

**Reform Toward Ad Valorem Property Tax
in Transition Economies:
Fiscal and Land Use Benefits**

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The current move toward ad valorem property tax in transition economies responds first to a fiscal objective: it is one answer to the growing need for independent resources for decentralized authorities. This note examines under which conditions this fiscal objective can be best reached, integrating social impact considerations and the need to face administrative and technical constraints. In addition, an ad valorem property tax can also help increase land use efficiency, a crucial need in transition economies, and the note goes on to examine under which conditions this land use goal can be best pursued, while remaining compatible with the core fiscal objective of the tax¹.

I. AD VALOREM PROPERTY TAX AND FISCAL BENEFITS

1. Two major trends create the need for additional resources for local authorities in transition economies: the move toward decentralization, and the perspective of EU accession which requires heavy local infrastructure investments and adequate local counterpart funding for EU funds. The share of subnational budgets as a proportion of total public budget, as well as of GDP, which remains today significantly lower in Baltic and Central European countries than within the EU (Table 1), is thus bound to increase, to come closer to EU average.

Table 1	Local revenues as % of general gvt revenues	Local reve - -nues as a % of GDP	General Gvt Revenue as a % of GDP
Czech Rep.	20.60%	8.40%	40.70%
Hungary	30%	14%	47.30%
Lithuania	About 17%	About 5.5%	32.70%
Estonia	na	na	39.00%
Latvia	23.00%	9.14%	39.90%
Slovak Rep.	na	na	46.90%
Slovenia	11.35%	5.10%	44.90%
Poland	18.85%	8.50%	45.00%
CE Average(1)	20.13%	8.44%	42.05%
EU Average(1)	25.48%	12.25%	46.09%

(1) Non weighted. Source: IMF, OECD, EUROSTAT. 1996-1997 for Central Europe, 1995 for EU members.

¹ This note summarizes the main conclusions of a study to which one should refer for more detailed discussions.

The degree of autonomy in raising local revenues also needs to increase, because locally raised revenues will: (i) ensure a true decentralization, with transfers of both competencies and financing responsibilities; (ii) support the development of local democracy through greater responsibility and transparency of local authorities; and (iii) encourage local efficiency in the management of public services, thanks to a more direct link between the source of revenue and the services rendered.

Although no precise measurement of the degree of real financial autonomy of local authorities in transition economies is yet available, there is a broad consensus to consider that this autonomy is still weak and need to be increased to keep up with decentralization and EU standards. One clear fact is the lower level of resources levied through the property tax, which is typically a local tax on which sub-national authorities do have (albeit to varying degrees) a significant level of autonomy.

2. Ad Valorem property Tax is one answer to this need

An ad valorem property tax raises administrative and political difficulties because this direct tax is more visible and politically painful than other ways to get local resources, such as government transfers. In addition, the tax raises administrative issues regarding the registration, valuation and update of the base, especially in countries where the cadastral information and the technical competencies required are still at least partly lacking. Illustrating the reluctance this can raise among elected officials, there are many examples of countries with an ad valorem property tax remaining largely underused through a combination of under-valuation of the base, lack of reevaluation and/or of proper indexation of the base, excessively low rates, multiple exemptions and rebates, and poor enforcement.

Despite these difficulties, there is a strong move in transition economies toward the introduction of an ad valorem property tax. Estonia, Lithuania, Latvia and Romania are engaged, at various stages, in the process of

implementing such a tax. Poland, the Czech Republic, Hungary and Slovenia are contemplating its introduction. This move is explained by *the inadequacy of the current property tax*, based on the property area, and often relying on self-declaration, with an incomplete registering of properties. These inherited systems have no relations with the market value of the real estate being taxed, and generate limited revenues from a narrow base that is neither elastic to economic growth, nor ensuring any vertical or horizontal equity. It is thus not surprising that revenues raised from the property tax remain lower in transition economies than in the EU: the tax provides almost the same share of local revenues, but as local budgets make up a smaller part of public spending and of GDP, the property tax revenues represents a smaller share of the GDP (Table 2).

