

Tapping Land Reverts after P-13

Tapping Run is in May 88

FF, Doc. 32, 11 pp.

Alt. Rev. Sources, S & L Govt,

~~Cato~~

Rev. Tax. (Or use proceeds)

Oil (Unintended gain from P-13). also sale of co-generation.

Wtr. Ayala, S.B. 148, 1-10-85. Bunker Hill (over)

Geothermal. Some watchmen, e.g. Union Oil's at Brawley (over)

Uniformity - tax wide

Iron ore.

~~I speak as economist - not politician~~

Special districts

Mass transit

Street improvements (over)

Irrigation.

Grnd. wtr. "Zone of Benefit".

May include "indirect benefits".

Allocate underground storage space - why not also charge?

Public lands

Road use

Parking

Air pollu.

Wtr. pollu. (related to rev. tax.)

Utilities?

a. Raise rates on those now enjoying x-subsidy

- Wtr. at hi elevations

- End-of-the-line (cite hi line losses)

- Low density (Wtr. to cur. indy)

E.g. new Telephone Zone Usage Measurement, ZUM.

Gdwtr. Basin. "Groundwater Extraction Charges"

But some of hi value: Nov. 87, Occ. sold 80 MW plant near Sta. Rom
to Santa Fe of Alhambra (Kinnick) for \$350 m

- ~~1911 Impr. Act.~~
- ~~13 Muni. Impr. Act~~
- ~~15 Impr. Act~~
- ~~21 Rev. Bond Law~~

ZEM will equalize area of local calling areas.

2

~~L.A. tax for police~~

~~Our sacred cows are what are ~~killing~~ us. eating us up.~~

I. Prop. tax assess. bias, from use of diff methods

~~I. Timber~~

~~Modify inc. tax~~

~~Remove loopholes put in by Congress.~~

~~E.g. ag. tax shelters. Data on Cal. tax re-
turns.~~

~~A surtax on ^{net} inc. from nat. res.~~

~~As~~

~~1 interpret nat. res. to include all land.~~

Public lands } Communications.

Radio spectrum. Satellites.

Cablevision

T-phone. All that r.o.w. Value never stops ~~rising~~

Wired city concept. New emphasis on working at home, using video conf. + computer modems. Exploding demand. "Fiber-Relay towers." - optics cables. "Digital Comm. Network", language of computers.

Leases, state lands

oil

Boating. Fried sweetheart deals.

Sell zoning, plus capture dev. rts.

Annexation fees. E.g. of Canyon Sp., \$55k contributions. "New Power" impost fees

Tax on recorded mortgages

Homestead exemption

~~Greater rev. potential - tax on stupidity.~~
Difficult to administer.

Legalize pot. Then, surtax on land based on new rev. potential.

Bill boards

Other advertising

Telephone r.o.w.

Now, Falcon TV rents pole space from t-phone co! On "their" part of joint poles.

Utility r.o.w.

Time was, keep off. said to be Δ_j cost

Now, growth of Δ_j cost aspects.

~~Orange Cty. Unincorp. areas, City Bd., from 10/84~~

~~Fee of \$1250 on ea. new home (ca. \$1 p.s.f.)~~

~~\$3.75 p.s.f. on new commercial space.~~

~~In zone of benefit, along Eastern Exptl. corridor,
new freeway.~~

~~But in June '84, voted down 1¢ sales tax.~~

~~Woodcrest, parcel fee, \$50/@. Streets etc.~~

~~Measure M, "Comm. Service Area" \$140.~~

~~Fees ad. rise.~~

~~Utility assets. not subject to P-13 roll back.~~

~~B. of C., but ruling has crippled assets. Prop. is
repealed at time of sale. But city assets were
not limited to sales price, which may not
have been crisis length. - But now they
are so limited, from 10/84.~~

III

Xp'tu.

aircraft, landing, fees

RR -- S.P. power

Rails & Utilities and. at \$526 in Cal; pay \$570m

No more on the poor. 3 plots, never adjusted for infln:

1. Standard dedn
2. Psyl. ex.
3. Earned inc. credit

also, S.S. tax increased.

