

Equal Rights

Volume 33 Number 4

• "All People Have Equal Rights to the Use of the Earth" •

Winter 2004

A Federal Land Value Tax For 2004

The focus of this publication has been on local property tax reform, but here's how the advantages of land value taxation can be available federally:

Federal taxes on wages and investment income should be lowered and the lost revenue should be replaced by a higher percentage tax on each person's market-assessed land value (for those localities which do not assess land and buildings separately, it is to be assumed that 40% of the property's total market-assessed value is land value).

For example, to replace the federal revenue lost by reducing the current 15% income-tax rate on low wages to perhaps 10%, a 3% tax rate on assessed land might be required. Almost all voters would thereby get actual tax reductions because few of them own much land value (for instance, do you?).

Lowering taxes on wages and capital-interest obviously would be good for the economy, while raising the tax rate on land values would be even better because it would encourage the fuller development of every landsite in the country.

This federal tax proposal could be made even more politically attractive by granting land-tax exemptions to the temporarily unemployed (who won't benefit much from lower wage and investment taxes) and land in agricultural use (or such land could be taxed at a lesser rate).

Wouldn't a candidate advocating all this be likely to win both the nomination and the election? Wouldn't lowering wage taxes but not government revenue win votes?

Solving the Assessment Problem

Before land values can be taxed, they must first be assessed. Well, they already are – by each locality. The feds can use those local assessments. In the few cases where land is not assessed separately, federal assessors can do the job quickly enough.

Local assessors might be inclined to under-assess their constituents to lessen their federal land-tax liability, but fortunately, this illegality can be prevented –

The feds ought to pay 60 cents per parcel to the local assessment office for its assessing service, provided the total building-to-land assessment ratio is at least equal to the previous year's ratio (if this provision isn't met, then penalties, including jail, are in order). This would prevent land from being illegally and unethically under-assessed. Also, the sales-to-market-assessment ratio should be at least 90% in order to qualify for the 60 cents per parcel reimbursement (30 cents per parcel if less); proof must be presented.

Wouldn't a presidential candidate be assured of electoral victory if he could

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Equal Rights
Readers Can

Make a Difference

The Henry George Foundation of America needs your help – and HGFA can help you.

Separately, we can do little to bring economic justice to the world, but together, in partnership, we can win.

Your financial advisor can explain how making a donation to HGFA can provide you and your spouse a lifelong income. Consult a registered and licensed professional about how you can help yourself and your family while helping the HGFA mission.

Remember, together we can win if you act today.

How to Figure Who Pays More/Less with LVT as Compared to a Wage Income Tax

At least 90% of the voters would pay less with a federal land value tax than with a revenue-equivalent income tax on wages. That's because the wages of average taxpayers far exceed the imputed land-rent income of average taxpayers (isn't that true of you?).

Specifically, those taxpayers will pay less federal tax with this tax switch if 7% of their un-mortgaged land value is less than 28% of their annual wages (the 7% represents their approximate taxable annual land-rent and the 28% represents their likely income tax). They should be sure to add about 4% x 7%, or 0.28%, of the value of the corporate stock they might personally own (and which represents their approximate share of corporate land-rent).

Example: If a taxpayer owns

\$50,000 land value but \$20,000 is mortgaged, then that taxpayer owns \$30,000 in land value; the annual land-rental income is therefore about \$30,000 x .07, or \$2,100, only a small percentage of which would be taxed at first. But if a taxpayer is in the 28% tax bracket and earns an average wage of \$40,000 a year, then the tax bill is \$11,200 (28% x \$40,000)!

It also would be advisable to reduce taxes on both social-security taxes and the income tax on wages.

About 38% of American families own no land value whatsoever, and so would not pay any land-rent tax at all.

Also keep in mind: if wages are taxed, incentive to produce is reduced, but if land values are taxed, then the incentive to produce on land is increased.

The Marginal-Land Analysis is – 100% Right!