	PT as % of Local Revenues	Property Tax as a % of GDP
Czech Rep.	2.66%	0.20%
Hungary	1.07%	0.15%
Lithuania	About 10-11%	0.57%
Estonia	na	0.40%
Latvia	12.13%	1.10%
Slovak Rep.	na	< 0.8%
Slovenia	8.7%	0.44%
Poland	11.62%	0.96%
<i>CE Average (1)</i>	6.91%	0.55%
<i>EU Average (1)</i>	7.33%	0.92%

(1) Non weighted. Source: IMF, OECD, EUROSTAT. 1996-1997 for Central Europe, 1995 for EU members.

By contrast, an ad valorem Property Tax would provides one answer to the fiscal needs of local authorities in transition economies, because: (i) it is a stable and autonomous source of revenue, relatively easy to identify because immovable; (ii) it ensures a good degree of vertical and horizontal equity; (iii) it is a close approximation of the taxpayer ability to pay; (iv) it provides a consistent measure of municipal creditworthiness (v) it will provide a larger and much more dynamic base: the market-value base is more likely to grow in relation with GDP, and simultaneously, the new tax will necessitate tighter management and a more comprehensive registration system, hence a larger base.

Tables 1 and 2 indicate that simply reaching the EU average of property tax in GDP would imply

a 66% rise in property tax revenues raised in the 8 sample transition countries, the additional local resources representing almost half a point of GDP. The scope for increase is highest in Hungary and the Czech Republic, and is significant for Estonia, Lithuania, Slovenia and the Slovak Republic. In Poland and Latvia, by contrast, the share of the tax in GDP is currently comparable to EU average. However this does not mean that reform is unnecessary. First, given the scope of local budget needs in accession countries, going somewhat beyond the EU average is probably justified. Second, over the longer term, the area based system is not likely to rise in line with the GDP, and thus even if today the ratio property tax/GDP is comparable with the EU, this will not remain true in the future, and the revenues of the tax will be progressively marginalized.

The fact that there is a scope and a strong rationale to increase the weight of the property tax does not imply that the overall share of public revenues in GDP should rise accordingly. If total public revenues are to remain unaffected, and in order to remain consistent with the move toward decentralization, the increase in local tax burden should be offset by a decrease in central budget.

3. Three main sets of conditions for the new tax to meet its fiscal objectives

3.1. The extent of the fiscal benefits will depend on a favorable balance of responsibility between central and local authorities.

Central government must be willing to transfer, and local authorities must be willing to accept, responsibility for a significant part of revenue raising. If local officials feel that they may be able to fund their expenditures by central transfers rather than by raising revenues locally, they will not have sufficient incentive to make full use of the tax potential, and, given its political sensitivity, will let it stagnate through all available means. While the political acceptance of the reform pleads for a progressive implementation, it should nevertheless be clear that in the medium term, the new tax will increase the share of locally raised revenues. Indeed this is the very objective and justification of the reform. But if local authorities do not take responsibility for it, and are allowed to maintain very low effective rates in order to keep the

overall tax burden similar to pre-reform period, the purpose of the reform will be self-defeated and its implementation costs will not be justified.

One key application, in terms of incentives, is that central government must not offer, directly or indirectly, automatic compensation, through transfers or grants, to local authorities, for loss of local tax revenues resulting from local decisions to grant special exemptions or rebates or excessively low effective rates.

Central government must also remain sufficiently involved in key areas of the property tax to ensure that it is actually used to its full potential. It must organize the necessary information sharing with other tax or administrative units and create the proper legal and regulatory environment. This essentially implies enforcing tax rate brackets and in particular a minimum rate (often overlooked in favor of maximum rates), minimum nationwide regulations regarding exemptions and rebates, ensuring that updates of the base are conducted regularly, and providing the necessary technical and staffing support for the valuation process.

3.2. The property tax should not be overburdened with social, economic or administrative objectives, which effects offset each other or cannot be reasonably measured, while contradicting the core fiscal goal.

A flat tax rate is often perceived as regressive in terms of income distribution, and a *progressive tax rate according to household revenues*, expected to be more progressive, is often introduced. However, theoretical analysis show that on the whole a flat rate tax is more likely neutral, or even slightly progressive, depending on assumptions on the elasticity of land supply to change in tax rate and on the income distribution pattern among owners, renters and consumers of goods and services. In addition, in transition economies, a flat rate ad valorem tax would certainly not be less equitable than the current area based one, where property-ownership patterns have little to do with income level, since they were generated successively by the administrative allocation process of the socialist era and a privatization largely made to the benefit of sitting tenants.

