent study indicated that in two Maryland counties now showing the effects of expansion from Washington, D. C. and Baltimore, half of the farms sold during 1964-66 had been sold at least once before during the ten years prior to 1966. Twenty-two percent to 47 percent of the acreage in farm tracts in five fringe-area counties had been acquired during the last five years, and total farm acreage in those five Maryland counties fell 28 percent from 1954 to 1964. 8/ The first use-value assessment law was passed in Maryland in 1956; the figures cited certainly suggest (but they do not prove) that reduction of taxes on farm land has had little effect on changes in its use.

If these laws actually do help to preserve farming, then it may be doubly important that they be restricted only to the areas in which farming is to be preserved. If tax benefits are made available in areas which are planned to become urban areas, they will restrict the availability of land

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7/ Peter W. House, Differential Assessment of Farm Land Near Cities, Experience in Maryland Through 1965, (U.S. Department of Agriculture, ERS 358, 1967), pp. 32-33.

8/ William Paul Walker, Farm Ownership, Valuation and Taxation in Rural-Urban Maryland, (Department of Agricultural Economics, University of Maryland, Misc. Pub. No. 639) pp. 17, 21.

in those areas and may encourage further "leapfrogging" of urban development, increase the costs of bringing essential public services to the growing population, handicap local planning efforts, and generally obstruct orderly development.

A closely related problem is the objection that these laws are mainly of benefit to speculators, rather than farmers. Anyone who owns land on the urban fringe is, perforce, speculating. For these purposes, however, a speculator seems to be someone who is holding land primarily for appreciation in value, rather than for current production. These laws seem most likely to benefit speculators if three conditions hold: (1) the benefits are made available to land which is in the probable path of urban expansion, (2) differential assessment is not effective in holding land in agriculture, and (3) the requirements for obtaining differential assessment are easy to meet and restrictions on future land use are few. Under the first two conditions, many farms are likely to pass into the hands of individuals who are not primarily interested in farming, and the third condition makes it easy for these individuals to make the minimum effort necessary to obtain differential assessment. If this analysis is correct, it suggests that benefits to speculators are likely to be greatest under the preferential assessment approach, and least under the restrictive agreement approach. The extent of the problem under deferred taxation is a function of the length of the deferral period and the planning horizons of speculators. Benefits to speculators will be greater if the deferral period is short and planning horizons are long.

A second approach to tax policy on the urban fringe has its roots in Henry George. Advocates of this approach to policy argue that the tax on improvements to land should be reduced, and that the major burden of taxation should lie on the land. This approach, they say, would encourage land-owners to erect buildings and make other improvements on the land. It would be more expensive to hold land, and, therefore, more compact settlement--more apartments and fewer houses, smaller lots, etc.--would be encouraged. Furthermore, since the cost of holding land would be higher, urban "scatteration" would be reduced.

Land value taxation has seen use in a number of foreign countries and in one or two of our cities. So far as we are aware, however, it has not had significant use in the rural urban fringe.

Clearly, logical arguments can be made both for differential assessment and for land value taxation. Yet, these two approaches imply diametrically opposed policies. It is clear that a major research problem exists in evaluating these alternative approaches. What is less clear is how this research problem can be met.

Not too many years ago, many people were predicting the demise of the property tax. Experience certainly has proved these predictions to be mistaken. The property tax remains the mainstay of local government finance. It has shown an amazing ability to produce the revenues that local governments need. And, despite its shortcomings, we would suggest that the property tax probably is better administered than it has been at any time in its history. Nevertheless, if we are going to call on this tax for continually greater support for local governments, we must give more attention to improving it.



## The NEED for RESEARCH on REAL PROPERTY TAXATION in the SOUTH

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Real property taxation has occupied an important position in local and state government finance since the early years of the Nation. As with any form of taxation, it has been a topic of discussions on public affairs from time to time, with different opinions expressed on the efficiency of the assessment function, the adequacy of the revenue collected, and the equity of the tax. Many people believe the tax is poorly administered, closely correlated with neither ability to pay nor benefits received from public services, and that it often has a deleterious effect on land use. Its demise, which some have predicted, has not materialized, and at least one comprehensive study has suggested that past condemnations of the tax in principle were somewhat overdrawn. 1/ Yet, recent court decisions indicate changes in the administration of the assessment function are in order. 2/ And beyond the assessment function lies the more serious problem of how to adjust the over-all tax structure of states and local governments to provide more equitable taxation of real property in response to technological, social, and economic change.

