

Strong medicine

Land value tax would benefit homeowner

By DAVID BELL

Contrary to popular belief, tripling the tax on land would not be bad for landowners; if at the same time the tax is taken off the improvements.

A three-times-as-heavy tax on land would not be confiscatory, unless the owner of un-used or under-used land persisted in leaving it that way. If he improved his property, the smaller tax on the improved package would be capitalized in a higher price for the land.

The fictitious value of land in fringe areas would tend to decrease, because close-in land to urban areas could not be held off the market while waiting for higher prices.

This shift to land value tax would make available more of the valuable close-in land near the cities with the following desirable results:

- People who prefer living areas outside dense population centers would be able to find land they can afford much nearer to the city, because a more extensive use of in-city land would decrease the value of fringe land.

- Inner city slum employment problems will be eased, because factories and other blue collar employers will be able to find land they can afford to build on; closer to where poor people live. (Nationally, says the Department of Labor, 62 per cent of all new factories from 1960 to 1965 were built outside the central cities, remote from where jobs are needed most.)

The farmer, the suburban developer and the commercial and industrial investor would all be beneficiaries of the shift to the land value tax.

On good homes, good apartments, good office buildings and good commercial and industrial properties, where the value of improvements is likely to run at least four times the land value, the shift to LVT would cut their tax take from 40 to 75 per cent.

LVT would make no change in the tax take from properties where improvement-to-land ratio is two to one. It would add roughly from 50 per cent up to the tax take when improvement values are equal or less than the land value.

The shift would make good city planning more effective. City planning is a negative power; it can keep property owners from doing what they ought not to do but in a free economy it cannot compel them to do what they ought to do.

Says the Douglas Commission in an understatement: "Regulations do not build cities."

The old problem has been how to end construction

David Bell is a Sullivan County real estate broker and motel owner. He is a student of Henry George, the eloquent exponent of the single tax theory whose writing in the last quarter of the 19th century led people to wonder if our system wasn't as irrational as painful. Bell has been a Sullivan County home owner since 1953. This is his last article on the single tax theory.

stagnation that results in slums and decay; the new problem with LVT would be how to control a building boom as thousands of property owners rush to take advantage of the tax shift.

The shift would be such strong medicine that it would have to be spread over a period of 10 years or more, as was done when Pittsburgh and Scranton shifted to the graded tax plan.

This was also confirmed from the actual experience of Southfield, Michigan, which overnight became the boomiest city in the state, after a 1962 reassessment by outside assessors doubled the tax on land thereby permitting a substantial reduction in the tax on improvements.

Grateful voters have three times re-elected the mayor who instigated the tax shift. For the farmer, the benefits are truly munificent.

In rural communities land is over-valued, because close-in lands are hoarded for higher prices, forcing developers to seek land they can afford to build on, far out from city limits.

The value of farm improvements to the value of the land is frequently much greater than the three to one ratio of other types of properties. The shift to LVT would therefore bring much greater tax benefits to such farm property.

In addition, adjoining lands now over-valued would become cheap and available to the farmer for cultivation and improvement.

When the farmer by the sweat of his brow, reclaims idle land and turns it into an orchard, cropland or pasture, he brings jobs, money and progress to the community.

What does he get in return?

A tax penalty.

LVT would remove this tax penalty, would reward the farmer and the rancher for their efforts and

ambitions.

In California, land only is taxed for irrigation and reclamation districts. And it's successful.

It has provided California farmers with the finest, most modern irrigation system in the world. And it is being paid for by the land which benefits.

Our present method of taxation has made a scapegoat of the developer, who is an asset to the community, bringing jobs and investment capital.

The hoarding of desirable close-in land has forced developers further out into fringe areas for land they can afford to build on. This land is also over-valued, which when added to the total cost of homes has priced present housing out of reach of low income and middle income families.

Under LVT these developers could buy desirable close-in land for the building of homes, and would release development capital now used to buy land for future development for jobs and development.

In conclusion, we see that a shift to LVT would only effect speculators and owners of decaying properties adversely; and only if they persisted in making no changes to the properties.

It would benefit all other property owners and give them the incentive to improve.

