

How to Do a Who-Pays-More-Who-Pays-Less Study

Nineteen jurisdictions are currently using the two-rate LVT approach. In every instance, the locality's legislature (usually a school board or city council) has asked for a who-pays-more-who-less study. The legislators simply do not want to adopt a two-rate LVT property tax without such a study – there have been no exceptions. They simply do not want to take a leap in the dark; specifically, they do not want to impose a property-tax change that will significantly increase the tax burden of many of their constituents; they want to be re-elected. They want to be assured they will not be run out of town by an angry mob of aggrieved property owners.

So it is necessary for Georgists who want to induce some LVT in the foreseeable future (beyond which we ought not to try to peer) to know how to mount such a study. Fortunately, such a study can be very easy to do, and need not take much time.

Here is how to do it:

The theory is simple: any property owner whose building-to-land-assessment ratio is larger than the locality-wide building-to-land-assessment ratio will save with a two-rate LVT property tax. A property owner whose building-to-land-assessment ratio is less than the locality-wide building-to-land-assessment ratio will pay more. If by chance the two ratios are the same, there will be no change in property-tax payments; the affected property owners will pay less on their improvement but this will be exactly equal to the increase on land tax.

An example will suffice: suppose the building-to-land ratio for the entire jurisdiction is 3.2:1; property owners whose building-to-land assessment ratio is more than 3.2:1 will save with a two-rate LVT shift; property owners whose building-to-land ratio is less than 3.2:1 will pay more, and those property owners with a 3.2:1 ratio will pay the same.

To do a random-sample study before trying to induce a legislative board to adopt two-rate LVT, follow these guidelines:

1. Determine what suggested rates on land and building assessments will get the jurisdiction the same revenue as their current one-rate, using the formulas developed by C.S.E. Do this prior to meeting with the locality's legislative board.

2. Get the locality-wide building and land assessments. Fortunately, they are public information. Usually, the locality's treasurer or budget manager can easily provide these figures.

3. The same procedure can be followed for other types of property owners (e.g.: commercial, industrial, utility, etc.).

4. It is possible to figure out the exact payment for each property owner (or any property owner) under the old one-rate property tax and under the suggested two-rate property tax, but that is not usually necessary.

5. Often, a shorter sample of the legislators' properties or some key properties in town will suffice.

Joshua Vincent, President of HGFA can easily do this by computer for an entire assessment roll, but you will need to get a computer disk for him containing all the assessments. He can also do a random sample for you. Call 215.988.9998 or e-mail henrygeorgefoundationofamerica@msn.com.

The Distribution of Wealth in America

Wealth is highly transient in America:

◆ "Less than 1% of American families were stuck in the poorest fifth of the population year after year, for a decade or more" (Alm)

◆ "In the 1980s, only about 6% of all families had incomes in the riches fifth of the population throughout the decade." (Alm)

◆ "Today, this up-and-down distribution of wealth - not a *Les Miserable*-tableau of the permanently downtrodden--is the real portrait of the real America. (Clark S Judge, Managing Director of the White House Writers Group, *The Wall Street Journal*, 5/4/2001, A14, citing the University of Michigan's "Panel Study of Income Dynamics.")

Of course, if land assessments were taxed rather than what labor produces, the distribution of wealth and income would be even more equal.

Let Us Remain True To Progress and Poverty

The whole of *Progress and Poverty* revolves around George's central proposal: "*To abolish all taxation save that upon land values.*" (p. 406, Fiftieth Anniversary Edition; Schalkenbach, New York 1953; italic emphasis in the original)

On p. 405 (again, italic emphasis in the original) George wrote:

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

We deviate from George's prescription for practical action at our peril and disgrace. Let us remain true to *Progress and Poverty*.

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