However a particular concern must be addressed in transition economies, where officials feel that there is a significant number of *low or modest income households whom have been granted ownership of high value properties*. First, the extent of this issue deserves to be more documented. Second, whatever the conclusions of such surveys, the temptation to grant exemptions based on household income should be resisted, because this would seriously impair the fiscal goal (and land use objective, see below). This issue must be addressed through national solidarity mechanisms, for instance a means tested housing allowance to low income households whose housing charges exceed a certain proportion of revenues.

Differentiation according to property value, through progressive assessment ratios, progressive rate structure or exemption policies, is likely to be socially more progressive than a flat rate. Fiscally, it does not necessarily imply a loss of revenues, if the effective rate yields an amount comparable to a flat rate system. In fact, a basic exemption of very low value property could even improve the fiscal performance, thanks to better recovery costs.

Site value systems (taxation of land only) or graded systems (heavier tax rate on land than on improvements) are theoretically socially more progressive than a flat rate, since in the long run and if applied nationwide, the tax on land will be borne by owners. But from a fiscal point of view, they would add to the political sensitivity of the property tax and to the risk of the tax being underused: because the base is narrower than in a system taxing indiscriminately land and improvements, such systems require higher rates in order to produce comparable revenues.

Lower effective rates, or exemption of newly constructed buildings, to stimulate construction, has a clearly negative fiscal impact while it will likely have a regressive social impact. *Higher taxes on vacant lots in urban areas* is likely to be socially progressive, while fitting the fiscal objective. Finally, *preferential treatment for owner-occupants* negatively impacts the fiscal objective, while being likely regressive from a social point of view. Encouragement of owner-occupancy, if considered a desirable political or social goal, should be sought through other means.

Exemption of publicly owned properties should be strictly limited. Exemptions of properties owned or used by public or quasi-public entities other than the local taxing authority itself deprive the latter of fiscal revenues without ground, since these public entities generate local costs for which they should pay just as any other local employer. The potential negative fiscal impact is especially high in transition economies where the public real estate stock is sometime still significant. Exemptions should thus be strictly limited to properties (i) being owned by the local taxing authority *and* (ii) being used by this authority for its official administrative duties. They should not be granted to properties owned by other public or quasi-public entities, nor to properties owned by the local taxing authority but used for purposes other than strictly official local administration (such as residential or business renting, or provision of municipal public services or utilities).

Such a taxation, implying tax transfers from one public budget to another, far from being an unnecessary cumbersome administrative process, is the only clear and straightforward way to ensure that other public authorities and entities will actually pay the municipality for the local expenses they generate, in a fair, stable and equitable manner. Taxation is also the best way to make public entities internalize, in their budget, the real cost of operating in the municipality, and this also applies for municipally owned properties used for non administrative purposes, which should anyway have separate accounts from the municipal budget.

3.3. Three main technical and administrative challenges to overcome in transition economies for the tax to yield its potential.

First, the lack of comprehensive cadastral data, and/or scattered nature of the existing data implies that the fiscal cadastre should be limited to the data strictly necessary for valuation and taxation purposes, and not be required to have the same degree of precision than physical or legal registries. In addition, to avoid costly duplication of efforts, the fiscal cadastre should rely on a system of tax-payers self-declaration complemented by an organized access, for the tax administration, to complementary and cross-

checking information from all relevant other data sources (legal and physical registries, transaction data from notary offices, real estate agents...).

Second, because real estate markets are not fully developed yet, the *market references for valuation of the fiscal base remain sometimes limited*. This very real problem in some less advanced countries will diminish in the medium term. In the short term, it means that valuation principles, while based on market value, should remain simple, avoid excessively detailed and heavy data requirements, and allow simple mass-valuation procedures.

Third, the reform must be based on a *comprehensive and integrated vision of the property taxation system, from the setting up and maintenance of the base to the collection of the tax*, defined in terms of administrative process and organization, of articulation between the various actors (assessors, fiscal cadastre offices, tax collection offices), of compatibility of software applications, and of minimal nationwide effective collection rules (in particular the principle of taxation imposed on the property rather than on the owner, effectively deterring penalties and other dissuasive enforcement tools). Neglecting effective coordination with collection can easily make the investment in a new fiscal base a costly waste of public money.