$\$570m / 20m \text{ pop.} = \$28/\text{person in Cal}$ —
~~not so much.~~

split roll

Buildable lots soaring in price. Can tax things that make them buildable:

- sewer sts.
- wrr.
- zoning
- utilities

I. ~~Stop exempting property~~
~~E.g. in reddev. areas.~~

~~Travellers?~~

~~Like consu.~~

~~Best source of new energy is stop wasting. "Negawatts"~~
~~" " " taxes " " " full spending.~~

~~"Negabucks for Megabucks".~~

~~As to res. convert them from public liab.~~
~~to public asset. E.g. Colo. R.~~

Bed tax

Utility surcharge.

To receive Medi-cal benefits, some required to
sell assets like their homes.

Tax nuisances -- (instead of "nuisance taxes")

~~Recent Fed. truck tax on non-complying trucks.~~

Truck vendors.

City trash as a resource.

E.g. Edison buying from Long Beach,
burning ⁱⁿ Terminal Isd. Ferry. 900 tons/day.

~~Trust Lease revs.~~

~~E.g. of Miss. School lands.~~

~~Is much like that in every state.~~

~~Sweetheart leases.~~

~~Or underuse. UCR; RCC.~~

Billboards require bldg. permits

to attach to phone poles.

What can be reg-d. can be taxed.

AC pricing, utilities not getting proper revs.

I.

By $\frac{2}{3}$ vote, cities can tax ^{based} on various criteria, other than value. E.g. area of lot was tried in L.A., 1981 -- failed. For police.

Lighting Distrs, etc. "Zone of Benefit" assmts.

Ass. Dist. — ass. land only.

May assess bldgs. "indirectly", for mains
Laterals are optional, usually omitted, inside prop. line.

1911 Act, Bonds. Ea. bond goes w. one lot. Collected
1913 Act, no bonds. Procedural. separately.
1915 Act, whole dist. secures bonds collectively.

Collected w. g.p. taxes.

Petitions required, by prop. owners.

1915 Before P-13, whole city had to advance funds
— then city cd. foreclose.

After P-13, benefrs. advance a reserve fund.
Now 90-day foreclosure possible.

Fus: street improvement, Street lighting.

Lighting Distr. is for a fm, not capl.

Storm drains

Mall

Lots of adm. work; public bodies reluctant to set
them up.

Ft. is usual basis for sewer line. But apt. pay

more.

Flood control Distr. As charges by lot coverage.

"Cost-justified" charges are the rule.

(But EDMUD is redistributing wealth - favoring Bay ~~land~~ areas, by tapping rich suburbs like La Fayette Cos. they use more water. Is John mixed up?)

Fire, police & many other services may be pd. by distrs. There are many formulas.

But on whole they do not include ad val.

Is space for large expansion of SIDs. Things now paid by GF can be switched to SIDs, to release \$ for other things.

Reduced Fed support for park barrel throws now back on local funds.

Intro

(A) Cuts

(B) ~~Far~~ Biggest rev. ^{potential,} ~~raise~~ tax on stupidity.
Never pass - threatens too many powerful interests.

(C) Re rev. sources, like energy consu.

Biggest source of energy is Negawatts
" " " rev. is: "Megabucks are
Megabucks". } Espl. w.r.e. resources. Many now
yield neg. revs. E.g. wtr. Colo. R.

(D) ^{stress that bus} My assignment is a loser ^{in this age of vt. wing overach-} -- how to raise
revs. } ^{isn't (vs. Bruce Goldring)}
I am slave of duty & proceed as
ordered.

(E) Speak now as econ., not politician.
Where is the ~~untapped~~ ^{untapped} taxable surplus in
resources?

It is our sacred cows that are eating
us out of our revs. Every untapped resource
next is someone's sacred cow.

∴ you will say "Can't the that!" or
"Accto. will never go for that." or

"my mother-in-law wd. flip"

Maybe so, maybe not. I'm just here to
show where the treasure is buried.

(F) It is buried in the land.

Ec. rent = taxable surplus

garvi stops us from ~~going~~ most direct
route. There are others.

John Locke, Physiocratic theory. But better to
hit the Bull's-Eye.

I.

Salvaging the prop. Tax.

A. Assmt discrim. vs. utilities + rails, state-
assd. Now state decis, E.T.T. case.

\$526 assd. value, paying \$570m/yr. (ca. \$30 per cap. in Cal.)

