

Site value taxation...

SITE VALUE taxation, as the only "right" source of public revenue, is applauded and fostered by all who understand it.

Promoted in the 19th century by Henry George, its popularity continues today, gaining momentum as understanding of the concept increases. More states (Missouri, Illinois, Utah, Oregon and others) are following Pennsylvania's lead, seeking legislation to enable separate (higher) tax rates on sites from those on buildings, improvements and other products of labor.

All, however, focus mainly on *urban* sites. Why? Because locations in cities are most valuable. Up-taxing those sites and down-taxing buildings and improvements produces the most obvious and dramatic benefits, such as more buildings, better buildings, reduced unemployment, and rewards (rather than penalties) to producers-earners.

In cities it is easily seen that a site's value arises not because of who owns it – or what's on it, under it, above it, in it, or what it will produce. Rather, it depends essentially upon where it is, and what's around it.

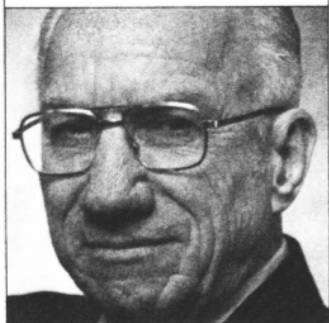
Fred Young (Chicago), former Harris Trust officer, in his book, *How to get rich and stay rich*, cites "land" as a prime investment opportunity. He says the three major factors making land valuable are (1) location; (2) location; and (3) location! Right!

But humans did not produce land; they did not create good title to it. Therefore, no person can get good title, as none of his predecessors ever had good title to pass along to him.

AS LAND values are highest in cities (only a fool would trade his 30 acres in downtown Houston for 30,000 acres in the Sahara), we usually target *urban* sites. Overlooked is the great value of the vast *farmland* areas. For this reason, site value taxation advocates often ignore the positive impact this public revenue source can have upon the working farmer, whose economic lot has been gradually deteriorating. Why? Because tax systems force more and more farmers out of business, while further enriching already wealthy

By Stan Frederiksen

in Missouri



non-farmers, who use their land for speculative non-productive gain and as tax shelters.

The term "land value taxation", alone, "turns off" the working farmer. Hearing "land" and "taxation" in the same three-word phrase suggests that someone is out to tax his land away from him. "Site value charge", or "location value charge", would more accurately state the concept. For the site value charge is, indeed, just that – a legitimate charge for value received (the exclusive possession of a location). And that charge is paid to those



'A tax on land values would key the use of land to demand; a failure to tax it results in sprawl, blight and unemployment'

—Professor Steven Cord

who actually create the site's value – the community around that location.

It is not a "tax" at all. A "tax" normally denotes an unwarranted penalty for doing good, for producing, for conducting an honest business prudently. Penalties should be reserved as punishments for illegal/criminal acts.

But who is a "farmer"? Specifi-

cally, who is the "farmer" who would benefit from a site value charge?

The true working farmer (there are no other kinds) is one who earns his living by producing economic crops or livestock through engaging in agriculture – by exerting honest labor upon an arable area of the Earth's surface. This working farmer we seek to help – and will help – through invoking the site value charge, alone as the source of needed (repeat, *needed*) public revenue.

Under this definition, we exclude from consideration all non-farmers – those who do little or nothing to produce wealth, but, instead, build fortunes by confiscating the hard-earned wealth produced by others.

Such *non-farmers* include (but are not limited to):

- Huge land-holding corporations, bankers, lawyers, doctors, executives and others (including absentee landlords) who pay minimal or no taxes on their acreages, and who produce nothing themselves. They rent out parcels to true working farmers, who must pay exorbitant fees (rents) for the privilege of working the land, as well as taxes on the income (if any) from what they may produce.
- Wealthy landlords who leave rich farmlands idle and untilled – producing nothing at all, not even through the sweat of working farmers who would like to rent the land from them. Their one objective is to watch that land's price escalate, through the encroachment of urban developers into the areas around them, chased out of nearby cities by not only unacceptably-high prices of land there, but also by prohibitive taxes on city buildings, improvements and other developments they may have planned.
- Farmland title-holders whose only goal is to keep land out of use, to claim losses on these properties, thus making them "tax shelters".