To sum up, the introduction of an ad valorem property tax is one answer to the need for increased local autonomous resources in transition economies, but to ensure that the reform yields its true potential and justifies the costs, three sets of conditions must be met: (i) a favorable balance of responsibility between central and local authorities; (ii) a tax system targeted on its core fiscal goal, integrating other goals (social, economic or administrative) only when the effect is well demonstrated and not contradictory with the fiscal objective; and (iii) a careful design based on simple, cost-efficient solutions, addressing the administrative and technical challenges of transition economies.

II. AD VALOREM PROPERTY TAX AND LAND USE OBJECTIVES

1. There is a strong need to encourage the development of real estate markets and more

efficient land use in transition economies. Former socialist cities have inherited a highly distorted land use pattern (see in particular Alain Bertaud), because administrative allocative decisions made under greatly distorted prices signals led to a perverse population density gradient, increasing as one moves away from the city center, with a high concentration of industries in prime locations in the center. This structure maximizes the inefficiency in terms of energy use, infrastructure and commuting requirements, diminishes the international competitiveness of the city and has a significant environmental cost.

Emerging patterns based on market value are exactly opposite to the inherited pattern : with price liberalization, relative prices tend to shift rapidly, as a recent study on Cracow² demonstrates, leading to a low and decreasing value for part of the suburban residential stock, while on the contrary opportunities for capital gains are, at least potentially, large in the center, with a strong need for more land and floor dedicated to services and commercial activities, and higher prices and density for housing in the most accessible areas around the center and transport corridors.

This trend toward increased urban land use efficiency led by market price signals, which favors the recycling of land, in-fill development and redevelopment of underutilized land, needs to be encouraged. Among the possible tools for this, is the introduction of an ad valorem property tax, based on the market value of real estate.

2. Articulation with other land and real estate market reforms and regulations

First, introduction of an ad valorem property tax should not be tied up with the reform of legal registries of real estate ownership and transactions. While the latter is necessary for the development of real estate markets, tying fiscal and legal registries reforms is likely to seriously delay the tax reform because of legal issues which are less relevant for tax purposes, such as ownership uncertainties.

Second, heavy taxation of real estate transfers (sales, inheritance) should be avoided because of

² “Cracow in the 21st century: Princes or merchants?”, Alain Bertaud..

its potential to impede the development of real estate markets, or at least their transparency, and, as a result, impair the very base of the annual property tax. Taxation of transactions should thus be set at a reasonable rate and, whenever possible, be dedicated to local authorities, to ensure a global view of the whole taxation burden.

Third, land use regulations should be consistent with the objective of developing the liquidity of real estate markets. If excessive obstacles in recycling land to higher and best use, due to contradicting land use regulations, limit the number of transactions, then the tax will have little effect on land use efficiency. That, in turn, would generate a lower tax yield. Poorly conceived land use regulations, such as excessively low floor to occupancy ratios or inadequate zoning, can limit the number of transactions or greatly reduce land and property values, and thus limit the impact of the tax reform.

Forth, encouraging the development of adequate funding for real estate transactions is necessary, since the lack of adequate financing for property transactions can also severely limit the number of transactions, hence the positive effect that an ad valorem property tax can have on the recycling of properties, and, in the end, the fiscal benefits of the new tax.

3. Characteristics of an ad valorem property tax in order to influence positively land use patterns

3.1. Ad valorem property tax is generally considered as having effects on land use patterns, under the following conditions and assumptions: (i) the degree of influence on land use will depend on the effective tax rate, which needs to be significant enough to generate substantial response in the allocation of land and capital; (ii) the effect of the tax depends on the elasticity of the supply of land and capital to changes in after-tax rate of return. Assumptions in this regard remain debated, but there is a convergence toward the following conclusions: changes in the property tax rate will have allocative effects in the long run, at national level if capital supply is elastic at this level, and definitely at local level, as well as in the case of national changes affecting only certain categories

of properties. Hence the property tax is considered as a tool to influence land use patterns, with the aim of encouraging a more rapid and intensive pace of development by discouraging speculation, inducing earlier development and higher density.