R.O.W. thus gets taxed. A nat. res. of
paramount value. I wd. call this rev. from
public land. R.O.W. is like public street or highway,
acquired by eminent domain.

→ Highest use is as r.o.w., ~~has little~~

riser in above alt. use, or hist. cost, or other traditional bases of assmt.

R.O.W. value is an ~~int~~ invisible nat. res. of enormous value.

Ecsts. often reason that taxes here are bad bcs. of deconv costs. ~~With~~ Some truth there, but much unknown. Will return, sort that out later.

B. Reassmt at time of sale

1. 10-84, bad ruling by Bd. of Equ., forces assrs. to ~~base~~ ~~constructive~~ ~~sales~~ reassmt. on sales price — & construe same very narrowly. Irvine ranch, difference of \$1b vs. \$3b. assmt.

2. Def. of sale,

Public corpus. sale of stock shld. be construed as sale, trigger reassmt.

3. Defn. of new constrn.

Wd. be constructive to come up here.

4

But expansion of oil reserves has been
declared new constn. Good.

C. Split roll

Definite possibilities, but various.

Unintended result of P-13, exempt
oil from prop. tax. Pays no rev. tax.

D. Special Distrs. Zone of Benefit assmts. —
often including indirect benefits. Exempt from P-13!

1. Mass transit. Mills Act.

2. ~~Sp~~ Improvement Distrs., special assess

Golden Gate Bridge

Bridway. Tunnel

Prado Dam

Various Acts for local improvements.

1911 Impr. Act., 1913, 1915. Call John

3. Irr. Distrs.

Broad powers, ~~not~~

- city wr

- power

- one runs an airport

Ad Val. basis, indirect ben, incl. by benefit, etc.

4. Ground Wtr. Discls.

Ayala's Bill, S.B. 148, 1-10-85.

Bunker Hill Gdwtr. Basin. Charges on Zone of Benefit.

Not just surface. Can allocate groundwater storage space -- an invisible resource of hi value.

"What can be regd. can be taxed."

All (or most) of these assets are on land only. 20% of prop. revs. now come from them.

2 Hagmann

2 Cd. grow up much limit. No P-13!

E. New ways of taxing prop.

1. L.A. police tax.

2/3 vote. Anything goes, so long as not based on value.

'81, tried lot area. Now?

2. Orange Cty. 10/84, Cty Bd., ~~was~~
 Eastern Xp. corridor, new Foothill Hwy.
 24 zone of benefit,
 Fee of \$1250 / new house (ca. \$1 p.s.f.)
 " " 3.75 p.s.f. / new commercial space

Following failure of 1¢ sales tax, 6-84.

3. Woodcrest, parcel fee @ \$50/y, could rise.
 " County Service Area" H 140

F. Reduce + remove exemptions

1. TPZ, re land. (Trees already exempted)
2. Wilson Act
3. Golf courses
4. Churches? A myth - not much there.
5. Cemeteries!
6. Redev. Distrs.

1. Trailers?

8. Land owned by states & cities.

Not net gain? Zero-sum?

The gain is in consciousness-raising.

RLC

UCR

In B.C., largest holders of under. land
are the Universities.

II. Severance or Net Proceeds.

A. Oil & Gas.

Cal. only state w/ sev. tax.

Bes. we used prop. tax.

Unintended result of P-13, killed that

New rev. sale of cogeneration.

Air polln. angle. Could also hit them
with polln. tax, effluent charge.

B. Water.

Greatest potential for turning Negabucks
into Megabucks.

Cal. Constn, wtr. belongs to people of Calif.

(Constn. good stuff, worth vdy.

Written when land tax movement was strong, put in
some rhetoric for them.)

In practice, has meant turning wtr. over to
a few lucky landowners — then ~~pay~~
doing wtr. for them at public expense.

Now, new move to sell wtr. in the mkt.
Why let the old wtr. hogs cash in? Put a
surcharge tax on water withdrawals.

You know what wtr. means in an arid
land. Wtr. is life. If this were handled
right, rev. potential is sky-high.