COLUMNIST R. C. Longworth, in a farmland series (*Chicago Tribune*, March 2, 1980, ff.) spelled out the grave problems facing our farmers. Fewer and fewer farmers actually own their land. In north-eastern Iowa, absentee landlords own

Landlords watch as prices escalate . . .

...the farmer's salvation

two-thirds of the farms, meaning that two-thirds of the farmers are tenants – “hired hands”, if you please, working for someone else.

Longworth reported that:

- The eight largest energy companies owned over 64 million acres of American land.
- Eighty percent of Maine is owned by absentee landlords.
- Railroads hold questionable title to 25 million acres.
- The 25 biggest land-owners in California (mostly corporations) hold title to 58 percent of the state's land.
- Missouri's farms numbered some 147,000 about ten years ago. In 1983 their number had decreased to around 135,000.

When a very few own all valuable land (as is clearly the case), the vast majority of people must pay tribute to the few title-holders for the privilege of living upon and from the land. Those who own the land literally “own” the people thereon, as those people must have access to the land, or die!

Just as site value taxation pushes idle or underused sites into their ultimate best use in *cities*, so will it release, for best use, to true working farmers, vast *rural* lands now undertaxed or held out of use for speculative gain.

The site value charge is levied only against the title-holder – not against the farmer (be he tenant, sharecropper, or whatever), unless he owns the land he farms, in which case he is mighty glad to pay the modest charge, as the “taxes” on his wages and farm inputs are reduced or eliminated.

HERE'S a scenario to show the result if man-made products, including buildings, improvements, etc. were *un*-taxed and farmland title-holders obliged to pay a charge to possess their lands. Assume, please, a “taxing jurisdiction” in a rural setting. The steps would proceed something like this:

1. The jurisdiction (let's say 500,000 acres, largely farmland, but with some small towns and villages) first establishes its annual budget of, say, \$500,000 for projected government

services (roads, streets, utilities, a sheriff, a staff, some schools, etc.). A site charge (tax) on the value of land is set to average \$1 per acre. Thus, the budget would be met (and balanced) entirely by public revenue from the site value charge.

2. The “average” charge per acre (\$1) would be made up of high charges per acre on the high value sites in the towns and villages (where government services would be most intense) and very low charges per acre in outlying rural areas, with few people and few government services.

3. The site value charge on any land parcel would be determined, as now, by the assessor. Where government services are greatest (the town centers, etc.) the annual charge might be, for example, \$1,000 per acre. In outlying areas, it might be \$0 per acre. In any event, the assessor's job is simple, as he need assess only the land values – nothing else! (Nothing else would be subject to a tax or charge.)

4. Note the precise fairness of this assessment procedure. The proper land value for any parcel would be determined automatically, shortly after the assessor's initial judgement.



'Site values have characteristics that lend themselves to special taxation. Not least among the reasons is the expenditure of governments on streets and other facilities that enhance the worth of land'

– Professor Lowell Harris

Any parcel assessed too high would “go begging” – no one would pay the annual charge for it. If it were assessed too low, competition to own it (in return for the charge levied) would be keen to the point of igniting hassles among those struggling to possess it. The “too-high” assessments would be reduced until someone was willing to pay the adjusted lower charges. Assessments

on undervalued land would be increased to offset the reduced assessments on those assessed too high. Eventually, a complete assessment pattern would emerge which was acceptable to all title-holders. Each would get exactly the value he pays for.

