

# Erie Land Tax Association

## ELTA

1112 Peach Street

GL 6-2995

### BULLETIN

#### HOW LAND VALUE TAXATION WILL AFFECT THE REAL ESTATE BUSINESS

When land value taxation is recommended there are always two groups who set up a vociferous wail, the farmers and the real estate brokers. "So, you want to tax land? Do you want to put us all out of business?"

When, in addition to suggesting that land be more heavily taxed, you go on to explain that a land value tax will reduce the "price" of land, that does it. Both farmers and real estate agents labor under the impression that it is in their interest to keep the price of land high.

A cousin of the writer is a real estate agent on Staten Island. Recently a proponent of the land value tax talked to his Kiwanis Club and following the meeting, the cousin remarked, "I am a real estate agent, so of course, your ideas are anathema to me." It is our contention that this gentleman is being victimized by a myth.

**WHERE LAND IS NOT TAXED** - Let us begin with an illustration which will get us back to fundamentals. In Latin America, not far South of Mexico, is a small country called El Salvador. There are almost two million inhabitants. When the checks are distributed following the coffee harvest, four families pick up all the money. Four families own all the land. There, land is not taxed at all. If it were taxed, even as much as we tax land in this country, the more aggressive inhabitants of El Salvador would long since have managed to gain title to some of the land. But in El Salvador no land has been sold for many years. Land-owners simply rent the land or make arrangements to have the people till the soil for a few cents a day.

How do real estate agents fare in El Salvador? What real estate agents? The simple fact is that where land is never taxed at all there are no real estate agents. There is no land for sale. Hence, there is no need for salesmen. Just as there are no real estate brokers neither are there any independent farmers.

It is not happenstance that where you have no land value taxation there you have no real estate agents or no farmers. There are a lot of other trades and professions that the people of El Salvador are missing too. If suddenly the leaders of the four families were to get together, and were to decide to give the people a chance at life, and were to agree on the policy of taxing themselves according to the value of their land, there would be tremendous stir in the economy of El Salvador. Soon at least two new groups would be formed, real estate agents and independent farmers.

**TAX LAND & IMPROVE CONDITIONS** - What does all this mean? It means that a policy of taxing land improves rather than impairs both real estate and farming. In this country we tax land a little. We always have. Most people do not realize it but this is one of the features about our economy that has made it great. When this is understood, one banishes any fears he might have about placing a higher tax on land.

By taxing land we make it accessible to people who need it. Without land no one can produce a penny's worth of wealth. It is infinitely more important for a government to institute a tax policy that will make it possible for people to secure land and so produce wealth, than to sponsor a policy that keeps people from getting to land but offering them welfare checks and social security benefits in lieu of their inability to secure work or accumulate wealth.

Now, if the land becomes more reasonable, what effect will this condition have upon the numbers of people seeking to buy land? That is obvious. What will it do for the real estate business? Just double it or triple it according to how high a tax on land the city is willing to levy, and how much of a tax on buildings the city is willing to remove.

**HOW IT WORKS** - How would land value taxation effect the real estate business in any city? Let us break our study down into two parts. Real estate people are interested in making money on commissions for sales. Sometimes the sale is of unimproved land; more often, of a building and a lot.

Surely, the first thing to happen would be a sudden increase in listings of vacant land. A lot, which, under the present system, is on the assessment rolls for \$1,000 and has been carrying a tax of \$10.00, might suddenly call for a tax of \$70.00. This is how a land value tax effects vacant land. This is good, not bad. It puts a stop to the business of holding good land out of use and forcing people to take up poorer grades of land farther out and beyond where there are sewers, water mains, paved streets and electric, gas or telephone lines.

At first blush one might think that the owners of vacant land inside the city would be falling all over themselves to get rid of their land. However this will not be the case. Since tax is to be applied only within the city, leaving the surrounding area to a conventional tax policy, the tendency will be for the price of land, both within the city and outside the city, to be

reduced. It is hard to predict exactly how much of a reduction will result. What will happen? In selling land inside the city the owner or the agent will say, "You would be wise now to buy a lot inside the city, inasmuch as you can build a house without incurring any additional tax." So, the very fact that within the city a particular advantage can be had, land will continue to carry a fairly substantial price. Outside the city, the increased desire of buyers to escape paying taxes on homes will force the owners of land to reduce their prices. This will be good. Most of these land sites did not cost the owners any big money anyway. They just appreciated in value from practically nothing, due to the pressure of population.

Confronted by this new set of circumstances the owner of a vacant lot will have to decide what to do. If he has only one lot he will probably speed up his plans to build. He will find credit to do so easier to come by. By going ahead with building plans he can place a good home on the lot without incurring any additional assessment. If he has several vacant lots and has been holding them out of use for a killing, he may find it advantageous to sell some of the land and put his money into buildings on the lots he decides to keep.

We admit that this is contrary to every previous procedure. But, this is the crux of the whole idea of taxing land. In America we have fostered a fawningly protective attitude toward the person who invests in land. We assume that it is the natural right of land speculators to make a fat profit. It is not a natural right. It is a special privilege resulting from our tax policy.