3.2. The actual extent of the tax influence on land use pattern, in practice, depends on the main characteristics of the tax. Beyond the theoretical assumptions, empirical evidence of the tax impact on land use from available country examples is not always conclusive, but this seems mainly attributable: (i) to weaknesses in the implementation of the tax (excessively low effective rate, making it trivial compared to other factors influencing allocative decisions); (ii) to contradictory or offsetting effects of other policies and (iii) to contradicting dispositions embedded in the property tax system itself, most of the time because various other economic and/or social purposes are pursued simultaneously through the tax. It is thus necessary to **examine what characteristics of the tax would best serve the land use objective.**

Higher taxation of land is theoretically consistent with the objective of encouraging land use efficiency, because it will minimize or suppress inefficiencies created by the taxation of improvements (which creates a disincentive to upgrade), lower the acquisition value of land (by decreasing the capitalized expected returns), encourage earlier development of land and stimulate use to its highest potential (by increasing the cost of holding unused or underused land, compared with developed land).

However, these expected benefits are strongly questionable in the case of a pure site value system with excessively high rates, or a 100% rate on land rent, as advocated by proponents of the “georgist” land tax, because (i) the expected benefits of such a taxation (i.e. the absence of economic distortions), are based on a contested assumption of fixed land supply (at least locally, or for particular uses, land supply is not fixed); (ii) it raises difficult questions of valuation, and with a tax taking away 100% of the land rent, valuation errors would have powerful distortionary effects³; (iii) the acceptability of the

tax would be very problematic, because of the higher rates implied (compared with taxation on both land and improvements) and because of the horizontal inequities among different types of investments generated by its implementation ex post; and (iv) such a tax would create a serious problem of incentive to hold the land (in the end it logically leads to a system of public ownership with land leases approximating the tax) and to allocate it efficiently. Therefore such a tax would have strong adverse effects and should not be seriously considered when contemplating the introduction of an ad valorem property tax.

In practice, Japan in the early 90’s gives one example of increase in land tax rates in order to dampen rocketing land prices, a policy which is considered today by some analysts as among the main reasons for the rapid reversal in land prices that occurred since. Examples of site value systems are found in a limited number of countries, where empirical findings on the tax effects are mixed: in Australia, a study based on 56 local authorities led to inconclusive results. In New Zealand, another study considers that various overriding elements, in particular contradictory public incentives, have played against the theoretical effects to be expected of a site value tax, leading to a general pattern of low density of urban land use and encouraging speculation on vacant land.

Vacant lots should be taxed at least at the same rate as improved land, or even at a higher rate, especially in transition economies where the issue of the intensity of land use is crucial. Higher taxation of vacant lots is intended to discourage speculation and encourage earlier, more rapid and dense development of urban areas and if the rate is high enough, it is likely to achieve this goal. In any case, there is certainly no reason to exempt or tax vacant land at lower rates than developed ones, on the erroneous ground that the tax should reflect a charge for the actual use of urban services. In fact, even on this ground, lower or non taxation is not obvious because vacant lots impose costs on the provision of infrastructure and services. In addition, from a land use perspective, the absence of taxation on

³ Site value may seem more simple because the registering and valuation of improvements is skipped. However, site and graded systems raise significant issues because making

separate valuation of land and improvements is a difficult task in urban areas where samples of comparable vacant lots are rare, and because the definition of undeveloped land is not always clear cut in practice.

vacant lots does not discourage speculation and nor encourages advancement of development.

Agricultural land is often granted preferential treatment through assessments based on the revenue provided by the current use, rather than on market value, for social and political considerations and/or with a view to the preservation of rural land. However, experience shows that *the objective of preserving rural land cannot be obtained simply through the tax preference*, which is insufficient to prevent conversion into urban use, because the tax differential is not high enough in the face of the possibility of selling at several times the price a potential farmer buyer would pay.

Further, *preferential treatment of rural land can feed land speculation at the urban fringes*, and if the most pressing issue is not preserving agricultural land but addressing high and rapidly increasing urban land prices, removing preferential treatment for agricultural plots in urban fringes will help dampen speculation. This scenario is more likely in EU accession countries where the progressive reduction of the still large rural population will lead to an increase in the urban population over the coming years. Therefore, transition countries contemplating a market value tax system while retaining a preferential system for agricultural land, should be careful about the way agricultural land at the urban periphery will be treated, and should insert this in a comprehensive vision of the urban area growth based on a well designed land use plan.