It would abolish tax penalties for building and improving your property.

It would reduce the financial burden of owning a home.

It would increase building activity and create badly needed jobs.

It would permit farmers and ranchers to retain a larger share of their profits.

It would encourage landlords to improve their property and help lower rents.

It would eliminate special interest exemptions and other tax shelters.

Last but not least, the job of assessor would be much easier if the assessor was relieved of the impossible task of keeping an account of and assessing every improvement. Land could be assessed from cadastral maps kept current by recording the market price of each sale in the area.

The tax shift would make the financial plight of local government easier. Instead of depending on a tax base subject to erosion as the older buildings deteriorate and newer housing moving to the suburbs; this plight would be checked by the tax shift induced construction boom of the inner city.

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What to do about it?

Tax system abets poor housing, urban decay

By DAVID BELL

Our present tax system operates to promote poorer housing and urban decay.

It operates to discourage building, inhibits improvements of existing structures, stimulates the deterioration of slum properties, keeps good vacant land off the market and drives up the cost of developed land and encourages the disease of urban sprawl.

These indictments are reason enough to consider renovating our present system of assessing property.

A recent symposium sponsored by the National League of Cities concluded: "Too often it makes it more profitable to mis-use or under-use land than to use it wisely and fully — more profitable to let buildings decay than to improve or replace them."

Since property taxes are generally based on market value, new property is usually assessed more heavily than old, improved property more heavily than run-down.

If the property owner builds an apartment on unused land, remodels a run-down tenement, adds a wing to his home, his property taxes immediately go up.

For many owners, it is a lot easier — a lot less costly — to leave the property as is.

In almost every city and suburban community, improved land is taxed more heavily than

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vacant land — even though they exist side by side and have use of the same community improvements.

Low taxes make it convenient for owners to hold land off the market waiting for rising land prices.

This hoarding drives up the price of land and adds to urban sprawl because developers are forced further from the city limits to find land they can afford to build on. It drives up the price of new homes, businesses and farms.

Actually, the value of unimproved suburban land derives 100 per cent of its value from the money the community invests in roads, sewers, schools, fire and police protection; and such. Without these services and improvements the land would neither be accessible or usable, and would be worth little or nothing.

In 1963, the New York Herald Tribune rounded off a six-part feature on "Who owns New York?" by asking: "What have those men who have made millions out of the soaring price of

the city's land contributed to the city's development?" And the Tribune answered that question with just one word:

"Nothing."

This raises an obvious question: Is it more important to keep the community profitable for land speculation than to make our community a better place to live?

Why should we go on pouring billions of dollars into public housing and urban development, when the job could be done better and faster by private enterprise if the profit motive was harnessed forward instead of backwards.

How can this be done? By implementing the principles of a single land tax.

Can property taxes be reduced without levying any new taxes?

Will you be able to improve your property without fear of paying higher real estate taxes?

Can we eradicate slum housing without expensive urban renewal or government subsidy?

Can we make large tracts of land cheap and available for improvement without reducing the present property values of improved land?

Is this some Utopian pipe dream?

No, it is not. These highly desirable conditions now have a practical application in places around the world and in this country.

It is working successfully in Australia, New Zealand, Denmark and parts of Canada. In a modified form it is working in Pennsylvania and Southfield, Mich.

It can be accomplished by application of the principles of the single land tax.

Under this principle only the full value of the land is taxed without any tax on its improvements.

Who would gain? The homeowner who maintains his property and improves it.

The business man who needs property in populated areas on which to build and improve.

The developer who needs land cheap within the established community for building needed housing.

The farmer who needs undeveloped land to cultivate and improve.

This will come about when the

land speculator and slumlord will have to pay taxes on the full market value of the land, and thereby make it unprofitable to hoard land or allow housing in prime areas to deteriorate.

Before I am accused or proposing government confiscation of private property, let me assure you that this is strictly a free enterprise, profit motive tool.

I do not believe there can be any substitute for free enterprise and the profit motive, when it comes to satisfying human needs. — in this instance the need for urban and suburban development and to provide decent housing that everyone can afford.

The problem is clear and obvious. The solution is available.