Now S.B. Valley MWD is draining wtr.
& getting \$11/af from Orange Cty.
(Flush your toilets ---)
Net = 0, bcs. that just covers energy (not man
wear & tear)

9

Step One is "Groundwater Extraction Charge." (Ayala is moving in wrong place at wrong time — as usual — but the idea is the thing) "understand what you're doing, rather than to get the right answer")

"But the farmers", you cry. E.g. Texaco, after swallowing Getty, has 77,000 acres of farm land in S.F.V. With water subsidized. Growing subsidized corn, using imported migrant labor. Growing corn developed under state subsidy — more Negabucks.)

— Paying Fed. taxes? Cal. farm taxable inc. = 2% of farm inc. as escd. by USDA.

Sacred cow #1 is the Cal. farmer.

More Negabucks here. In w.w. II, "is this trip neig?", Now we don't even ask "Is this highway neig?" Instead, we put liens B. Leases, state lands } on homes of Medi-cal patients.

Oil? Cal. is pretty good.

Sweetheart deals?

I've seen a few in Riverside.

E.g. of Miss. ~~Trust~~ School Lands.

Trust Lease Revs. are missing. Ill. same problem.

Underuse is just as bad. ELL + UCR
(C.) Aircraft landing fees

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(D.) R.O.W. granted to utilities

1. T-phone

Huge & rising value

a. Exploding demand for computer services. Digital Comm. Network coming (the language of computers) using "Fiber-optics cables."

Rising demand, falling costs --- all the benefits monopolized by those who control space on those telephone poles.

One thing never changes, as tech. explodes — those who control the nat. resources get the payoff.

2. Subletting space to Cable TV

Other utility R.O.W. too.

Higher rates? Maybe. If so, so be it.

But what about deicing costs?

A good argument in its place, but much hokum.
 Gets piddled away by X-subsidy.

Will illustrate by easy, vivid ex. of wtr.
 distrib. No surcharge for pumping to hi
 elevation.

Mod. apply such. ^{Tucson case.} Also:

- End of the line. Give hi line houses
- Low density

Ex. of wtr. to cov. indy. All we
 do is create an unsalable surplus.

Here, T-phone indy. is pioneering EUM

✓ (E.) ~~(T.)~~

Radio spectrum

FCC preempted.

But now is changing.

Satellite, etc.

IV Modify Inc. Tax.

Psul & Corp.

Stop piggy backing

Anticor on pop. income. ≠

Protect K by ITC & Accel. Cap. recovery

End land loopholes. Tax imputed inc.

Walter Heller
What Heller forgot →

Block ag. tax shelters
Welch & Evenson

V. Tax Nuisances ^(not nuisance taxes) - on grounds they invade commons

✓ A. Billboards. (Legalized graffiti)

Bldg. permit

✓ B. Air pollu. Effluent charge.

On model of recent Fed. truck tax.

Many smugglers may be taxed

✓ C. ~~But~~ Our largest ag. indy
"But first we must legalize it."

D. Tobacco

E. Noise

Vendors in trucks

≠ Alt. ly, raise rates and ~~add~~ also Δ earned inc.
exemption, standard dedn., psul, exemption, etc.
Deduct S.S. tax

F. Eyesores

T-phone poles

✓ VI. Permission to improve land.

A. Sewer rights. "Sewer power"

B. All zoning.

C. Frontage fees.

Cd. be area-based. Our Water Comm.

D. Annexation fees.

Must be worth something. Jay Self,

\$55 k to campaigns.

#/ frontage imposes ^{all} tax on depth, except on corners.

VII. Misc. Mortgages

Summary.
Dickson.

Cd. be based on esty. feasible density, rather than actual density.

29 June. R.C. Council changes ~~for~~ prop. amun for stat.
lbs, to pay for police + fire.

Landings fees

Radio, TV, Cable

(K for ^{FM} radio \$75m 29 June), up from \$44m, '85

Developer fees. Seductive, stamps. - like going into
debt.

No way to lit downturn.

Sales tax on land-using retail, some justice.

Imputed inc. of res. land, untaxed. \$40/sq, Burt.

Tax on consuming land.

Selling or leasing dev. rts.

User fees are not taxes. They shld not be levied
in use, but set = MC. Highways, + all over
crowded facil, yield rents.

Higher excise tax on cars. "Tax where rent is".

Fees on drivers for cars on road? Fees on
central landlords for needles to be examined.

Acquire downzoned land, rezone, sell.