I used to down-grade Henry George's marginal-land analysis (MLA) - I even said so in an *Equal Rights* article (of course, I never doubted the necessity and rightness of the Single Tax remedy) but upon reflection I now feel that George was 100% right.

Let me explain. The MLA states that land speculation drives labor and capital to lesser grades of land, ultimately to marginal land – where they could produce less and therefore earn less. Ultimately, they both are driven to the subsistence level, except for intermittent periods of what is called "prosperity."

Well, OK, that is exactly what land speculation does. It may be difficult to locate marginal land because it is theoretical only and does not lend itself to empirical investigation (there may even be many marginal sites) but this does not negate the truth of MLA. Land speculation can only drive labor and capital in the subsistence direction. No doubt, there are other economic factors at work.

We're Not Land Nationalists

We do not want the government to own or lease land (no one trusts the government to do that). Saying we want land held in common will repel our audience. We do want *private landownership* coupled with the taxation of land values in place of as many other taxes on production as possible.

Our audience thinks taxes are any impost levied by the government to gain revenue. They do not define taxes as *unjust* imposts, simply as imposts. Those Georgists who use a special definition – *unjust* imposts – are defining taxes differently than our audience so are simply not understood by our audience; re-definitions of key words is like speaking another language to them.

One more thing: don't tell politicians – our prime prospects – that you oppose taxes (which they consider their bread-and-butter) unless you are a masochist.

Land Tax Does Not Pass on to the Building User

Henry George, in dealing with this question, wrote: "If we impose a tax upon buildings, the users of buildings must *finally* pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides.... The way taxes raise prices is by increasing the cost of production and checking the supply." (Italics added)

But since a tax on land assessments will not decrease the supply of land (because it can't increase its cost of production or check its supply), it cannot be *eventually* passed on. The nominal landowner must pay it.

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equalrights@urbantools.net or incentivetaxation@urbantools.net
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A Federal Land Value Tax For 2004

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promise most voters big social programs as well as tax reductions for most voters?

Shouldn't land value taxation figure prominently in the 2004 election? Here's how your presidential candidate can really win. Wouldn't he react positively to this proposal if you brought it to his attention?

Or would you rather preach economics from a tall wind-swept mountain with nothing but the trees to hear you?

What Do You Do If Most Property Owners Pay More?

Usually, most property owners pay less with a two-rate LVT building-to-land property-tax shift. It is easy to do a brief study *before* any property-tax shift is seriously contemplated to see which property owners would pay more and which would pay less. But occasionally, you encounter a town where most property owners pay more; this dissuades most politicians from adopting two-rate LVT. What do you do then?

HGFA's executive director, Josh Vincent, was confronted with this situation in Reading, Pa. He came up with this ingenious innovation: why not offer a dollar exemption on building assessments only (in Pennsylvania, available to two-rate cities only).

The homestead exemption on every building could result in *every* homeowner saving on taxes. The exemption could apply to every building, not just residential buildings.

It is likely the two-rate LVT will lead to a spurt in new construction and renovation. It certainly has in *all* the 17 localities for which we conducted empirical studies, and the two-rate LVT jurisdictions have out-constructed and out-renovated nearby one-rate-but-otherwise-comparable jurisdictions whenever such comparisons could be made.

You can't do better than 17 out of 17.

Contact us if you want details on how-to-do-it.

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From the Editor

❖ Stephen Moore: "Americans support pro-investor tax cuts. By some estimates, two-thirds of the voters who go to the polls in November will be stock owners" (*Investors Business Daily*, 9/26/02)

❖ Think Big, Act Locally. Visit your local city hall (the land speculators do it) where LVT-rate decisions for next year are made. But don't spin your wheels – first learn the requisite formulas and procedures.

❖ St. Thomas Aquinas: "To disparage the dictates of reason is equivalent to condemning the command of God."

