

SUPPLEMENT LESSON IXLAND VALUE TAXATION AROUND THE WORLD

The following gives brief accounts of various places throughout the world where land value taxation is partially applied. Nowhere has the principle of exclusive land value taxation (approaching the full economic rent), with consequent abolition of all other taxes, been fully applied on a large scale. Nevertheless, partial applications indicate results commensurate with the degree of application.

DENMARK

Although Denmark collects much revenue from taxes on incomes and products, yet today she collects about 50% of the total annual ground rent through various methods. A national land valuation is held approximately every 5 years. The Danish methods are as follows:

1. Rental of government-acquired land to farmers at 4% of its selling value. This was begun in 1919. About 12,000 small farmers rent their land in this way.

2. Local and national taxation of land values, with consequent reduction of taxes on improvements.

3. A national tax on increases in land values.

Results are impressive. Danish farm tenancy dropped from 42.5% in 1850 to less than 5% in 1939. Denmark has the lowest tariffs of any European country, and enjoys the highest standard of living of any European country involved in World War II. Denmark was the first country to restore itself to normalcy after the war (in spite of five years of Nazi exploitation).

Denmark is looking forward to collecting the full economic rent, with consequent reduction of other taxes. A majority in Parliament is in favor of this plan, and a Justice (Single Tax) Party, with a representation in Parliament, is vigorously promoting the idea.

AUSTRALIA

All six states and a majority of the municipalities in the Commonwealth of Australia tax land values to a certain degree, and some exempt improvements in whole or in part. However, there are many other non-real-estate taxes. Following are some details:

The Capital Territory - The Commonwealth owns most of the land in the Capital territory, including that in the capital city, Canberra. The government leases this land to private parties, and also levies a tax on its value.

Queensland - Most of the land in Queensland is owned by the state, and leased. It is subject to local land value taxes. There is also a state land value tax on privately owned land. Improvements are not even valued for tax purposes. Altogether, about 54.5% of the ground rent is collected - the highest for any state in Australia. All local communities tax land values only.

New South Wales - Like Queensland, all the local taxing units in this state tax land values only, exempting improvements. However, the percentage of the ground rent collected is perhaps not as great. There is no state land value tax except in certain unincorporated areas, but the state collects royalties on minerals produced. The City of Sydney became, in 1916, the largest city in the world to derive all its municipal revenue from land value taxation. (Its population is over one million.) It has resulted in elimination of real estate booms and slums, has kept the price of land reasonable, and has encouraged the replacement of old buildings by new ones. Slum areas have largely been taken over for factories.

Western Australia - Of the 147 local taxing units (municipalities and road districts) 32 tax land values only. The remainder tax both land and improvements, but in the 128 road districts, 84% of the revenue is from land values only. There is also a state land value tax, which is heavier on absentee owners. The combined amount of ground rent taken in taxation, however, is not as great as in Queensland or New South Wales.

Other Australian States - South Australia has a state land value tax, with an additional penalty on absentee landholders. In addition, 8 incorporated cities, 11 countries, and 8 district councils have adopted land value taxation. The law provides that a poll may be held to rescind land value taxation. There have been 25 successful polls conducted; four were held to repeal land value taxation, with none of these successful.

Victoria has a state and local land value taxes. 24 out of 198 local taxing units tax land values only. The result has been to bring idle land into use.

Tasmania has a state land value tax, but as yet no local ones (although local government bodies have the option to initiate this, if they choose).

Summary Regarding Australia - Comparing Queensland, New South Wales, and Western Australia (as states taxing land values more heavily) on the one hand, with South Australia, Victoria, and Tasmania (as states having lower taxes on land values and also largely taxing improvements) on the other, the following findings have been made: The first group (the land values group) had increases in land under crops, while the second had decreases in the period considered. Comparing the value of improvements with land, it was found to be 151% in the first group, as against only 79% in the second, and was much higher (198%) in Queensland, which collects the greatest amount of economic rent. Factory wages were higher in the first group and larger in purchasing power. And lastly, it was found that population was flowing from the second group to the first group, indicating that people in Australia found conditions better in the first group. The inflow for Queensland, the state taxing land values the most, was the greatest.