As late as 1963, a well-known taxation economist stated this problem well:

.....Some level of general property taxation greatly facilitates and is probably essential to autonomous local government in this country. Its imperfections,

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1/ Dick Netzer, Economics of the Property Tax, Brookings Institution, Washington, D. C., 1966, p.1.

2/ Florida Supreme Court, Irving G. McNayr, as County Manager of Dade County v. The State of Florida, 166 So.2d 142 (1964). Kentucky Court of Appeals ordered Department of Revenue to raise local assessments to full-value standard--Russman v. Lockett, 391 S.W.2d 694 (1965).

Other court decisions sanction assessment at a uniform fraction of full value. See, California District Court of Appeals, Second District--Michels v. Watson, 229 AcA 497 (1964); Hanks v. State Board of Equalization, 229 AcA 520 (1964).

Citations taken from John Shannon, "Conflict between State Assessment Law and Local Assessment Practice," in R. W. Lindholm (Ed.), Property Taxation--USA, The University of Wisconsin Press, Madison, 1969, pp. 39-63.

which are many and serious, are not too high a price to pay for the preservation of decentralized decision-making. But the price is higher than necessary, and for its own sake and the good name of local government we need a lot of dedicated effort to reduce that price. 3/

Although the statement has reference to the general property tax, it supports the recent growing public concern about the real property tax. 4/ Likewise, it indicates a need for careful study of the real property tax in state and local government finance. 5/ Five problem areas worthy of investigation can be suggested for consideration.

### Five Major Problem Areas

I. Rural Areas Where Land Use Is Shifting to Less Intensive Uses. In recent decades, some rural areas have experienced a decline in economic activity, reduction in comparative advantage for agricultural production, and net out-migration of population. Here a serious problem of finding sufficient revenue to finance minimum levels of public services--especially schools, police and fire protection, and health--arises. With lower incomes in farming and shifts in land use to less intensive enterprises, land values decline, at least relatively, and erode the tax base

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3/ H. M. Groves, "An Evaluation of the Property Tax as a Part of the Fiscal System," Rural Taxation Problems, papers presented at a seminar sponsored by the North Central Land Tenure Research Committee and Farm Foundation, AERR-61, University of Illinois College of Agriculture, March 1963, p. 22.

4/ Netzer, op. cit., using a special tabulation from the 1957 Census of Government data showed 74.4 percent of the general property tax revenue in 1957 was collected on locally assessed real property (Table 2-1, p. 18).

5/ Between 1929 and 1966 the percentage of all state and local receipts derived from property taxes declined from slightly over 60 percent to 28 percent. This change in the relative position of the property tax has caused some people to conclude the real property tax is of little significance. Between the two dates, however, local property taxes in the Nation increased from \$4.3 billion to \$24.3 billion and, at the later date, accounted for 87.3 percent of the total local government tax revenue. On a constant dollar basis, local property taxes in 1966 were 2.78 times those of 1929. See D. A. King and Martin Lefkowitz, "The Finances of State and Local Governments," Survey of Current Business, October 1967, Table 5, p. 26 and Table 6, p. 28. By way of comparison to the 2.78, farm land values increased 1.72 times; national income 3.4 times; and disposable personal income 2.99 times.

of local governments heavily dependent upon the real property tax. The problem becomes one of adjusting assessments to the more extensive land uses and finding new sources of revenue. Hildreth, in his presidential address to the American Country Life Association, spoke of the problem as "how to weight the various factors that contribute to rural well-being." 6/

A sales tax, income tax, and payroll tax have been suggested as sources of additional tax revenue as opposed to further increases in the property tax. But per capita incomes in the areas concerned are relatively low and would limit the revenue collected from these sources. A solution to the problem probably lies within three alternatives. First, consolidation of local governments may offer some economies of scale in local public services. The extent to which per unit costs can be reduced, especially in relation to quality of services, is not known. Apparently, a major difficulty in studies of this type is encountered in measuring quality of services. We should not, however, postpone studies for this reason unless we are confident that the measurement deficiencies would completely destroy the usefulness of the results. Most of us can remember the time when our efforts in determining the response of corn production to increments of fertilizer added fell short of reasonably good measurement. Yet, the results of the studies did improve our recommendations, and they stimulated an interest in improving our research techniques that contributed greatly to the accuracy of our research.

