

more reasons why...

Uptaxing Land

and

Untaxing Homes

and other improvements

would be

Fairer for Everybody

and

Better for You

Robert Schalkenbach Foundation

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Today's property tax with its weight on improvements instead of on the land harnesses the profit motive backward instead of forward. There is not a city that is not making its urban development problems worse by misapplying the property tax to penalize improvements and subsidize the misuse of land.

Time Magazine, May 3, 1971

The tax assessor rather than the planner is today planning the use and development of land. Until we get our tax and planning policies running in parallel instead of opposite directions, we will accomplish little in the planning field.

Max Wehrly
Director (retired)
Urban Land Institute

Just correcting the gross underassessment of idle and underused land (in Southfield) enabled us to reduce the taxes on many homes by as much as 22%.

James S. Clarkson
Mayor, 1961-69
Southfield, Mich.

Untaxing improvements and shifting the whole weight of the property tax to location values could cut the property-tax burden on homeowners by as much as 35%.

David Bell
Realtor

Shifting the full weight of a fairly heavy property tax off improvements onto location values would so change the arithmetic of property ownership that no subsidy at all would be needed for urban renewal.

M. Mason Gaffney
Resources for the Future

Looking back on the history of land prices, would anyone around this table disagree that we would be better off today if we had followed Henry George's advice a hundred years ago? Now, I can't help but wonder whether sixty years from now a similar group might say: "If we had just followed Mason Gaffney's advice, how much better off we would be!"

Ronald B. Welch
California State Board of Equalization
(At an Urban Institute conference on
property taxation and urban growth.)

Land is set apart from the market action of supply and demand by preferential tax treatment. There is evident inequity in a system that puts most of the tax burden on improvements while preserving an anachronistic tax incentive to land ownership.

Fortune Magazine, October, 1963

The tax on improvements can be horrible; the tax on land can be one of the best.

C. Lowell Harriss

Professor of Economics, Columbia University
Economic Consultant, The Tax Foundation
President, National Tax Assoc. (1972-73)

A powerful tool for rebuilding urban centers through private initiative lies in reforming the property tax. Higher taxation of location values and lower taxation of improvements would help push land into more effective use.

Carl H. Madden

Chief Economist
United States Chamber of Commerce

Higher taxes on land (and) lower taxation of improvements would help stimulate development and redevelopment. Holders of sites in and around the center would be induced to develop their land or sell it to those who will, so there would be less leap-frogging out beyond the fringes. Reduced fringe development would reduce the cost of providing public services and increase the conservation of green areas and open space surrounding the city.

Congressional Research Service
1971 Report

The states should vigorously explore the desirability and feasibility of placing new or differentially higher taxes upon land values.

National Commission on Urban Problems
(The Douglas Commission)

Heavier taxation on site values has the apparent advantage of discouraging speculative withholding of land from development and of enabling the public to recoup more easily the benefits it bestows on local landowners through improvements. Lighter taxation of improvements might remove existing tax disincentives which discourage new construction, rehabilitation, or adequate maintenance.

President's Committee on Urban Housing
(The Kaiser Committee)

The Graded Tax Plan in Scranton, taxing improvements only half as much as land, has been a big help in attracting new industry to Scranton.

John M. Kelly
Scranton Realtor

We tax unimproved land very low; we tax improvements very high, and the result is simply to drive up the price of land and force people to go farther and farther out and make it impossible for anyone to locate a plant near enough to a city so that you can get jobs and plants related.

Andrew Heiskell
Co-chairman, Urban Coalition

We need property-tax reform with better assessments, better administration and more stress on taxing land.

Brevard Cribfield
Executive Director
Council of State Governments

Land should be taxed at a higher rate than improvements so that there will be encouragement to put land to its most productive use. The land tax is the only tax that is anti-hoarding—and hoarding, I submit, is the basic sin in a productive economy.

Thomas B. Curtis
Former Chairman
Joint Economic Committee of Congress

The tax on improvements rather than on land favors old buildings whose aging is an intimate part of the urban decline process.

Jay W. Forrester
Professor of Economics, M.I.T.
Author, "Urban Dynamics"

A more basic question is whether any property taxes should be levied against buildings and improvements . . . whether they should be levied completely or primarily on land value itself. The argument has been made that it is socially undesirable for the land speculator to pay substantially less property taxes than the person who builds improvements on his land; that cities are decaying precisely because the property-tax structure discourages modernization, rehabilitation, and replacement of existing buildings; that the absence of sensible land-use planning is due

in large measure to property-tax structures which stimulate land speculation at the expense of coordinated land development.

What has followed is the all-too-familiar pattern: scattered development of subdivisions, shopping areas and industrial centers often far removed from the center of urban activity and equally far removed from needed municipal services, such as water, transportation and other utilities.

