July 2004

Incentive Taxation ©

Reduce Property Taxes for Most Voters

18 Empirical Proofs

This publication has conducted 18 empirical studies, all of which fully substantiate that the two-rate property tax has produced spurts in new construction & renovation.

(1) In all of the 18 cases, there have been more building permits issued in the three years after the building-to-land shift than in the three years before.

(2) The two-rate localities have always out-constructed and out-renovated their one-rate comparable neighbors whenever such comparisons could be made.

Isn't this what you would expect? If buildings are down-taxed, won't there be more and better buildings? And if land is up-taxed, won't land-sites be efficiently used (thereby also creating local jobs and buildings)?

Contact the Center for the Study of Economics for more information about shifting taxes from improvements and buildings to land. 215.545.6004.

How All U.S. Wage Earners Can Take Home More $$

It sounds almost too good to be true, but it's true. Here's how it can be done:

All wage earners should get an immediate payroll-tax reduction of 3% from the 6.2% they now pay; the employers' 3% payment should also be similarly reduced. The revenue shortfall is to be met by the proceeds of a federal land rent tax. This would give ALL wage earners an immediate 3% increase in their take-home pay, plus another 3% eventually. The payroll-to-land rent tax shift can be enlarged in the following years.

Why tax jobs? Are they so bad they need to be taxed? Aren't more jobs one of the Big Issues in this election year? Here's how political candidates can WIN elections! They could promise a take-home pay increase to ALL wage earners!

A federal land rent tax would require all land-sites to be used more fully, thereby increasing production (because an inadequate improvement would not provide enough income to pay a federal land rent tax). In addition, by reducing the tax on jobs, there'll be more jobs.

There may be a few wage earners who have a considerable amount of income from land ownership (both real and imputed). But that's not true for most wage earners, so a payroll-tax-to-land-rent tax shift would mean that not only would all wage earners get an immediate take-home pay increase, but also most of them (maybe 90%) would get a tax reduction (yet the government would get the same revenue as now).

Politicians awake! you have elections to win. If you can't *win* advocating this tax shift, you're not going to win at all. You are investing a good hunk of your life and savings in your political election, so *win,* don't just run and suffer the public embarrassment of defeat.

There is a specific constitutional basis for this federal proposal; write us for details. Write us also to find out exactly how the federal government could immediately have all land values in the U.S. assessed.

Higher taxes will soon be needed to pay for ballooning Social Security and Medicare expenses. Economic disaster awaits unless the country adopts land rent taxation.

John D. Kromkowski, a lawyer in Baltimore, suggests that if a state doesn't wish to be included in this proposal, it could be exempted. Another way to popularize a payroll-tax to-federal-land-rent tax shift is to exempt the land of the elderly, low-income, or temporarily unemployed in whole or in part. Other alleviations are possible.

You Can Do What Alaska Has Done

Alaskans have been receiving dividend checks from an oil rent trust fund since 1982.

In 2003, each of the nearly 600,000 Alaska U.S citizens (residents of Alaska for at least one year) received a check for $1,107 from the Alaska Permanent Fund (APF). Annual citizen's dividends have been received every year since 1982, for a total of more than $23,000 per person ($92,000 for a family of four). The APF has been investing oil rents and

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How the Traditional Property Tax Works

Nothing could be simpler than the current property tax, but few people understand it, even local elected officials.

Here it is in a nutshell: the assessor (usually a county or state employee) assesses the value of the property (land and building), and then the local town council or school board determines the percentage rate of that assessment which

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The Latest LVT Rates from Pennsylvania

City	Land Tax Rate	Building Tax Rate	Land:Bldg. Tax Rate Ratio	One Rate	Percent of Tax From Land:	Land Tax Date
Aliquippa School District	16.3000%	1.1000%	14.8182	4.4200%	85.50%	1993
Aliquippa	7.7000%	0.0900%	85.5556	2.2700%	75.92%	1988
Allentown	4.1950%	0.8930%	4.6976	1.2220%	44.00%	1997
Altoona	9.1764%	3.0784%	2.9809	3.8480%	30.10%	2002
Clairton	2.8000%	0.1220%	22.9508	3.6600%	53.00%	1989
Coatesville	1.0160%	0.4000%	2.5400	3.0000%	33.90%	1991
DuBois	9.5000%	0.4500%	21.1111	1.9300%	43.96%	1991
Duquesne	1.6000%	0.8470%	1.8890	4.6300%	34.04%	1985
Ebensburg	4.0000%	1.3300%	3.0075	1.6000%	40.00%	2000
Harrisburg	2.4414%	0.4069%	6.0000	0.8500%	46.00%	1975
Lock Haven	5.2140%	1.3570%	3.8423	1.7500%	61.84%	1991
McKeesport	1.6500%	0.4600%	3.5870	0.3640%	59.04%	1980
New Castle	9.2459%	2.3337%	3.9619	3.3800%	46.58%	1982
Pittsburgh Business Improvement District	0.3710%	N/A		N/A	100.00%	1997
Scranton	0.0821%	0.0179%	4.5981	2.6100%	65.96%	1913
Steelton	0.6490%	0.4440%	1.4617	0.9000%	35.00%	2000
Titusville	5.9160%	1.9000%	3.1137	2.0000%	31.00%	1990
Washington	19.1216%	1.1000%	17.3833	4.8200%	74.38%	1985

How the Traditional Property Tax Works

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each property owner must pay in taxes.

For example, if all local assessments come to $100 million and a rate of 2% (or 20 mills) will meet property-tax revenue needs, then the property tax will raise $100 million x 2%, or $2 million. If a property is assessed at $300,000 for the improvement and $100,000 for the land, then its owner will pay $400,000 x 2% or $8,000 in that year. Mathematically: governmental revenue = rate x assessments.