The second alternative is increased state and federal aid which are income transfers to the areas. Some people have expressed strong sentiments against this alternative, especially federal grants. But is our choice restricted to acceptance of grants or inadequate educational programs for our children, who face spending the working years of their lives in a society that increasingly rejects unskilled and semi-skilled laborers? And, what is understood even less, a society that increasingly rejects those who experience difficulty in acquiring a new skill when technological advancement makes their current skills obsolete?

A third alternative is to develop new economic activities in the areas that are less dependent upon land as a base for human employment. Time does not permit a discussion of the economics of location, but some interesting questions can be asked. Is it necessary that our land

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6/ "The movement of people out of agriculture has reduced the population density and the financial base in the community. As a result, local government, the church, and other organizations have been hard put to provide adequate services for the remaining people....There is the question of how to weight the various factors [quantity and quality of education, health care systems, formal and informal church services, recreation] that contribute to rural well-being." R. J. Hildreth, Restructing Rural Society, Presidential Address, American Country Life Association, Morgantown, West Virginia, March, 1969.

settlement and economic location policy depend as heavily upon labor migration as it has in the past? Are there social benefits to be derived from moving economic activity to people? Are our institutions and public investment programs restrictions to achieving adjustments in economic activities within depressed areas? Why do we so frequently appear to limit potential economic development of areas like Appalachia to the recreational industry--an industry of seasonal employment and probably an exceptionally high elasticity of demand?

By now I am sure you are asking what this has to do with real property taxation. I suggest the structure of the taxation system which makes local governments heavily dependent upon the real property tax is an institutional impediment to economic development of rural depressed areas. Insofar as local governments experience a serious problem of financing adequate public services, they will experience difficulty in attracting new industries, medical and health personnel, and in meeting similar requirements for a viable community. Managers of American industries are concerned about the welfare of their employees and families, and they are reluctant to locate in areas where public services are below minimum standards. One of the most interesting talks I have heard in recent years was presented by a physician who teaches in a College of Medicine. He told of his experiences in efforts to develop an interest in medical students for careers as practicing physicians in rural areas. He stated the usual response was, "And deny my children an opportunity for an education and other community experiences necessary to their full development as human beings?"

II. Rural-Urban Fringe. In areas of rapid urban expansion, similar to that of Northern Virginia, the need for additional public revenue to expand governmental services has given rise to real property tax increases that place a burden on continued utilization of land in extensive uses such as farming. Land values have increased, but there is a time-lag in shifts of land use, and equitable assessment of farm properties on basis of market value becomes a difficult process of value determination. <sup>7/</sup> Before appraisers can use sale values as a guide for valuing all properties within a tax jurisdiction, they must know the expectations with respect to

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<sup>7/</sup> Henry Aaron, in an interesting paper, offers infrequency of sale as "one plausible reason for the use of valuation standards other than market price." However, his reference is not to increased taxation on extensive land uses. Rather, his concern is "changing prices rapidly make old market prices inaccurate and inequitable indicators of current value." And he adds: "In practice, property taxes cannot be assessed on basis of market prices." However, the foregoing argument does suggest that current selling prices should be used to the greatest extent possible in appraising property for tax purposes..." [Emphasis added] . See, "Some Observations on Property Tax Valuation and the Significance of Full Value Assessment," in A. D. Lynn Jr. (Ed.), The Property Tax and Its Administration, The University of Wisconsin Press, Madison, 1969, p. 155.

shifts in land use under which the sales occurred. 8/ If most of the sales represent purchases in anticipation of immediate transfer to more intensive uses--residential, commercial, industrial--but the magnitude of the demand for additional land in these uses is far short of the total land area, sale values must be used with caution in appraising all properties. Appraisers must determine what properties are ripe for a shift in use within some reasonable time sequence, and value the properties accordingly.

