Why Tax Land Value? Otherwise Property Owners Pay Twice!

H. William Batt, Ph.D.
Center for the Study of Economics & Central Research Group
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The Property Tax is Really Two Taxes

The Tax on the Improvement Value & Land Value

Each Tax has very Different Dynamics
Impact of a Land Tax

\[ D = R_G \]

\[ R_N = R_G - tV \]

Rent per Acre

Entire Tax Borne by Landlords

Usable Acres of Land
Impact of a Property Tax on Structures

Cost per Square Foot

Building Rented per Year

\[ \Delta Y \]

\[ tV_t = \$60 \]

\[ D = \text{Gross Rent} \]

\[ \text{Net Rent} = Y_t - tV_t \]
Explaining Home Value Change

Houses depreciate -0.015/year; land appreciates 0.04/year
Building Value is a Stock; Land Rent Value is a Flow

- Examples of Stock Value
  - CAR
  - COMPUTER
  - REFRIGERATOR

- Examples of Flow Value
  - RADIATION
  - WIND
  - RIVER CURRENT
Land Prices Increase Faster than Other Housing Costs
von Thunen’s Land-Rent Curve

\[ S = \pi D^2 \]

- \( S = 235.62 \) at 1 km
- \( S = 75.40 \) at 5 km
- \( S = 3.14 \) at 10 km

\[ \frac{1}{S} \]

\( \Delta D \) and \( \Delta \frac{1}{S} \) are shown in the diagram.
Salt Lake City Land Value Map, 1969
Portland Oregon LandValueScape
Johannesburg, South Africa
High Quality Land Value Map
Ground Rents are Capitalized Travel Costs
All Taxes Come Out of Rent

The Higher the Taxes the Less the Ground Rent
The Lower the Taxes the Greater the Ground Rent

Ongoing Economic Rent Flow

Drawn off Tax Revenue
Property Owners and Renters Now Pay Twice
Per Capita Residential building Permits, Albany vs. Harrisburg after 2002 LVT Expansion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Albany</th>
<th>Harrisburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>50.2</td>
<td>24.3</td>
</tr>
<tr>
<td>2002</td>
<td>63.9</td>
<td>33.9</td>
</tr>
<tr>
<td>2003</td>
<td>69.9</td>
<td>55.2</td>
</tr>
<tr>
<td>2004</td>
<td>90.9</td>
<td>151.1</td>
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<tr>
<td>2005</td>
<td>115.2</td>
<td>146.5</td>
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<td>2006</td>
<td>33.4</td>
<td>79.6</td>
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<tr>
<td>2007</td>
<td>114.8</td>
<td>72.4</td>
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</tbody>
</table>
Current Distribution

- **Tax**: 31.0%
- **Rent**: 31.0%
- **Net incomes (L&C)**: 38.0%
If we captured land values

Net incomes (L&C) 69.0%

Rent 31.0%
"Left-wing" proposals call for society to achieve equity by redistributing most of the wealth. No distinction is made between the sources of income (land, labor or capital), and individuals control only a small portion of the wealth. In most cases this entails a large measure of social control, and a "planned economy."

Dividing Fruits of Labor -- 1
"Right-wing" proposals hold that **efficiency** requires more wealth to remain in private hands (also making no distinction between rent, wages and interest), and that society, or government, should only get the minimum it needs for necessary services, e.g., the role of "traffic cop." This implies leaving the running of the economy to private interests.
"Middle-of-the-road" proposals seek a "balanced system" in the distribution of wealth and power between individuals and society - but make insufficient distinctions between earned and unearned incomes, and do not carefully define the proper spheres of society and the individual. The result is a hodgepodge in which efficiency and equity always appear to be at odds.
The Georgist proposal makes a distinction between the unearned income of land (rent) and the earned incomes of labor and capital (wages and interest). Rent to society, wages and interest to the individuals who earned them. The proper spheres of society and the individual are clarified.

The Georgist proposal achieves the goal of "left-wingers" for security and social action, but without restrictions on liberty. It achieves the goal of "right-wingers" to attain freedom, but without privilege and monopoly. And it achieves a balanced system sought by "middle-of-the-roaders," but in a just rather than arbitrary way.