Accrual tax on land gains, levied 5-yr.

WESTERN TAX ASSOCIATION 1988 ANNUAL CONFERENCE Program

Meeting Location: The Biltmore Hotel
Los Angeles, California 90013
Thursday, June 30, 1988
Registration: 8:30 a.m.-9:00 a.m.

Morning Session: 9:00 a.m.-12:00 noon

“Tapping Rents After Proposition 13”
Mason Gaffney
University of California, Riverside

**“The Theory of Fiscal Federalism
and International Public Goods”**
Bernard P. Herber
University of Arizona

**“Assessment—Sales Ratio Studies
and Output Measures of Assessment”**
Donald R. Escarraz
University of North Dakota
Kenneth W. Oldfield
Sagamon State University

Business Meeting:
4:30 p.m.-5:30 p.m.

Luncheon Session: 12:30 p.m.-2 p.m.

Speaker: Bernard L. Weinstein,
Southern Methodist University
**“Intergovernmental Fiscal Disparities
and Regional Preference”**

Afternoon Session: 2:00 p.m.-4:30 p.m.

**“An Analysis of Vertical Equity
Following the Passage of the Tax
Reform Act of 1986”**
Gary R. Wells, Richard Boes,
G. Michael Ransom,
Idaho State University

**“An Optimal Perspective of the
Optimal Tax Literature”**
Richard Pollock
University of Hawaii

**“State - Local Revenue Diversification:
An Empirical Tempest In A Teapot?”**
Jack P. Suyderhoud,
University of Hawaii

Registration Fee is \$55.00

WESTERN TAX REVIEW

The Western Tax Review, now in its ninth year of publication, offers articles of interest to academics, practitioners and public organizations concerned with taxation, expenditure and public policy. Published twice a year, the WTR is a refereed journal with a distinguished editorial panel drawn from universities in the western U.S. and Canada. Though occasionally bowing in the direction of theory and methodology, the WTR focuses principally on matters of state/local, federal and international fiscal policy.

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FIRST CLASS MAIL

Please Post This Notice On Your
Department Bulletin Board

Mason Gaffney

3040 Tyler Street

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18 Sept 88

Nadine Stoner, 1118 Central Av, Beloit WI 53511

Dear Nadine:

Enclosed copy of my ltr to Sr. Tolentino, aide to Sen. Agapito Aquino, Cory's brother-in-law. Sam V. has copy already.

Am delighted to help with federal lvt proposal. As to politicking I think you are premature: we have to frame the proposal first, get our own act together before we pressure Congressmen.

Enclosed draft of talk to Western Tax Assoc., Tapping Rents after Prop 13, has some ideas on the subject, indicated on front page.

You write, "it may be hard to sell the general public" on the taxation of land consumption idea. "May be" is not reason enough to scuttle an idea. We won't know until we try. We have struggled for decades urging proposals that are hard to sell. They are hard to sell because landholders dominate the agenda of public discourse. But every time we seize an initiative we put ourselves on the agenda.

But there may be some malcommunication. My proposed tax is not on the transfer of land, but on holding land.

Wisconsin AG's opinion 29-79 re AB 1207 seems to open the door to proposing whole hog lvt, if your interpretation is correct. As to phasing, should you win or even get close the opposition will take care of proposing the phasing: let them carry that legal burden, which predictably they will do.

One of the more effective cheap political ads recently reads as follows: "They had a party; you weren't invited; now they want you to pay for it." If we tout lvt as a way to meet the deficit we are picking up the bill for someone else's party. I recommend rather coupling lvt with reducing wage/salary taxation. Let the people see some gain, right now. If there is lvt you may be sure the landlords will hold down public spending.

Yours truly,

cc: Nic Tideman
John Burger
Steve Cord

Mason Gaffney
3040 Tyler Street
Riverside, CA 92503

September 15, 1988

Professor Mason Gaffney
Department of Economics
University of California
Riverside, California 92502



Dear Mason:

I would like to include your presentation on "Taxing Rents After Proposition 13" to the Western Tax Association as an article in the forthcoming issue of the Western Tax Review. Do you have a written version you could send me?

Let me know right away as I want to put the issue to bed in the next few weeks.

Sincerely yours,

Bud
Bernard L. Weinstein
Director

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