NEW ZEALAND

New Zealand, like Australia, has both local and state (in this case national) government taxes on land values. Local taxing units adopt it by local elections. In 1953, 15 such "polls" were held. Since 1944, 35 local taxing units have adopted the system, and only two have repealed it. By far the majority of local units tax land values only.

Hon. Walter Nash, Minister of New Zealand to the U.S. during World War II, said: "It (land value taxation)...has contributed in some degree to the breaking up of larger estates, while...it has not in any way handicapped the small farmer...it has assisted...in extending the productivity of the country by acting as an incentive to landowners to improve their lands and by fostering the development of more efficient methods of land valuation...the tax has certainly taken, for the benefit of the community as a whole, some of... 'unearned increment' of value which the community itself has created."

AFRICA

Union of South Africa - 20 of the 60 cities in the Transvaal tax land values only. In the other 40, the tax on land values is higher than on improvements. H. Earle Russell, American Consul-General, reports: "City Authorities believe the land tax is fairer than taxing both land and improvements. There is no tax on machinery or merchandise...it undoubtedly has helped to replace old buildings with new ones...."

15 of the 65 municipalities in the Orange Free State tax land values exclusively for every city need except water and sanitary services. 23 of the 35 municipalities in Natal tax land values at a higher rate than improvements.

The Rhodesias - Salisbury (Southern Rhodesia) taxes land at a much higher rate than improvements, as does Livingstone, the capital of Northern Rhodesia. Several other towns have taken similar action.

Kenya Colony - Nairobi has taxed only land values since 1921, and Mombasa followed suit in 1949. The Taxation Inquiry Committee appointed in 1947 by the Kenya government reported in part: "...the Committee favors the site-value system in the taxation pattern of the Colony and the principle of levying a comparatively high rate on land, thus insuring that it will not be left idle or insufficiently developed for long, rather than the taxation of improvements."

CANADA

Various cities in western Canada tax land values at a higher rate than improvements. In British Columbia, 54 of the 104 municipalities exempt improvements 50%; 13 exempt them more than 50%.

W.M. Mott, former Mayor of New Westminster (the 3rd largest port in Canada), said: "86% of our householders own their own property, which we believe is the highest percentage in Canada. Land speculation has entirely disappeared...The manufacturers and business men are in an enviable position, since they can and do make improvements to their plants without the fear of increased taxation..." New Westminster has the largest invested capital per person of any city in Canada; it has no local port duties.

Alberta requires its 7 "cities" to exempt improvements 40% from taxation. The province taxes land values to a certain extent, including a land-transfer tax called the "unearned increment tax." The province obtains such considerable revenue from oil leases, rentals and royalties (a form of land rent), that it declared a per capita dividend in 1957.

In Saskatchewan all but one of the cities and towns exempt improvement values 40%; Regina grants a 70% exemption. In the rural municipalities land value taxation is the principal source of revenue. In Manitoba cities and towns exempt improvements 33 1/3 per cent.

JAMAICA, B.W.I.

The following is taken from a booklet, Land Valuation - What it Means to You by W.M. Seivright, Minister of Agriculture and Lands, Jamaica:

"In November 1956, the Government passed the Land Valuation Law to provide for a new system for the valuation of land..."

"Under the old system the improved value of land was taxed. Under the new law land will be valued as raw land. Its value will depend on its situation and what it is capable of producing...But anything else on the land - houses, trees, crops, soil conservation works, anything whatever that has been done by man for the purpose of improving land and increasing its value - will not be valued as land. That is man's labor, and he will not be taxed on his labor."

"The simple purpose of the law is to encourage development of the land. Because if land is properly taxed as land, a man cannot afford to keep his land idle, which so many people do today."