The fact that speculation in land often becomes a dominant feature of the market, and that the quantity of land purchased for shifts in use far exceeds the acreage required for urban growth in the foreseeable future, further complicates the problem. It is unfortunate that we know so little about the use of land in the rural-urban fringe and still less about the time distribution of land use shifts that accompany urban expansion into the rural countryside. In an absence of such knowledge, it is not possible to assess real property on the basis of fair market value as required by law unless we are willing to accept a considerable margin of error. Under such conditions the equitableness of the real property tax becomes a serious problem in local government finance. If we continue to disregard the problem, we can anticipate further premature shifts in land use and the undesirable effects of such shifts upon orderly development. Barlowe's suggestion of "measures to limit property-tax levies to levels commensurate with the tax-paying ability of properties and owners" warrants careful consideration in the allocation of our research resources. 9/

III. Taxation as an Instrument of Land Use Control. Studies of the real property tax in relation to land ownership and use are needed to determine its effectiveness as an instrument through which orderly development can be achieved. Certainly, a major land use problem in rural-urban fringe areas is sprawl, both of the leap-frog and ribbon types. Can the real property tax be administered as a means of reducing or eliminating such patterns of settlement? In the past, taxation has been used to encourage more intensive uses, such as converting cut-over forest land to farming, renewal of urban slums, and location of industrial activities. The currently popular use-value assessment of farm, forest, and open space land depends heavily upon the power to tax. But the effectiveness of these tax policies is still open to question. As Barlowe has said:

.....There is no automatic relationship between taxes and the ripening of land for particular uses. Higher taxes can favor the more intensive use of lands not used at their optimum level of intensity.....They can pressure lands into higher uses when suitable demand exists for these uses and when the

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8/ Incorporating land use shifts in the capitalization and comparative sale approaches to appraisal of real property is discussed in W. L. Gibson, Jr. and H. A. Clonts, Jr., "Real Property Tax Assessment in the Rural-Urban Fringe," manuscript submitted for publication in Virginia Agricultural Economics, Extension Division, Virginia Polytechnic Institute.

9/ Raleigh Barlowe, "Taxation of Agriculture," in R. W. Lindholm (Ed.), Property Taxation--USA, The University of Wisconsin Press, Madison, March, 1969, p. 97.

lands in question actually qualify for the uses in question. But when those conditions do not exist, taxes can have an injurious effect in fostering the waste that comes with premature development, tax delinquency, and the tax forfeiture of property rights. 10/

In the absence of research to answer the questions, we shall continue to bear the high risk of costly errors such as those that accompanied the early use value assessment laws. But what is equally important, the costly errors lead to further mistakes as we assume, perhaps on invalid grounds, that the tax approach is unworkable.

If we are serious in our effort to achieve orderly development of our land resources, we must make certain our real property tax policy is not in conflict with our use of the police power to regulate land use. Many districts created under rural zoning ordinances other than residential, commercial, and industrial are of the cumulative type 11/ under which the effectiveness of the regulations are seriously weakened. Many hold that public acceptance of rural zoning dictates use of cumulative districts. But is our real property tax policy a significant factor in the public's non-acceptance of exclusive districts? Certainly, the "benefit-burden" criterion for judging the reasonableness of a land use regulation requires conformity between our tax policy and any public restrictions imposed. Taxation on the basis of value derived from shifts in land use not permitted under zoning ordinances or other types of use regulatory measures is clearly a conflict between two public policies. Actually, use value assessment becomes a misnomer when the ad valorem principle of taxation is applied in accordance with the value of land in the uses permitted under exclusive district zoning. What is needed are economic studies of the supply of and demand for land resources to assist us in appraising the "burden" involved. On the "benefit" side of the criterion, we need to know who are the recipients of the transfer of costs, and estimates of the magnitude of the technological external diseconomies. This knowledge will permit a more objective appraisal of land use regulations and provide our courts with a better basis for decisions on the legality of specific applications of the police power.

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10/ Raleigh Barlowe, Land Resource Economics, Prentice-Hall, Inc., Englewood Cliffs, 1958, p. 546.

11/ A cumulative district is one in which specific land uses and higher (more intensive) uses are permitted. For example, assume a zoning ordinance provides for commercial, residential, and agricultural districts among others. If commercial and residential uses are permitted in the agricultural districts because they are more intensive land uses, the agricultural district is a cumulative district.

