

Incentive Taxation

LVT Benefits the Environment

Objection: *If open-space land were developed, wouldn't that harm the environment?*

Answer: Its premature development would certainly harm the environment, but since such land is low in price, its land value tax (LVT) would be low, thereby reducing development pressures - so LVT would actually preserve open-space land. It is necessary to environmentalism, for these reasons:

(1) LVT and environmentalism share the same philosophical rationale - they both maintain that land is different from human-produced things and therefore should be equally available to us all.

(2) LVT would cause urban land to be more efficiently used, thereby reducing the urban-sprawl pressure on open-space land.

(3) LVT protects rational zoning by removing the profit from spot re-zoning.

(4) LVT would promote mass transit by increasing the density of our cities.

(5) LVT would eliminate absentee ownership (absentees will not own land if their incomes were taxed away). Absentee landowners often do not take good care of their land.

(6) LVT could provide a plentiful revenue source for legitimate environmental programs.

When people are well off, they are more likely to be environmentally conscious.

Continued on Page 2

"Some Will Pay More"

If the tax rate on building assessments becomes lower than the tax rate on land assessments, most property owners (potential voters all) will get tax reductions, but some property owners will pay more. City councilors and school-board members are rightly concerned about this minority, so let us directly address their concerns.

(1) We note that most property owners get property-tax reductions with the two-rate tax. We have found, somewhat surprisingly, that two-rate generally creates two different groups of "pay-less" property owners: owners of big commercial buildings, (where the good jobs are) because their expensive buildings are down-taxed, and poor people (because they own or live on little land value). Do not tax the good jobs out of town.

(2) If a property owner builds a building, he should not be compelled by the property tax to share its value with others. Also, local government has a

right to tax for what it provides - better police and fire protection, streets, and other public goods and services - all of which increases the local value of land.

(3) The "pay-more" owners generally pay only a little more. They generally have an income stream to meet their new property tax, unlike most homeowners.

(4) The introduction of the two-rate property tax must be gradual for the sake of the few "pay-more" property owners.

(5) The two-rate property tax is not designed to impose a larger tax rate on business property vis-à-vis residential properties. It is not at all concerned with land use (only with potential land use within the existing zoning laws).

(6) Local business greatly benefits when buildings are down-taxed and land is up-taxed: all our 17 empirical studies fully substantiate this. Some property owners might see an increase in their property taxes, but they will benefit from the better business climate.

Empirical Proofs

This publication has conducted 17 empirical studies, ALL of which substantiate conclusively that land value taxation (LVT) produces spurts in new construction and renovation:

(1) In each of the 17 cases, within three years of two-rate LVT adoption, there has been a spurt in building-permits issued as compared to the three-years-before-adoption period. The building permits are kept on file in every city hall; they measure construction & renovation.

(2) Whenever we can compare the two-rate jurisdiction with comparable neighboring one-rate jurisdictions, the two-rate LVT jurisdiction has out-constructed and out-renovated its one-rate comparable neighbors.

The property tax on land assessments is a good tax. The property tax on buildings is a bad tax. The more land assessments are taxed, the more economic growth a jurisdiction will have.

Take Notice

Property-taxing jurisdictions, such as counties, school districts, cities, or boroughs, can defer taxes on building assessments for particular property taxpayers similar to what Dauphin County has done pursuant to Act 50 (1998). Harrisburg is in Dauphin County (unfortunately, Dauphin also deferred taxes on land assessments).

Also in Act 50:

↪ The deferment can apply only to residences owned by senior citizens, the poor, or temporarily unemployed.

Continued on Page 3