Real estate men can take their choice. They can fly to the protection of the land speculator and drive hundreds of people out of the city to buy far out land, or they can choose to side in with the people who want to buy homes in the city, near their work, their friends and the markets. They can continue to fawn over the land speculator, keeping the price of land high, cutting down on the incidence of real estate sales, playing a starving game of competition for commissions, and generally fastening upon themselves and their city a state of depression and sluggishness of business.

**WHAT ABOUT LAND AND BUILDINGS** - So much for land value taxation and vacant land. Now what new circumstances will confront the owners of land and buildings? In those cases where the tax is reduced because the building is in such good repair the owners will be free to continue to improve their properties. Owners who find themselves ahead will stay ahead and all such properties will be kept in good repair. When they come up for sale real estate men will find it is a pleasure to show the properties, and values will be up so that commissions will be worth collecting.

In every city there is a great deal of "virtually vacant land". We mean land that is valuable due to its location, but which is occupied by a building that is so old that a land value tax will increase the tax substantially. People who own such property now reason, "Why should I improve the old place? Soon someone will come along and give me a good price for the land. The building paid for itself years ago. I depreciated it 100% on my own books. If I remodel or rebuild I will only have to pay additional taxes and these would eat up any profit I might make. So, I will just sit and wait".

But, with the introduction of land value taxation, he is placed in a different circumstances. His tax on the old junkheap goes up. He has to make a decision. Will he sell or will he repair or rebuild? If he decides to sell he will list his property. Hundreds so situated will, and listings in real estate offices will mount. If he decides to repair he will probably need some help in finding a tenant. If he decides to rebuild the same thing will happen. Now, I ask you, how is this going to destroy the real estate business?

Every real estate man knows that in hard times real estate is slow. When things begin to pick up the first evidences of an upward swing in the cycle shows up in real estate activity. This being so, what is going to happen to real estate sales when a building boom is triggered by land value taxation?

This is not an untried tax policy. There is ample evidence to prove that by shifting to land value taxation a city can start a building boom while the surrounding area is suffering a depression and general debilitation in all lines of business activity.

#### **LET US MOVE TOWARD FREEDOM -**

In recommending land value taxation we are simply trying to free the economic log jam that has settled down upon our cities. It may seem to some a radical approach. However, it is not designed to change the basic structure of our so-called free economy. It is designed to make it more truly free. Our ignorance about the potential of this kind of tax system is sending us gradually into a type of economic pattern where government assumes more and more responsibility for the security of individuals who have been denied their natural right to land because the tax policy encouraged speculation in unimproved land.

Only one type of person is the least bit disadvantaged by land value taxation. It is the person who becomes involved in large scale speculation of unimproved land. Actually there are very few such persons or firms so involved within the cities. Their involvement is caused by the present tax policy. Change the policy and in a very short time all landholders will have adjusted to the new conditions and everyone will find their economic situation improved.

*Come on  
Erie  
Let's Build!*

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1112 Peach Street

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April 3, 1962

CONTINUING THE ALERT TO  
ALL PROPERTY OWNERS IN ERIE

We are dedicating this issue of our educational campaign for Land Value Taxation (LVT) to our friends, the Real Estate Agencies. Attached herewith is our first BULLETIN entitled "How Land Value Taxation will Effect the Real Estate Business".

If you labor under the impression that LVT is death on real estate you had better revise your estimates. Nothing would pep up the business of buying and selling property so much as taking taxes off buildings and raising an equivalent amount from land value.

Coming your way in later bulletins will be discussions about how LVT would gradually renew the old, worn out buildings along State Street; how Erie could out-bid any other city in attracting new industries; how the ugly downtown perimeter, rapidly approaching slum conditions, can be built up with wonderful apartments and good homes; how homeowners will enjoy lighter taxes, be encouraged to improve and repair their properties, and how people will build hundreds of new homes inside the city, and in doing so will build bigger and better than they could even think of doing under the present tax policy.

Want to know more? Want to try and discover why Land Value Taxation will solve most of the economic problems that perplex us? Want to meet a team of eager believers in this idea who live in Toronto and who envy us the opportunity we have in Erie to actually do something about LVT? Then plan to attend our Land Tax Seminar, Saturday, April 7th at Behrend Campus. Bring \$3.50 and plan to spend the day, from nine to five. Lunch and books included.

If this is impossible how about signing up for one of our regular courses? We will give you particulars about these later. We will tell you frankly that the average American has quite a time adjusting his thinking to this wave length. But once the pattern becomes fixed in his mind all other methods of resolving our economic problems fade into insignificance.

We can set up neighborhood discussion groups and you and your neighbors can organize a "Floating Tax Seminar." We can usually get the message over in three evening sessions. You Will be amazed at what you can learn about the real facts of economic life. Unless the thinking people really think we will never think our way out of the mess that we are in.

Catching our sparks? If so, congratulations! If not, just hang in there! The light will dawn.

Very sincerely yours,

*Charles A Hall*

Charles A. Hall, President,  
Erie Land Tax Association

- 1. Reduce Taxes on Homes*
- 2. Reduce Tax on Industry*
- 3. Bring New Industries*
- 4. Keep Old Industries*
- 5. Clear Slums*
- 6. Start a Building Boom*

Tax Land, Not Buildings — Clear Slums, Create Jobs

