Such a tax-free new city would provide a clear demonstration of the efficacy of land value taxation. The cost to the federal government would be nominal; $50 million should do it.

(12) FEDERAL LVT RESEARCH - Federal agencies should undertake research and disseminate information about Pennsylvania's successful two-rate property tax with its higher rates on land and lower rates on structures (credit: Walter Rybeck).

Federal officials should popularize this research and the LVT concept in general among the voters.

(13) FEDERAL LVT TECHNICAL GRANTS - The federal government should offer technical assistance to states and localities so they can achieve professional, reliable and frequent re-assessments assure a fair basis for property tax assessments (credit: Walter Rybeck).

(14) U.S. FOREIGN AID FOR LVT - When U.S. A.I.D. (Agency for International Development) gives money to less-developed countries to build roads, wells, irrigation networks, etc., it should specify that the land affected by the aid should be fully taxed; otherwise local landowners reap windfall profits. Indeed, U.S. A.I.D. should require land value taxation everywhere in the recipient country as a requirement for receiving the aid in the first place.

U.S. A.I.D. could also fund land value assessments in recipient countries.

Of course, it would be somewhat embarrassing to advocate land value taxation overseas when we don't practice it at home, but that defect could easily be remedied....

In order to enact these any of these suggestions, the reader may wish to contact this organization for technical help (at no obligation): Common Ground - U.S.A., 2000 Century Plaza (238), Columbia MD 21044; (ph.) 410-740-1177, (fax) 410-740-3279.

In short, the federal government should help localities and foreign countries help themselves. Federal officials no longer have the excuse that they don't know what to do. They should start taking action today (now), if not yesterday.

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# 14 Ways
## *for the Federal Government to Tax Land Values*

*by*

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Federal government officials should not duck their responsibility to further the adoption of land value taxation.

Yes, the tax is part of the property tax (which includes buildings), but no, the property tax has not been pre-empted by state and local governments.

There are ways by which the federal government can itself levy a land value tax, and it can promote local adoption of land value taxation. All these are detailed in this booklet.

This is not the place for an extended discussion of the benefits of land value taxation (you can write us for that). Suffice it here to say that a tax on land values encourages landowners to use their sites more fully (otherwise there would be too much tax expense for them offset by too little income from an inadequate improvement). Even a high land tax will not decrease the supply of land. It will only require its more efficient use, to the betterment of the entire economy.

If land values are taxed, then the price of land will go down (wouldn't you pay less for land if it were taxed?). It will not increase the price of goods produced on the land (see any economics textbook for that). In this regard, it is different from all other taxes (which fall on labor or the products of labor).

Nor does it reduce purchasing power. In fact, it creates jobs and economic development. You could throw out the revenue derived from a land value tax and the economy will nevertheless be better off - for all of the above reasons. But of course, it would be much better to use the LVT (land value tax) revenue to reduce the

right to do so - after all, it shouldn't hand out the money of federal taxpayers with gay abandon, without seeing to it that the grant recipients do at least a minimum to help themselves.

Or instead of preference, localities could get grant bonuses. For instance, they could have their federal grants enhanced by 20% for every 1% by which their land tax rate exceeds their building tax rate as figured on full market-value assessment (but no locality could get more than double their grant per year).

Example: if a locality taxes land assessments at 2.3% and buildings at 1.7% on a 60% assessment-to-market ratio, then its federal grant would be enhanced by 7.2% (2.3% - 1.7% = 0.6 x 60% x 20% = 7.2%). If a locality exempts all buildings in whole or in part from the property tax, the effect would be equivalent to the above two-rate approach and would therefore receive the same treatment.

Federal government grants for sewers, water, roads, airports, flood control, irrigation, and so forth directly enhance local land values. In view of all this, shouldn't a minimum amount of local land value taxation be made a condition (rather than merely a preference) for receiving a federal grant?

(10) LEASE FEDERALLY-OWNED LANDS - DON'T SELL THEM - The federal government owns almost one-third of the U.S. land area. Some of that land should be rented (not sold) to private individuals on the usual leasehold basis (subject to annual re-assessment with right of appeal and option to renew). That would be the economic equivalent of LVT, require no new law, and would bring in much-needed extra revenue to the federal government.

(11) A FEDERALLY-FUNDED NEW CITY - The federal government could fund a new city, but retain ownership of the sites therein. These sites could be rented to private developers, with the revenue thus obtained replacing all other local taxes. Such a city could be literally tax-free!

An additional benefit would be that the rented sites would cost absolutely nothing to the developers or their customers.

The federal government ought to launch this new town with a good start by locating a number of government installations in it.

should be carefully excluded.

(6) INVESTMENT DEDUCTION FROM THE CORPORATE INCOME TAX - Allow corporations to deduct the full cost of capital investment (but not land) from taxable corporate income. This would encourage much-needed capital investment and would constitute a partial tax on corporate-owned land (credit: Professor Mason Gaffney, U/Cal.-Riverside, economics).

(7) LAND GAINS TAX - The federal government could tax capital gains at a lower rate (or no rate as many other countries do) than land gains, considered from time of purchase to time of sale.

(8) LVT IN FEDERALLY SPONSORED ENTERPRISE ZONES - The federal goverment is establishing some enterprise zones around the country which offer various inducements (mostly tax reductions) to businesses to induce them to invest therein. Fine, but much of the benefit will be siphoned off into higher land values in those zones (that's exactly what happened to the enterprise zones established by the British government); after all, locations in such zones will become more attractive than other locations nearby. Wouldn't it therefore be appropriate for the federal government to tax what it has created - i.e., the enhanced land values in those enterprise zones?

This would have the additional economic advantage of encouraging enterprise zone landowners to develop their sites more fully, thereby providing jobs and new construction.

