

The Farm Land Tax

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any tax program does things that are difficult to anticipate. Our third consideration is whether there will be any undesirable "side effects."

Consider, for example, the goal of keeping open space. Open space has different meanings in different situations. It may mean farms, recreational areas, parks, golf courses, and similar land uses. Open space may be a tool for forcing expansion into certain

patterns and densities or it may be areas, such as marshes, which have a particularly valuable ecological role.

If the goal is recreation, perhaps the tax preference should be confined to recreation areas. If the goal is channeling 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, if they agree not to permit such development. If we want to preserve land with particular ecological values, we might offer special tax concessions to the owners of the land, conditioned on the owners keeping the land in uses which are consistent with its ecological role.

The effects of differential assessment laws on land use are hard to predict. People own land for a large variety of reasons; some of these reasons are more sensitive to tax costs than others. For example, if all the owners of farms in this state were studied, you would find some for whom farming was a way of life, some in farming to make money who will stay only as long as they can make a profit, others who are in farming primarily because of income tax advantages, and still others who are mainly interested in speculating in land and will sell to the first buyer who offers the right price. Each of these groups will probably react differently to a change in property taxes. For example, if the land you want to keep in farm use is primarily in the hands of speculators, a change in the property tax is not likely to affect their decision. Another factor involved is the

value of the land for alternative uses. If the land is nearly as valuable in farming as for other uses, offers from potential non-farm users will be at comparatively small premiums over farm values, and differential assessment may have an effect. But if that land would provide substantial profits in another use, the offers for it will be higher. Tax reduction may not loom very large in a land-owner's thinking when the offer is several times the value of the land for farming.

Social equity is one of the reasons usually advanced for differential assessment. Proponents argue that differential assessment is needed because farm incomes are low in relation to the property taxes levied on farmers. Hence, it is said, property tax levies are out of proportion to farmers' ability to pay.

This view, like most, has several sides. It is difficult to define ability to pay taxes. Some people would say, though, that an individual's wealth also affects his ability to pay. Some farmers own valuable land on the rural-urban fringes, and this wealth should be taken into account when costs of government are distributed among citizens.

Furthermore, other citizens on the rural-urban fringe pay taxes out of proportion to their in-

comes. If farmers' taxes are lowered, it will be necessary to raise taxes on others in order to provide the same revenue. This will tend to intensify the differences among other taxpayers in the same school district and local government taxing unit.


Some say that the farmer's lack of income is partly an illusion. He often lacks cash income, but his net worth often has gone up substantially each year as a result of rising land prices.

Differential assessment often is justified, too, on the grounds that the farmer pays property taxes entirely out of proportion to the benefits he receives from local government. Opponents say that this is true of many other groups of suburban residents, and that lowering the farmers' taxes will only compound the problems of some of the other residents. Some people will go a step further, and say that the property tax correlates too poorly with ability to pay and with benefits received, that it should be replaced entirely or greatly de-emphasized as a source of local finance—especially for schools.

Whether differential assessment is more equitable than other forms of assessment involves individual value judgments.

Attitudes about taxes differ among individuals. Given the same information, analyses, and scientific conclusions, individuals arrive at different conclusions with regard to which tax policies are desirable.

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