Senator Edmund S. Muskie
Chairman, Senate Subcommittee on
Intergovernmental Relations

Land values rise mostly because of other peoples' and other taxpayers' investment, community development, and population growth—not because of any actions by the owner. The community creates the unearned value-increments and has every right to recapture them by taxation.

Dick Netzer
Dean, Graduate School of Business
New York University

Lower taxes on improvements encourage new construction and rejuvenation. Lower taxes on site values have the opposite effect because they invite land speculation, raise land prices, and discourage construction.

Robert C. Wood
President, University of Massachusetts
Former Secretary, HUD

One of the two conflicting taxes fused and confused in the property tax is the tax on improvement—the tax on what past, present and future owners of the property have spent or will spend to improve it. And it must be obvious to anyone that heavy taxes on improvements are bound to discourage, inhibit, and often prevent improvements.

The other levy confused in the property tax is the land tax—the tax on the location value of the site, the tax on what the property would be worth if the owners had never done anything or spent anything to improve it, the tax on the value that derives mostly from an enormous investment of other peoples' money and other taxpayers' money to create the community around it and make the location accessible, livable, and richly salable. And it must be obvious to anyone that heavy taxes on the location cannot discourage or inhibit improvements; on the contrary,

heavy taxes on location could put effective pressure on the owners to put their sites to better use so as to bring in enough income to earn a good profit after paying the heavier tax.

All this is so obvious that you would think every city would try to tax land heavily and tax improvements lightly, if at all. But, just the opposite is the case.

"Financing our Urban Needs"
Nation's Cities, March, 1969

The real property tax reflects and promotes every unsound public policy imaginable. It encourages

...and, very simply—

If improvements were untaxed and the whole weight

- (1) More new homes would be built in the city to take advantage of the tax exemption of improvements.
 - (2) Building more new homes would give slum dwellers a better chance to escape from the slums.
 - (3) Rents would come down as new construction eases the housing shortage.
 - (4) Urban redevelopment would be accelerated **at no cost to the taxpayers**. Over the years the heavier land tax would tax the slums and their almost worthless buildings out of existence.
 - (5) Commercial and industrial construction would likewise be stimulated.
 - (6) This would create more commercial and industrial jobs.
 - (7) New buildings would be built better and existing buildings would be improved if we stop penalizing quality by taxing good buildings more heavily than cheaper buildings.
 - (8) The building boom would create many more jobs in the construction trades.
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urban blight, suburban sprawl and land speculation. It thwarts urban rehabilitation, construction-investment in building and improving homes. And it prevents orderly development and planning.

As a very simple start, we should remove the tax from improvements and put it on the land. In this way, each man would pay his fair share of what the community was doing for him and would not be punished for what he was doing for the community by putting his land to good use.

Robert Hutchins

President, Center for the Study of
Democratic Institutions

ht of the realty tax were shifted to location values:

- (9) The construction boom would give city planners a better chance to get their plans off the drawing board and translated into reality.
- (10) Less close-in land would be wasted. This would save city governments billions of dollars now wasted by sprawl, for all municipal costs are multiplied by distance.
- (11) Premature subdivision would no longer be profitable, and this change should make ecologists and other lovers of open space much happier.
- (12) Subsidies would no longer be needed to make it profitable for private enterprise to take on most of the job of rebuilding and revitalizing our cities.
- (13) The new construction and all the resulting increase in in-city business activity would strengthen the local tax base and make our cities less dependent on state and federal aid.

Arthur P. Becker

Professor of Economics
Univ. of Wisconsin-Milwaukee
Chairman, Tax Committee
National Tax Association

...and the old reasons are truer than ever—

Landlords grow richer in their sleep without working, risking, or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title.

John Stuart Mill

The interests of the landowner are directly opposed to the interests of every other element of the economy.

David Ricardo

To tax the community for the advantage of a class is not protection, it is plunder.

Benjamin Disraeli

The burden of property taxation should be so shifted as to put the burden on the unearned rise in the value of land rather than the improvement.

Theodore Roosevelt

Possession of land by people who do not use it is immoral, just like the possession of slaves.

Leo Tolstoi

The earth, therefore, is the general property of all mankind, from the immediate gift of the Creator.

William Blackstone

The earth is given as a common stock for men to labor and live on.

Thomas Jefferson

We have a vicious and unreformed land system and a vicious and wasteful system of local taxation—a harsh burden on the poor and an impediment to enterprise and progress. The landowner renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived. His unearned increment is too often in direct proportion to the disservice he has done the community by holding his land off the market when it was needed for orderly development.

Winston Churchill