Eliminating conflicts between tax and land use policies is just one phase of the problem discussed here. Future historians may label the 1960's as the era when Americans became aware of the deteriorating quality of their total natural environment and made demands upon their governments for overt action to arrest the decline. Much has been said and written and some excellent research has been conducted. 12/

Orlando E. Delogu writes as follows: "Unfortunately, however, the power to tax is rarely recognized as an available land use control device; and rarer still are examples and programs which use the taxing power to achieve desired land use objectives." 13/

Among the interesting points suggested by Delogu are: 14/

.....a negative effect.....[of] the practice of immediately raising the assessed value.....on properties which have recently completed improvements.

[Allowing] a commercial or industrial taxpayer.....to have the benefit of an accelerated depreciation schedule under federal and state income tax codes for expenditures which serve stated land use objectives.

Permitting private landowners to treat payments received for relinquished property rights as a capital gain instead of ordinary income.....to encourage the sale of easements to agencies of government.

From the standpoint of real property taxation, his most significant suggestion is for legislation which "recognizes that uniformity may not be desirable in all situations." Wisconsin's taxation of forest lands was used to illustrate his point; he advocated consideration of similar uses of the tax power to mitigate other land use problems "by removing the burden of general property taxation based on some present market value which looks to a more or less future speculative or potential highest and best use...." Also, completely eliminating uniformity requirements was discussed briefly, with the suggestion that:

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12/ Publications of Resources for the Future deserve special mention. As examples, see A. V. Kneese, The Economics of Regional Water Quality Management, (1964); O. C. Herfindal and A. V. Kneese, Quality of the Environment, (1965); and Henry Jarrett (Ed.), Environmental Quality In A Growing Economy, (1966), all published by The Johns Hopkins Press.

13/ Orlando E. Delogu, "The Taxing Power as a Land Use Control Device," Denver Law Journal, Vol. 45, 1968, pp. 279-295. This is an excellent article on the potential value of taxation policies in the encouragement of desired land uses. The ideas presented offer excellent hypotheses for a research program on the management of our natural resources.

14/ Delogu, op. cit., pp. 281, 284, and 285.

Non-uniform property taxation could incorporate any number of safeguards and would as a matter of course be expected to deal equally with property taxpayers who in fact were similarly situated. 15/

I believe a regional research project in the area of taxation as an instrument of land use control could make a truly significant contribution to natural resource policy. There is a strong interest today in land settlement policy, and my brief review of the literature on property taxation led me to conclude that tax policy is a significant, but little understood, factor in improving land use policy. Perhaps a good starting point would be to appoint a subcommittee to review the literature thoroughly, summarize the work already done, and prepare a publication to make the knowledge readily accessible to professional and lay people. Such a review should be the first step in preparing a comprehensive regional research proposal.

IV. The Relative Importance of Land in National Wealth. The relative importance of land in national wealth has declined for at least six decades. Schultz, in a paper published in 1960, found "the income from rent [has] become.....smaller, in proportion to the income from other property, and we have seen land become a rapidly declining fraction of our national wealth." 16/ Yet, studies of the effect of this shift in the sources of national wealth upon real property taxation are few indeed. On the surface, it raises important questions about the equity of continued heavy dependence upon the real property tax for local government finance if we accept "ability-to-pay" and "ownership of wealth" as basic criteria in our tax system. A major trend in our economy is the growing importance of intangible personal property, a form of wealth that is increasingly not taxed. While it is true that the income tax and sales tax came into prominence since the turn of the 20th Century, we do need to examine the structure of the tax system to determine if the current status of the real property tax is consistent with the urbanization of our society.

This paper is not the place for a discussion of the pros and cons on taxation of intangible personal property. As a part of the general property tax, it has a controversial history with both the theoretical and practical defects expressed and discussed by many specialists on public finance. Much of the argument has centered around double taxation arising from double accounting with contributions by eminent scholars like E. R. A. Seligman, who said: "Because of its [the general property tax] attempt to tax intangible

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15/ Delogu, op. cit., p. 287. For examples of how non-uniform property taxation would be used and a discussion on limiting highly favorable property tax treatment to a given number of years see pages 287-288.

