

From: Derek Hance
Sent: Monday, June 22, 2009 10:21 AM
To: comment, cotce
Subject: Comment for the Commission regarding Land Tax
Commission:

I just recently found out about your existence and thus wanted to submit my opinions before you for consideration.

I am sure that you have already made your decision regarding property taxation however; I feel you should know another alternative that you may or may not already know.

A land value tax (LVT) is a simple tax on the value of the land one owns, it does not include (or they are taxed at a very low rate) the value of any improvements on said land. This has a wonderful effect because it discourages urban sprawl. It leads to landowners developing their properties to its maximum potential. Landowners with empty lots in a downtown area would have to pay the same tax as their neighbor who has a office, or skyscraper. This gives the individual with the empty lot a huge incentive to build upon that lot, repair the run down building, or sell to someone who will to generate some sort of rent off the land. This in turn can be captured in an income tax.

For example, Harrisburg, Pennsylvania in the United States has taxed land at a rate six times that on improvements since 1975 and this policy has been credited by its long time mayor, Stephen R. Reed with reducing the number of vacant structures in downtown Harrisburg from about 4,200 in 1982 to less than 500. LVT is an ecotax because it ostensibly discourages the waste of locations, which are a finite natural resource.

In the context of land value taxation as a single tax (replacing all other taxes), some have argued that LVT alone cannot raise large enough revenues. However, this is based on the fallacious assumption that land values would not change as existing taxes were phased out. Nevertheless, the presence of existing taxes has the effect of depressing land values. Thus, the phasing out of these existing taxes would lead to an increase in land values, and in this way, the tax base itself would grow. It has also been argued that increasing LVT at the expense of other taxes would reduce government expenditure on welfare.

In a study for the Institute of Economic Affairs, Harrison has calculated that the indirect (deadweight) cost of the UK tax system is about 12% of national wealth. Most modern LVT systems are alongside other taxes, and thus only reduce their impact without removing them completely.

In a case or event where a jurisdiction attempted to levy a land tax that was higher than the entire landowner surplus, it would result in the abandonment of property by those who would be paying and a sharp decline in tax revenue. Whilst this is obviously the case theoretically, it sets a natural ceiling on the amount of LVT that can be levied.

I thank you for hearing my opinion on the matter. I look forward to hearing from you

Derek Hance