❖ Should you feel guilty if you make a land speculation profit? Not if you donate part of it or all as an HGFA bequest so we can end the land-speculation system.

❖ From 1947 to 1973, the inflation-adjusted hourly wages of the average American worker grew by 75%, although they have stagnated since 1973, so that in 1998 the average inflation-adjusted hourly wage was about the same as in 1967" (The Levy Economics Institute newsletter, Spring 2001, p. 4, sent to us from Bill Kells of New York).

❖ "Let no one imagine that he has no influence. Whoever he may be, and wherever he may be placed, the man who thinks becomes a light and a power." – *Social Problems*

❖ "Trade does not require force. Free trade consists simply in letting people buy and sell as they want to buy and sell. It is protection that requires force, for it consists in preventing people from doing what they want to do." – *Protection or Free Trade*

❖ Many people will sooner violate the equal rights of others when acting on behalf of a group than when they act on their own behalf. For instance, they would never think of robbing someone else, but that's what they do when they vote to raise other people's taxes.

❖ The Single Tax is fully justified by ethical and economic arguments and is not dependent at all on the marginal-land wages-sink-to-subsistence economic analysis.

❖ New Year's Resolution: "Let us be guided by empirical evidence as the way to obtain equal rights."

❖ Definition of insanity: doing the same things that have never worked, yet expecting different results.

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\$100	\$ _____

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Remembering Fellow Georgists

Robert Andelson

1931-2003

Robert V. Andelson, Ph.D. was Professor Emeritus of Auburn University. Known internationally for his career-long study of Henry George,

Dr. Andelson died in Alabama on November 8, 2003. The Georgist movement has lost a well-respected voice. As our colleagues have done, we send condolences to his wife, Bonny, and his family and friends.

William Pitt

1912-2003

Equal Rights has lost one its most ardent correspondents, 91-year-old Australian Bill Pitt of Nunawading.

A retired engineer, Mr. Pitt leafleted door-to-door to help save land value taxation in Nunawading. His activism worked for the Melbourne suburb.

Peter Patsakos

2003

Dr. Peter Patsakos, a long time supporter and friend of The Henry George Foundation of America, died on October 30, 2003.

Dr Patsakos lived in Michigan. We join all who mourn the loss of this generous *Equal Rights* advocate.

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"Has the first comer at a banquet the right to turn back all the chairs and claim that none of the other guests shall partake of the food provided, except as they make terms with him? Does the first passenger who enters a railroad car obtain the right to scatter his baggage over all the seats and compel the passengers who come in after him to stand up?

"Just as the passenger in a railroad car may spread himself and his baggage over as many seats as he pleases, until other passengers come in, so may a settler take and use as much land as he chooses, until it is needed by others - a fact which is shown by the land acquiring a value - when his right must be curtailed by the equal rights of the others, and no priority or appropriation can give a right which will bar these equal rights to others."

Progress and Poverty, Book VI, Chapter 1

The Competitor's Lament

"You're gouging on your prices if
You charge more than the rest.
But it's unfair competition
If you think you can charge less.
A second point that we would make
To help avoid confusion:
Don't try to charge the same
amount,
That would be collusion!"

--World Research

HGFA--Needed Now & Forever

There will always be a need for HGFA, even after the Single Tax is adopted.

There will always be people who will say, "We need this monument (or this road, school, city hall, stadium, etc) so let's put up a little sales tax (or income tax, etc.)." To them, a good cause can always justify a little robbery, which then would surely grow into a larger and larger robbery.

The non-taxation of land rent is really robbery. Once the door to robbery is opened, it will be opened wider and wider.

Eternal vigilance is the price of Liberty and will need The Henry George Foundation of America to protect Her.

We Need Your Help

Equal Rights promotes a proposal that can end involuntary poverty. It can revitalize your city and even the world - and yet its continued existence is threatened because it is running out of money. HGFA needs bequests that are often attracted by less encompassing causes.

Be advised, then act.

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