16/ T. W. Schultz, "Land in Economic Growth," in H. G. Halcrow et al (Eds.), Modern Land Policy, University of Illinois Press, Urbana, 1960, pp. 19-20. Schultz estimated the relative importance of all land declined from 35 percent to 17 percent between 1900 and 1955; of agricultural land from 17 percent to 5 percent during the same period.



as well as tangible things, it sins against the cardinal rules of uniformity of equality and of universality of taxation." 17/

Whatever they are, the magnitude of those sins arising from taxation of intangibles is about the equivalent of that committed by the barefoot boy who, while walking along the country road, helped himself to several apples from a tree on his neighbor's farm. Netzer, utilizing the Census of Government: 1962 found

.....all intangible property is part of the legal base for local general property taxation in only nine states (plus Alaska, at local options). An additional five states legally subject certain types of intangibles to local general property taxation. Even in these fifteen states, in practice, as is to be expected, coverage is far from complete; only in West Virginia are intangibles a really significant element of the tax base. 18/

In 1961, the gross assessed value of intangible personal property subject to general property taxation (excluding public utility property) amounted to \$2,407 million, or 4.0 percent of the total assessment. 19/ In 1957, intangible personal property produced 10.1 percent of the personal property tax revenue and 2.0 percent of the personal and real property tax revenue. 20/

My own position with respect to taxation of intangibles was well stated by Harold M. Groves in 1965:

The major points of my thesis are that much of property is intangibles; that much of this is genuine wealth with tax-paying capacity; and that this wealth cannot be ignored by the tax system without serious breaches of neutrality. 21/

I believe there is great need for study of the taxation of intangible personal property to determine how serious the double accounting feature is, how assessment can be achieved without widespread evasion, and how equitable the tax system is when structured with intangibles essentially ignored. Specifically, I would like to see a study designed to determine

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17/ Edwin R. A. Seligman, "The General Property Tax," in Essays in Taxation, 9th ed., Macmillan, New York, 1921, p. 62.

18/ Netzer, op. cit., p. 141.

19/ Ibid. Table 6-1, p. 142.

20/ Ibid. Table 2.2, p. 19.

21/ Harold M. Groves, "Property Taxation of Intangibles," in R. W. Lindholm (Ed.), Property Taxation--USA, The University of Wisconsin Press, Madison, 1969, p. 117.

the effect of exemption of intangibles upon the tax base and debt limit of local governments and the distribution of tax revenue to the ownership of wealth. What is the rationale of a tax system that makes local governments heavily dependent upon the property tax and ties their debt limits to the assessed value of real property but essentially exempts intangible personal property?

Allow me to describe a hypothetical situation that I feel can be easily found in reality. "X" county has essentially a rural-urban economy with little or no industrial base. Many people have moved into the county from an adjoining or nearby city and built homes as rural residences. Their employment is outside the county and their wealth other than their homes and tangible personal property consists primarily of stocks and bonds, the stock being shares in corporations located many miles away. "X" county can not tax the real and personal property of the corporations; that is done by the local governments where the corporations are located. Thus, local governments that provide public services to owners of the wealth (shareholders in the corporation) are unable to derive tax revenue from the wealth to finance the services, while another local government taxes the wealth and provides little or no public services for the owners of the wealth. 22/ The situation, it seems to me, reduces down to two questions. First, is there a reasonably high correlation between the general property tax base of local governments and the ownership of wealth in the tax jurisdictions? Second, are the debt limits of local governments, as defined by law, closely correlated with the ownership of wealth in the counties and cities? 23/ A low correlation coefficient for either or both of these relationships is some evidence in support of a need for changes in tax systems to adjust locally assessed taxes to shifts in the types of wealth held.

V. Incidence of the Real Property Tax. The question of who, in final analysis, does pay the real property tax remains a perplexing one and grows

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22/ The statement is oversimplified because the local governments assessing property taxes on the corporations do provide the corporations some public services such as police and fire protection. But if a high proportion of the local property taxes goes to finance schools for local children, then the local governments have an advantage of supporting their schools from tax revenue on wealth, the ownership of which lies with people outside the tax jurisdictions.

