

Land Value Capture / Tax Research Project Questionnaire

The International Union for Land Value Taxation www.theiu.org

Most often, the taxable capacity of land is such that land value capture can enable local government to fulfill its basic responsibilities for the provisioning of basic services for all. – **Joshua Vincent**, Director, Center for the Study of Economics

Density is valuable and that value is reflected in the price of land. In the urban centers there are enormous rents on rising land value. The taxation of land appreciation offers huge scope for financing the cost of urban infrastructure. – **Paul Collier**, professor of economics and public policy, University of Oxford; advisor to the IMF Strategy and Policy Department; advisor to the Africa Region of the World Bank; author of [The Bottom Billion](#).

It is important that rent of land be retained as a source of government revenue.

- **Franco Modigliani**, Nobel Prize in Economics

How much revenue can land yield by itself? I assure you it can yield more than local governments need. The taxable capacity of land is camouflaged in our times by a consistent modern tendency to under assess it. - **Mason Gaffney**, *The Taxable Capacity of Land*, [The Corruption of Economics](#), [Essays on Solving the Unsolvable](#).

Introduction

Land value capture / taxation is a public finance policy whereby the socially created rent of land is returned to the people as a whole via the financing of needed public goods and services such as infrastructure, education and healthcare. The term “rent” in this usage describes the value that accrues to surface land and natural resources due to benefits desirable to humans such as good soils and locations useful for residential, commercial and industrial activities. Land rent usually increases as people increase their aggregate productive capacities, thus increasing the desirability of a particular location as reflected in land value. Land rent is thereby socially generated and reflects the surplus value of the wealth creation of labor and productive capital.

Currently in most places at this time, land rent is privately appropriated as “unearned income.” Thus, the social surplus as reflected in land value becomes a commodity for speculation and profiteering while taxes fall primarily upon labor and production. But properly harnessing the incentives or signals inherent in taxation methodology can both maximize wealth production and enable a fair distribution of wealth. Capturing full land rent for public benefit eliminates land

speculation and other forms of land-rent seeking. Land retains use value and affordability. Properly combined with the reduction or ideally the elimination of taxes on wage income and production, full incentives for wealth creation are enhanced.

Land value taxation theory and practice is predicated on a clear delineation regarding property rights. As described above, land rent is generated by nature-given desirable locations in combination with the synergistic labor and production of a given community. Thus, land rent is viewed as “belonging” to the community as a whole. On the other hand, the particular products and services produced by an individual, cooperative, business or group of individuals belong to that individual or group as their earned income. To maximize incentives for the production of wealth, these contributions of labor and productive capital should not be taxed.

Thus, when implementing the land value taxation approach to public finance in countries or cities where taxes are currently levied primarily on labor and production, these taxes can and in most places should be reduced as the amount of land value taxation is increased.

Why Would a Country or Municipality Implement Land Value Capture / Taxation?

- This public finance approach helps achieve economic development goals by providing incentives for private wealth creation and a sufficient source of revenue for funding infrastructure and other needed public goods and services.
- By reducing or eliminating the tax on improvements, there is a greater incentive to build, to build with higher quality materials, to maintain, to avoid blight, and to redevelop economically depressed areas.
- A tax on land value has been shown to result in better land use patterns and more in-fill development. This has the benefit of reducing sprawl.
- With land value taxation, new public improvements would be paid for by those most benefited by the new public improvements -- i.e., those whose land value went up most.
- The damage that sales taxes, value added taxes, and taxes on earned income does to working families and local commerce can be eliminated.

Land value taxation is a key to attaining what we all want: a world that rewards initiative without privilege and yet never forgets that there are those who have been left behind and must be helped. This method of taxation also serves as a brake against the epidemic of boom and bust land speculation. When robustly implemented this public finance approach promotes a fair society with increased economic opportunity for all, responsible stewardship of the earth and its resources, and growth and development where wanted and needed.

Answers to these questions will help determine the best approach and proper sequence to the implementation of land value capture / tax for your municipality / country:

Government

- What are the various levels of government?
- What levels of government levy taxes?
- What taxes does the municipal government levy?
- What part of the municipal budget is raised by local taxation?
- How would you rate the efficiency of the municipal governments in relation to tax collection, implementation of the budget and prevention of corruption?
- What is the percentage of the sum of the municipal budgets as compared to the national budget? Or if there are more than two levels of governments how does the sum of the municipal budgets compare to the sum of remaining levels of government?