Differential treatment of industrial /commercial properties have little justification in terms of land use objectives. *Heavier taxation* is often imposed for reasons based on the “ability to pay” and the “equity” arguments. However, the equity argument is doubtful since in the long run, most of the tax is passed on to consumers. From a land use perspective, this higher taxation will distort allocative decisions, favoring residential use over industrial/commercial ones, while a similar rate on both uses would ensure that the choice is based on the highest and best use. In transition economies where space available for commercial and services activities is in short supply, taxing more heavily these uses would be counter-productive. Regarding industrial sites, the goal should be to relocate them from the center to the periphery, and this will best pursued by a

taxation of the enterprises real estate at market value (an incentive to sell to more efficient users and to relocate in cheaper peripheral areas), not by taxing more heavily all industrial sites compared with residential ones.

Lower taxation (or exemption) of particular areas in order to attract industrial/commercial investments will influence investment decisions only if one or a limited number of municipalities are using this device and if the differences in effective tax rate is significant enough to weigh in the investment decisions, a condition not easily met because private investment decisions factor in many other elements which can easily outweigh the comparative property tax incentive of a particular municipality. The main result of such preferential treatments, if left unregulated by minimal national limits, is likely to be a perverse competition among local authorities resulting in a depletion of badly needed local revenues and an absence of real impact on allocative decisions, the pervasive breaks throughout the country not being able to really make a difference at local level.

Preferential treatment of owner-occupants, beside its social regressiveness, is a political or social goal, not a land use one. From a land use perspective, there is no reason to tax owner-occupied properties more lightly than similar properties which are rented out or used for non residential purposes. This only creates distortions in allocative decisions. Further, in transition economies, where ownership has often been transferred to sitting tenants, such a preferential treatment would not encourage households to become fully aware of the real market value of their assets, hence delaying their possible recycling to highest and best use. It would also create unearned windfall gains for households who would benefit the most from the preferential system simply because they were sitting tenants in areas where the new market trends increase the property values.

Progressive taxation according to the property value has negative allocative effects on land use, because it creates a disincentive to improvements and upgrading (improvements will push the property in a higher tax bracket). However, *exemption of low value properties*, which favors both income progressivity and lower collection costs, can have limited disincentives effects on

improvements, given the many other factors motivating them, if the threshold is set low enough.

Exemption of publicly owned properties has strong distortionary effects on land use patterns, because it allows part of the city area to avoid the tax incentive to locate and relocate according to market signals on the highest and best use of the area they occupy. This is especially crucial in transition economies where the public and quasi-public activities were located according to non market criteria, and the publicly-owned real estate stock is sometime still large. Exemptions should thus be strictly limited to properties owned and used by the local taxing authority for its official administrative duties (i.e. to cases where the municipality would literally be taxing itself).

Annual/rental value tax: this particular method of valuation and taxation is often criticized from a land efficiency perspective because *it taxes the present-use value*. A valuation based on the capital market value of properties, which encompasses the capitalized revenues expected from the highest and best use, is more adapted to the goal of promoting land use efficiency.

In order to influence positively land use patterns, the new ad valorem property tax must therefore avoid features that have social or economic objectives which are likely to have contradictory or adverse effects, in particular inadequate treatment of agricultural land at urban periphery, preferential treatment of owner occupants, progressive rate structure, under-taxation or non-taxation of vacant lots, specific treatment of industrial and commercial uses and excessive differences in effective tax rates from one jurisdiction to another.

Conclusion: the introduction of an ad valorem property tax can serve both fiscal and land use objectives in transition economies, provided that the reform is carefully designed to address the technical, administrative and political challenges, that a consistent articulation is found with other regulations and reform of real estate markets and that adequate tax characteristics are adopted.

Characteristics that would fit both objectives are: (i) a valuation based on capital market value, (ii) a flat rate system (by opposition to a progressive

rate structure), (iii) possibly combined with a higher rate on land (moderately graded system) and on vacant lots, (iv) a large base involving very few exemptions (except possibly for very low value property) and in particular very limited exemptions for publicly owned properties and (v) national regulations limiting the scope of local tax competition.

Even a well designed property tax with non trivial rates will not, in itself, be sufficient to address all the issues of real estate market development and land use patterns in transition economies. However, if carefully designed, and applied with rates significant enough to be felt as an incentive by economic agents, over a sufficient period of time, an ad valorem property tax can be a useful complementary tool that will both respond to its basic fiscal objective (raising revenue for decentralized authorities) and act as an incentive for more efficient land use patterns.