5. The important feature of this policy is that *the only persons who would pay public revenue charges would be those who hold title to land!* And since they are in the tiny minority, the great majority of people in the jurisdiction would pay no direct taxes (charges) at all! Anything wrong with that? Certainly not. In all other phases of our lives, we pay to own and maintain things to which we have title: tractors, combines, cars, TV sets, household goods, good, clothes – in fact, everything. Why should we not pay to possess and maintain the land parcels we choose to own? And pay the legitimate charges to those who create those values – the community round about us? In other words, to our “government”?

6. As those who own the countryside must pay for it and maintain it, they will have to *produce* from those lands to retain them profitably – or hire people to produce from them – or relinquish ownership to people who will.

7. Those owning land would hold only the number of acres they could employ profitably in producing goods and services, the value of which would be far above the legitimate charges they pay for the land itself.

8. The working farmer would be a tremendous beneficiary. As the site value charge rises (on the really valuable land), the price of such land goes down! Present sharecroppers and/or tenant farmers would be able to buy land and become independent of the “landlord”. Young would-be farm families would find it easier to start farms of their own.

9. In farming, “bigger” is not necessarily “better”! Longworth cites studies to show that the most productive farm, on a per-acre basis, is about 320 acres (or, it *would* be if government tax policies weren't tilted so strongly toward big land-owners). With the site value charge supplanting

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... a site value charge would hit speculators

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the current "help-the-big-guy" land tax policies, we would have real land reform: the most productive farm land would become accessible to the many, instead of (as now) only to the favored few.

10. As the site value charge would also prevail in cities, and would have the greatest impact upon urban lands, owners of those city acres would be forced to use them productively. This would draw people back into urban areas. And it would reverse the disturbing current trend – that of city tax burdens chasing people out into the countryside, where valuable farmland is then used up for subdivisions, shopping malls and the like, and encroach upon the much desired "open green space" so dear to the environmentalists.

THE OVERRIDING consideration for establishing the site value system is the fact that if all people really knew and understood the concept, and could vote on its adoption, it would pass with at least a 10 to 1 majority! Why? Because only the owners of land would pay charges to defray government expenses – and land-owners are estimated to make up only 10 percent or less of our population. But farmers paying a site value charge would still end up making more profit out of their operation because the charge would be lighter than the present tax burden.

No study has ever been made of "who owns what land" across our nation, and how much wealth the title-holders pocket each year without exerting any effort. Estimates place their annual unearned income at up to \$3 trillion! (That's three times our total national debt!)

Longworth urges that, using computer technology, a Federal Government department (perhaps Interior) should undertake such a nation-wide study.

It is true that the non-farmer – he who holds vast acreages for speculative gain alone – would not like the site value charge. Why not? Because while it would not "hurt" him, in the accepted sense of that word, it would require him to acquire his wealth like the rest of us do – by earning it!

However, remember that he is in a skinny minority; those of us who now pay him tribute for the privilege of living upon and from this Earth will out-vote him!



● Families – encouraged by tax system – are returning to the farm

people who are making the real difference. They are the mainspring that continues to fight this escalation in land prices which is the biggest single factor in the whole picture.

They are hoeing their backyards, nursing lambs in their kitchens, weeding and thinning their postage-stamp woodlots, driven by the instinct for survival to get the most out of their shrinking parcels of land.

Commissioner Taylor and the forest people know about the trend in land prices, are concerned about it, and have been struggling to control it for years. The true economic return from an acre of woodlot is a tiny fraction of the potential speculative return, so long as urban sprawl continues. Farmers face the same set of figures.

Steve Taylor is quick to agree that nothing good comes from the soaring price of land for farming, as opposed to the individual prospects of an aging

farmer who sees the market value of his land holdings escalate.

THE ACCEPTED answer in New Hampshire has been what is known as "current use assessment." It is a price control-type lid on land values, aimed not at the market price but at the property tax burden which rises with it.

It is politically popular among old-family farmers and major woodland owners because, for many of them, it has been temporary salvation. It is "peace in our day", and that is always the basic argument for any form of price control.

But the price trend continues, made worse than ever by current use taxation, the effect of which has been to pull an estimated 15 percent of New

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... we've seen it, we've felt it'