THE UNITED STATES

The general property tax and the real property tax in so far as it falls on land values, takes for local or state purposes part of the ground rent of the U.S. In some of our principal cities, it is estimated that 25% or more of the rent is thus taken in taxation. This may in some cases be as much or more ground rent (percentage-wise) than is collected in other parts of the world, where improvements are partially or wholly exempted. And it is apparent to students of economic principles, although evidence is hard to compile to prove it, that to the extent that land values are taxed, to that extent land speculation is discouraged, and the best use of land is encouraged. Of course, to the extent that improvements and personal property are taxed under the general property tax, or the real estate tax, it permits a lower tax rate on land, discourages the erection of homes and buildings, contributes to land speculation and the high price of land.

In many cities, the cost of streets, water mains, sewers, curbs, lights and other improvements is charged directly to the adjoining property, including vacant

lots, through special assessments. This is a partial application of the principle of land value taxation. Government collection of royalties on mineral lands, oil fields, etc. are also an approach to land value taxation, as is government leasing of public lands, fishing and water rights, etc.

Some cities and other local taxing units in the United States practice partial or complete exemption of improvements, collecting more ground rent in taxation as a result. Details follow:

Pennsylvania - Pittsburgh and Scranton, defined by law as "cities of the second class," apply what is termed the "Graded Tax Plan," whereby improvements are taxed at just one-half the rate applicable to land. This was begun (on a graduated scale) in 1913. David L. Lawrence, Mayor of Pittsburgh for many years (since 1946), said: "There is no doubt in my mind that the Graded Tax Law has been a good thing for Pittsburgh. It has discouraged the holding of vacant land for speculation, and provides an incentive for building improvements. In the distribution of the tax burden, it is beneficial to the home owners." Roy Stauffer, Chairman of the New Industries Committee of the Scranton Chamber of Commerce, said: "We have found that our method of taxation...is a factor in attracting new industries."

In 1951 the Pennsylvania Legislature passed an act (by an overwhelming majority), permitting the so-called "third class cities" (all the remaining cities in the state with the exception of Philadelphia) to tax land and improvements at different rates. It is possible for them to go farther than Pittsburgh and Scranton have done in taxing land values and exempting improvements. A study undertaken in 1958 by a research group at Lehigh University showed the benefits that would result from the adoption of land value taxation in Bethlehem.

California - In 1909 the California Legislature required new irrigation districts (and gave the option to established ones) to tax land values only, exempting improvements, crops, etc. Today over 100 districts, serving 4,000,000 acres of the best farm land in the state, raising about 75% in value of its crops, follow this system. However, residents of these districts still pay other taxes to counties, cities, etc., where they reside, as well as all state and federal taxes. Also the tax rates have been lowered considerably of late years, due partly to revenue from sale of power, etc., so that not nearly as much of the ground rent is collected as formerly. However, as far as the irrigation district tax is concerned, it is 100% on land values.

R.V. Meikle, Chief Engineer of the Turlock Irrigation District (which includes the cities of Modesto and Turlock) recently said: "The successful development of irrigation districts as compared with the failure of private irrigation companies in the past, has been due largely to the district law which allows districts to tax all land within their boundaries on the basis of valuation...It is practically impossible to profit by the (mere) ownership of land in an irrigation district unless that land is prepared for irrigation and cropped."

Fairhope, Alabama, was founded in 1895, on the shores of Mobile Bay, by the Fairhope Single Tax Corporation, which purchased and leases to residents much of the land comprising the present city of Fairhope. The corporation collects the full economic rent, and with about half of it pays all real and personal property taxes levied by state, county, and city. The remainder is used for public improvements. Since its founding, Fairhope has considerably out-distanced her neighboring towns (which were already established and flourishing before the founding of Fairhope) in development, population, and popularity.

The Three Ardens, in Delaware, operate similarly. The first to be founded was Arden, in 1900. Adjoining Ardentown was founded in 1922, while Ardencroft was born in 1950. The policy is much the same as in Fairhope. In Arden and Ardentown the land is held by trustees, while in Ardencroft it is held by a non-profit corporation set up for this purpose. The land is leased to users, and there are long waiting lists for it. With the proceeds of the rent, as in Fairhope, all local taxes are paid, and the balance of the rent is used for public improvements.

(For further information, see the book Land Value Taxation Around the World published by the Robert Schalkenbach Foundation.)