23/ The Proposed Constitution of Virginia limits indebtedness, bonds or other interest-bearing obligations, of a county, city or town at any time to 18 per centum of the assessed valuation of real estate subject to taxation, in the specific local jurisdiction. The gross debt of the 96 counties, June 30, 1967 amounted to 76.16 of this limit, based on the assessed value of real estate for the tax year 1967.

in importance with increased taxation. Our theory suggests much of the tax is capitalized, but we have no empirical evidence of the extent to which capitalization actually occurs, nor the time lags involved and the income distribution aspects of the capitalization process. We can, however, be quite certain about the incidence of the real property tax on farm land.

Stocker stated it well:

.....property taxes are a fixed cost of agricultural production. The owner's tax bill does not vary with output or with the price of farm products. Even if he allows his land to lie idle, his taxes are not affected, in the short run at least. Moreover, the farmer is likely to feel particularly helpless in the face of rising property taxes because, unlike other costs that are subject to his personal control, property taxes are governed largely by the will of the community. Finally, opportunities for "shifting" the property tax are limited. Because the farmer typically sells his product in a market in which his individual influence is negligible, he cannot pass the taxes on to the consumer in the form of higher prices. 24/

Equally logical statements can be presented to support a hypothesis that under given market conditions the real property tax on some non-farm real estate is shifted to consumers. Empirical studies of the incidence of the real property tax on non-residential property are, so far as I could determine from the literature, non-existent, probably because data are not available in secondary sources. Thus, the regressivity of the tax on these properties has been studied only under given assumptions regarding its incidence. This gap in our knowledge of public finance needs to be closed. Studies of residential properties indicate that a portion of the tax on buildings and other improvements is shifted to occupants under some market conditions, but the owner bears the tax on land. The point is that we badly need to expand our knowledge of the incidence of the tax, how the incidence differs for properties classified by use and tenure, and how different market conditions affect the ability to shift the tax. Without such knowledge we are unable to appraise adequately the tax burden within our total tax system. Our tax policy has long been concerned with the regressive character of some taxes, but we cannot know much about the regressivity of a tax until we are able to determine the incidence of the tax. Also, determining how regressive a tax is requires knowledge of how the tax receipts are allocated among public services.

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24/ F. D. Stocker, "How High Are Farm Property Taxes?," The Farm Cost Situation, FCS-24, Agricultural Research Service, U. S. Department of Agriculture, May 1958, p. 36.

## In Summary

Looking to the future, improvement in the real property tax situation will require modifications along two lines. First, we must continue our efforts to improve the administration of the tax. Much progress has been made, but some jurisdictions need to employ and attach greater confidence to professional appraisers. Use of modern office equipment can improve the efficiency and quality of the assessment function. But particularly, we need to improve appraisal techniques and the compilation of data to assist appraisers in the valuing of properties. 25/

Second, and by far more important, we need to re-evaluate the role of the property tax in the total tax system in order to limit property taxes to levels commensurate with the tax-paying ability of properties and owners. Property taxes are already at burdensome levels in some jurisdictions and in others, if the recent rates of growth continue, the tax problem will become serious. Barlowe's suggestion of placing upper limits on property tax levies warrants consideration. 26/ Furthermore, the real property tax should complement the necessary planning for efficient and orderly development of our natural resources. There seems to be no reason why this cannot be accomplished through the assessment function. To do so, however, will require a stronger policy with respect to use of the police power in the regulation of land use and removal of much of the incentive for speculation in land values.

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25/ For a suggestion on the data problem see W. L. Gibson, Jr. and H. A. Clonts, Jr., op. cit.

26/ Raleigh Barlowe, "Taxation of Agriculture," op. cit.

## SELECTED REFERENCES

The scope of this bulletin does not extend to a review of literature or bibliography. Yet some readers find value in supporting and background reading. The readings suggested below provide an entry into several facets of the rural-urban relationship. No priority of importance or preference is assigned to the items although the Advisory Commission on Intergovernmental Relations and Douglas Commission reports should be specially acknowledged. Generally, items containing much reference material were preferred. Most of the items were published recently. References less likely to come to the routine attention of the typical Land Grant University or U. S. Department of Agriculture economist received slightly higher priority in selection. Where there are several good references in an area of inquiry only one was listed. To the authors of those landmark articles and books omitted, our apologies.

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