Incentive Taxation proposes that there be ***two*** property tax rates instead of one: a lower tax rate on building assessments coupled with a higher tax rate on land assessments instead of the same rate on both. With two-rate, here's what would happen:

- Most voters would get tax reductions.
- Since buildings are down-taxed, there will be more new construction and renovation. Since land is up-taxed, it will have to be used more fully (which is an additional reason why more new construction and renovation, and jobs, are created).
- Two-rate could be completely revenue-neutral at no extra tax cost to the government.
- ALL of the many objective empirical studies of the 19 current two-rate jurisdictions fully substantiate these results.

Correction

Our Study #18 confirmed all the others: construction declined in Pittsburgh's after its two-rate graded tax *rescission* (comparing the three years after rescission with the three years before). Land tax good, all other taxes bad. But the study contained a minor flaw – fortunately correctable.

In two places (on page 2 of our May 2004 issue) we gave the wrong figure for this construction decrease following rescission: in three other more prominent places we gave the correct figure: 19.57%.

The conclusion remains unaltered: the building-permit figures show that when building assessments are taxed more, construction declines. Logical expectations concur: tax buildings and you'll have fewer buildings and they'll be less likely to be renovated; this effect is magnified if you tax land assessments more (an inadequate improvement won't generate enough income to pay the land tax).

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From the Editor

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- IT reader Robert Soboff writes: "You praise NAFTA in your article 'Free Trade Works,' but what about all the American jobs that are lost to Mexico because their standard of living is so much lower than ours? How do you answer that?"
- Medicare is already running a deficit and will go bankrupt in 2019 unless changes are made (CAGW estimate). The only way out: LRT.
- In 1965, Medicare was predicted to cost $26 billion in 2003; the actual cost that year was $245 billion. Medicare's current unfounded liability hovers around $40 trillion (CAGW est.). The only way out: LRT.
- The 2004 Election: My allegiance to the Single Tax is greater than to either George Bush or John Kerry. What about you? If a candidate can't win by publicizing a revenue-neutral tax reduction for most voters, he either doesn't know how to do it or is satisfied only with running (not winning).
- Feel Guilty if you're still funding your budget with economy-killing taxes. Feel guilty because you can raise the same revenue by levying a lower tax rate on land assessments and a higher tax rate on building assessments. Ample empirical proof for that exists. Write *centerforthestudyofeconomics.com* for information.

Incentive Taxation is available via email. Send your request to incentivetaxation@urbantools.net, specifying in-line or PDF attachment.

You Can Do What Alaska Has Done

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royalties in the stock market.

The APF receives one-quarter of the state's oil revenue – the other three-quarters finances the state's education, infrastructure and social services. As a result, Alaska has no sales or income tax.

Quite possibly, Alaska has not taken all the oil land rent to which it is entitled to from the oil-extracting companies.

If you taxed land rent fully in your town, you too could distribute a substantial Citizen's Dividend to your residents.

(The information for this article came from an article by Alanna Hartzok in the March-April 2004 issue of Groundswell, p. 11; APF information can also be found on the web).

Our job at the Center for the Study of Economics is to educate the public and its local government about land and property taxation, property assessment, and how establishing land value taxation would affect a community. We do this, in part, through *Incentive Taxation* which we send without charge to more than 3,500 elected and appointed officials in government, officers in policy agencies, and staff at NGOs. CSE does not usually make appeals in these pages for help in funding its outreach, but we're making an exception because we need our readers' assistance in making sure we can continue publishing without hardship.

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From the Director: Land & Taxation News

Never, Never, Never Give Up – Land tax and Democracy in Philadelphia

The first ever vote on Land Value Taxation was taken in Philadelphia City Council in late May. Like most of the Tax Reform Package, it was left in committee. The parts of the package that were passed – wage tax cuts and business tax cuts – were reduced to near irrelevance. Further darkening the skies was the veto of the Mayor, John Street. Passing even these crumbs of reform looks dicey, as of this writing.

From a policy perspective, the loss of land taxation would make what is now called 'reform', moot. Essentially, the Tax Reform Package was meant to benefit all Philadelphians. Without land tax, reform becomes yet another sweetheart deal for the corporate business community.

Indeed, no serious observer in Philadelphia can foresee anything but higher land and property values in light of business tax cuts. This inevitably leads to high taxes for poor and working homeowners and higher speculative profits in land for the robber barons of Center City.

The benefit of bringing LVT up for a vote a year early became clear during the first hearings on the 2005 budget: Over 1,000 homeowners from all corners of Philadelphia came to voice support for LVT. They came, with signs and enthusiasm. They waited... and waited... and waited.

In fact, not ONE citizen wanting to voice an opinion on land value taxation was heard on May 10th. I waited until 8:45 that night to be heard. The disheartened and disenchanted homeowners of Philadelphia dejectedly left. What was likely their first experience with participatory democracy in Philadelphia is likely to be their last.

On the 11th, the hearings resumed. The excitement of the 10th was replaced by dull lethargy, except when the owner of most of Philadelphia's parking lots, Bobby Zuritsky, was welcomed with open arms when he turned up with some of his employees railing wrongly and inaccurately about land value taxation and complaining about how land tax would hurt his parking lot empire (Parkway Corporation, the parent is the THIRD largest private landowner in Philadelphia).

The bright note? Now that the opponents of land tax have shown their true colors, it should be easier to point out how their windfall profits (parking lots and oil refineries!) come at the direct expense of the people (the constituents of those giddy elected officials who French Kiss privilege at the expense of their citizens). It's a resonant message, especially when most elected officials are Democrats, and claim to look out for the little guy.

Money and tin pot power trumps the people regularly but not inevitably. Stay tuned.

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