California's Balkanized Tax Base

Mason Gaffney

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EXCERPT ON Balkanization of tax base

Priority #3: De-Balkanizing Tax Enclaves

A. Rich and Poor

There are rich jurisdictions, and poor. Professor Tideman's paper in this conference alludes to this matter. Let us support his point with some numbers.

In California, you might think that rural counties like Tulare have a lot more taxable real estate value per capita than suburban ones like Marin. Such is the conventional wisdom, but it is not so. Tulare County reports assessed values per capita of $38,100. The whole state averages $60,000 per capita. Suburban Marin County weighs in with $95,400; urban Los Angeles County has $59,000; Orange County has $74,000.

You might also think that Tulare, being rural, has a lot higher fraction of land value in its mix, but again, not so. The Land Share of Real Estate Value (LSREV) in Tulare County is 28%, compared to a statewide mean of 40%, and 47% in Orange County.[1] Grazing and mining counties like Inyo have high values of LSREV, but they are a small share of the farm economy.[2] Counties with intensive working farms, like those of the San Joaquin Valley, have low values of LSREV.

Within counties, disparities among cities and school districts are even greater, much greater. One desperate little farm town in Fresno County, Parlier, has just $10,000 of assessed value per capita. Here are some assessed values per capita from different California cities in the county of Los Angeles: Lynwood, $21,500; Beverly Hills, $294,000 (thirteen times Lynwood); City of Industry, $5,533,000 (257 times Lynwood, and 553 times Parlier).

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[1]This datum, and others of like kind, refute the conventional belief that farm counties are heavy on land in the mix. On this last point, I must respectfully take issue with my good old friend Gene Wunderlich, whose paper at this conference suggests that farm counties have higher land fractions. I wonder if he has perhaps conflated building values with pure land values? My data, from the California State Board of Equalization, show lower land fractions in real estate in the purely rural counties of the San Joaquin Valley.

[2]Inyo County, lightly peopled but heavily cattled, has $136,000 per capita, with very few human capita (and its cattle are exempt from the California property tax).

This is why some critics have called the property tax "regressive." Balkanization of the property tax gives some plausibility to the otherwise bizarre claim that switching to a sales tax is less regressive than sticking with a property tax. Within each city the property tax is progressive, but when your data meld cities like poor little Parlier and Lynwood with Beverly Hills you sometimes find poor people paying more of their income in property taxes than rich people, and getting less for it. Switching just the **local** property tax to land ex buildings will do little to correct such disparities. It will therefore make little progress toward overall distributive justice, and the wide support that would evoke. There is, in fact, a natural cap on local property tax rates imposed by local particularism. The City Council of Beverly Hills will not raise taxes in Beverly Hills for the benefit of voters in Parlier.

To avoid such regressivity we must work out some formula for power equalization. The most straightforward formula is simply a statewide land tax. On this I must again applaud Dick Noyes in NH—not for what he says, but what he does. What he *says* is that the genius of NH is its local control of revenues; what he *does* is initiate bills for a statewide land tax.

There are many other tax enclaves and exemptions by which much property stays off the tax rolls. I have a long list, with about thirty-five items. Here I'll just focus on two: timber and oil.

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