

Two-rate bill has hearing in New Hampshire

by Richard Noyes, Salem, N.H.

Concord, N.H. — The legislative committee that deals with property taxes in the state which depends most heavily upon them has agreed unanimously to take a long hard look at land value taxation.

House Bill 1380, of which Rep. Richard Noyes of Salem, is the prime sponsor, will go to Interim Study this summer and fall if the full body takes its 18-0 recommendation.

Noyes is Clerk of the committee.

The bill is one of two filed in the 1996 session which would have allowed towns and cities to tax land more heavily than buildings.

House Bill 1471 would have permitted a per-acre surcharge on land in those municipalities which wanted to adopt it. HB 1380 would allow a higher rate on land than on buildings: the "two rate" system already in effect in Pittsburgh and in other cities in Pennsylvania and New York.

A difference is that New Hampshire is one of only two states in the Union which has neither a general sales nor an income tax.

The property tax raises two thirds of all its state/local revenue. That is six times as much money as the next most productive levy (a rooms and meals tax) raises in the state where tourism is a major industry.

Less than 10% of the total state-local revenue comes from property in Pennsylvania, where the two-rate system has had the best chance to prove itself.

Albert Hartheimer of Delmar, New York, and Joshua Vincent of Columbia, Maryland, both of whom represent the Henry George Foundation of America, were effective witnesses before the Municipal and County Government Committee when it heard testimony on both bills Tuesday, Feb. 26. They fielded questions from the committee for nearly an hour, after having told them of the plan's success in 17 Pennsylvania cities and in Amsterdam, New York.

The strongest opposition to both bills came from supporters of what is called "current use taxation" in New Hampshire, a tax shelter which exists in one form or another in most states in the Union. Dozens of hostile witnesses crowded the committee room.

Current use was sold to the Granite State as a means of "keeping New Hampshire green," important for a tourist state.

Officials of SPACE, a well-funded organization of landowners who sold the idea to New Hampshire voters more than 20 years ago, and won a constitutional amendment to allow it, told the committee any increased tax burden on land would put farmers and the timber industry out of business.

They claimed it would be found unconstitutional. The "growth" arguments which have worked well for two-rate taxation elsewhere were less effective in New Hampshire where the unemployment rate is lowest in the nation, and where per capita income is seventh highest. For some committee members, representing towns that have grown too fast, it was counter productive.

One third of the property tax base is land value, so that much fiscal revenue is economic rent. Noyes has long argued in this publication that New Hampshire is already the most nearly Georgist state, and that

its prosperity, low unemployment and high per capita income are a direct result.

It took the committee less than an hour on Wednesday, Feb. 14 (a week before New Hampshire's closely-watched Presidential primary) to kill HB 1471. They agreed it was unconstitutional since a per-acre surcharge on a \$5,000 rural acre would be a heavier burden than the same surcharge on a \$100,000 urban acre.

The vote was unanimous.

It was not until a week later (the day after Dole lost the primary) before the committee was ready to act on Noyes's bill. Most members of the committee said they saw merit in it, but were still uncertain, even "confused," about the economic logic.

Many support "current use" (some of them own land which enjoys the shelter), but all of them dread what urban sprawl could mean to the Granite State.

The evidence which proved most effective when "push came to shove" was the examples Noyes offered to show that current use taxation has proved less than effective against urban sprawl.

As economists around the country are saying more and more often these days, "differential taxation" (a term some of them use for it) has been successful in shifting taxes from one group to another, but less so in protecting the environment.

One particularly glaring example of current use's failure to nourish inner cities is the relocation a decade ago of the New Hampshire Municipal Association from its in-town offices to a big new complex way out on the edge of Concord, the capitol city. Two major state newspapers have gone the same route.

NHMA staff members, including attorneys who work closely with the Municipal and County Government Committee in exploring the legal ins and outs of proposed legislation, confirmed that when the agency needed more space it wanted to stay in the city, near the capitol, but was unable to find affordable land. It had no choice, a decade after current use had gone into effect, but to move out into what had been woodlands.

Noyes pointed out that Dr. Mason Gaffney was warning, in a paper in the U.S. Department of Agriculture's Yearbook for 1958 that high speculative prices of urban land were a major factor in driving urban sprawl.

Higher property taxes on land are the best way to put a lid on speculative urban land prices, Gaffney has said.

Differential assessment, by lowering taxes on some land, serves to drive up the price for what remains. It has reached a point where half the state's taxable land is sheltered. Yet urban sprawl continues.

These are facts the committee will be considering the rest of this legislative year. It must make some recommendation to the full House in time for action in the 1997 session.

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