Land Titles

- Are they registered centrally, at the local, state or national level?
- Is there a black market in land titles?
- How easy is it to get a land title?
- How often are land titling agencies in the news accused of corruption?
- Can the courts be trusted to adjudicate disputes fairly?
- Are there competing jurisdictions for public funds?
- Is there a "real estate industry"? A mortgage market?
- In areas where these markets exist, are there land registries and other forms of recording information on property sales and land values?

Types of Land Titles

- In your area is there more than one type of land tenure system?
- Are there points of intersection between competing land tenure systems?
- Is land tenure different in rural and urban areas?
- Where is the margin between the two?

Land Titles in Action

- Where, and how, is the transition from informal/traditional to asset/collateral taking place?
- Where is the highest concentration of recent land sales taking place?
- Who is educating the sellers about emerging markets?
- What information are they collecting?

Land Use

- What is the nature and extent of land use controls in your country/region?
- How is national/regional/local planning policy formulated and how detailed is it?
- Does all development need planning permission or its equivalent before it can proceed?
- What is the nature and extent of planning decision-making? Who decides and how democratic is it?
- How does the provision of new infrastructure fit into the planning process?
- Is there a system in operation which requires developers to provide infrastructure and/or other services? If so, what are its details?
- Does development take place on land that has not been zoned for new uses and if so what are the mechanisms for dealing with this situation?

Using GIS and Other Information Technology

Cities and towns are putting property values, tax information and answers to some of the above questions into computer databases and onto the web where this information is transparently and easily accessible. If your city has not yet done so, electronic data systems should be established. Geographic information systems (GIS) are computer maps containing detailed data. The use of GIS for land value capture is greatly enhancing the ease of implementation.

An information and database system for land value capture should include who owns what land, the current assessed land valuation, land use, zoning, current and alternative proposed uses, and what type and amount of property and other taxes are already being collected. Often government departments involved in land management and administration compile such data. If this information is not yet accessible, it needs to be compiled.

What kinds of information technology does your government use for recording land ownership and land value assessments?

The components of a good land value capture system

1. Spatial definition of legal land parcel units - knowing exactly what land is claimed by whom.
2. Trained and certified assessors to conduct valuation of land authorized by an agency independent of the tax setting and judicial review authorities.
3. Geographic information systems (GIS) for use by all agencies involved with land value capture administration with a public access (website) portal for all citizens. Information technology is greatly increasing the efficiency and simplicity of administering a land value capture system of public finance.
4. A designated public authority responsible for determining the precise method of land value capture to be utilized, collection of funds, monitoring results and impact, and public education concerning the specifics of land value capture policy. Decisions need to be made regarding issuance and frequency of billing statements.
5. A land value assessment appeals process and compliance system for ensuring that the land value fee is paid and up to date and/or debts are registered against title. Compliance can be encouraged through a small reduction if the fee is paid by a certain date, a penalty for late payment. Compliance can further be encouraged via elimination of public services including protective services to the site or land confiscation. Non-compliance would be noted on the web so if there is a failure to pay that information would be public. It could also be publicized in the local newspaper under the statutory listings section or posted in the main city square. An appeals process should be clear and easily available.
6. Registration of land title so that ownership and/or use rights to land are transparently clear. It would be unjust to implement land value capture without land registration because the rights of the government over the governed would be arbitrary. Land privatization is not necessary to implement land value capture. Constituting tribal, clan or extended family land as types of leaseholds can suffice. What is necessary is to determine who has claims to particular areas of land. The process of land registration can also reveal where land claims are disputed and where a land rights arbitration process is needed to prevent outbreak of violent conflicts.

7. Spatial definition of legal land parcel units - knowing exactly what land is claimed by whom.
8. Clearly defined legal restraints on land use - the rules of land utilization such as zoning laws defining "highest and best use."
9. Trained and certified assessors to conduct valuation of land authorized by an agency independent of the tax setting and judicial review authorities.
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13. A recommended compliment to a land value capture system is a "Participatory Peoples Budget" process charged with educating the citizenry about this method of public finance and with the power to make informed and enforceable decisions regarding allocation of a portion of public funds received via land value capture.

Please CIRCLE the number of the items above for which your city requests assistance and suggestions to implement, improve or strengthen.