(9) FEDERAL GRANT PREFERENCE FOR LVT LOCALITIES - The federal government makes grants to localities for various purposes (especially H.U.D. and D.o.T.). Shouldn't the federal government give preference for grants to localities which are taxing land values at a higher-than-usual rate? Aren't these localities trying to help themselves, and aren't they therefore worthy of special federal help? And shouldn't the federal government encourage other localities to help develop their own economies?

The federal government could give preference for grants to applicants which are taxing land at 4% more than buildings (using market assessments). The federal government already attaches qualifications for the grants it makes to localities, and it has every federal income tax (which lowers purchasing power) or the property tax on buildings (which lowers their supply and makes them more expensive).

There is ample evidence that all this theory is correct. About 1,000 localities throughout the world are taxing land more than buildings, or land only, and ALL the studies of building-permits issued indicate that LVT adoption has been followed by construction booms. Seventeen cities in Pennsylvania are doing likewise and the studies of building-permits issued there show similar results (they are available upon request from this organization). Aliquippa, Pa., for instance, taxes land assessments at 8.1% and buildings at only 0.5% instead of raising the same revenue by taxing both at about 2.4%. Its taxable building-permit issuance increased by 97% in the three-years-after period over the three-years-before, while during the same periods of time its comparable neighbors, Ambridge and Beaver Falls, suffered declines of 30% and 7.2% respectively.

Shouldn't federal officials do what they can to get land values taxed more, and products of labor taxed less? Shouldn't they encourage our cities to do likewise? If a little land value taxation here and there encourages economic growth, wouldn't a lot of LVT boost our national economy materially?

Here are some ways by which federal officials can itself tax land values or further the local adoption of land value taxation.

(1) A FEDERAL-STATE LAND VALUE TAX could be apportioned among the states according to population. The Constitution specifically allows the federal government to levy direct taxes in this fashion, and a land value tax is a direct tax (direct taxes are those which must be paid by the taxpayer and cannot be passed on to others in the form of higher prices). The federal government taxed land values in 1798, 1813 and 1861.

Here's how it could work: if the federal govt. needed $50 billion, that would come to $200 per capita ($50 billion divided by the U.S. population of 250 million), but it would specify that sum is to be raised on the assessed land values of each state; if a state had a population of 4 million, then it must raise $800 million ($200 times 4 million) via a land value tax. If its total assessed land values were $80 billion, then a land value tax of 1% would have to be levied ($800 million divided by $80 billion).

Some people might object to poorer states having to pay as much per capita as richer states. But this objection can be met by spending the revenues from a land value tax mainly in the poorer states (credit: Professor Nicolaus Tideman, economics, Va. Tech. University).

Since property taxpayers might pressure their assessors to down-assess land in order to pay as little as possible of this federal-state land value tax, we might need a Federal Land Assessment Equalization Board similar to the state equalization boads now in existence, in order to adjust local land assessments to suit current market values. The U.S. Census of Governments and certain states have already perfected ratio-of-dispersion techniques that are generally accepted as fair tests of uniform treatment. Such a board would also be useful for suggestions (2), (3), (5) and (7) below.

(2) FEDERAL INCOME TAX ON LAND RENT - The 16th amendment specifies that "Congress shall have the power to levy and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to a census or enumeration" (emphasis added). Congress can therefore levy a land tax at, say, 6% of locally-assessed value (credit: Professor Tideman).

To be sure, most land-rent income is inferred, as when a building owner pays nothing for the location because he is also the site owner. But there is ample precedent for the taxation of inferred income. For example, a minimum of waiters' tips is inferred by the I.R.S. and taxed if the waiter does not declare it; job benefits (such as parking spaces, subsidized company-cafeteria meals, health & life insurance, day-care facilities, car use, etc.) are inferred and taxed, also zero coupon bond interest income prior to due date, and so forth. If these inferred incomes can be taxed, then it would surely be legal for Congress to tax inferred land-rent income.

The revenue from land taxation can be apportioned to some high purpose such as environmental protection, social security or public education (the state of Texas already dedicates the revenue from its mineral tax to the University of Texas). This should make the tax more popular and more easily understood (credit: Jeffery Smith of the Institute for Geonomic Transformation).

Or the federal government could return one-quarter of the land-tax revenue to the localities (gaining their support), perhaps also for specific purposes as determined by a local referendum.

(3) FEDERAL INCOME TAX DEDUCTION FOR THE LOCAL LAND TAX - If the local property tax on land assessments was made fully deductible on the federal income tax, then in effect the land tax would gradually replace the income tax.

This would also make the property tax on land assessments increasingly popular because the taxpayer would get a deduction on his income taxes. For every dollar he would pay in local land tax, he would save a dollar in income tax. The local two-rate tax would receive an enormous boost. Or governmental revenue would be enhanced if the deduction were 50% (credit: Joseph Casey, federal bank examiner).

If a locality failed to separate its land and building assessments, then for the purpose of this proposal, 20% of a property owner's local property tax payment shall be deductible from his income tax.

This proposal would have the added advantage of inducing local assessors to assess land values on the high side.

(4) FEDERAL INCOME DEDUCTION ON WAGES & INVESTMENT - If wage and investment income were deductible from the federal income tax, then land-rental income would be taxed at a higher rate. (credit: Walter Rybeck of the Center for Public Dialogue)

(5) THE FEDERAL INCOME TAX SHOULD ONLY ALLOW DEPRECIATION OF THE PROPERTY TAX ON BUILDINGS - Buildings should be taxed as lightly as possible, so the federal government should allow depreciation of the local property tax on buildings (land doesn't depreciate). Currently, only rental buildings can be depreciated; this provision should be extended to all buildings (since they all depreciate), and land