

Lindholm Lauds the Land Tax

by Don Nelson

Eugene may be taking a new look at an old idea for changing the way property is taxed.

It's called a "land tax" or a "site value tax," economist Richard Lindholm told the Eugene Planning Commission on Monday, and although the tax is used in several other countries, it's still rare in the United States.

A land tax does just what it says: it taxes land only. Buildings aren't taxed and a property's value is not increased simply by building on it. The effect is that vacant land is taxed at the same rate as developed land, so speculation is discouraged and development is encouraged.

Lindholm, a University of Oregon professor of finance, told the commission he would like to see Eugene replace its existing property tax system with a land tax. Investigation of that proposal is one recommendation in Phase II of the city's Growth Management Study.

Lindholm said the Legislature would have to approve legislation allowing the city to change its property tax system, and he recommended that such a change be subjected to a vote of Eugene residents because it's sure

to be controversial.

The immediate effect, he said, would be to lower the taxes of homeowners and to increase the taxes on vacant property.

He said the city could take the total assessed value of all land - minus the assessed value of the buildings - and apply the tax rate necessary to bring in the same amount of revenue the city now collects.

Lindholm said a study he conducted a few years ago showed that if the land tax were in effect in the Eugene-Springfield area, taxes on single-family homes would decrease by 27 percent.

He said a land tax would encourage industrial development, discourage urban sprawl and increase the efficiency of land use within the city. A land tax system is used in Australia, New Zealand and South Africa with good results, he said, but has been tried on a limited basis in only a few areas in the United States. He said this country has been "very conservative" in changing its taxation methods.

City Manager Charles Henry observed that a land tax proposal would surely be opposed

by property owners with vacant land, whose taxes would increase. Switching over to a new system could create some administrative problems, he said.

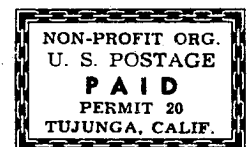
Lindholm said he believes the change could be accomplished with few problems. "I don't think this is a frightening thing," he said. He said the land tax would encourage construction of better buildings because property taxes would not be increased if a property is improved.

The Growth Management Study notes that a land tax could "encourage timely use of vacant land and conversion of some structures to multiple-family uses."

However, the study adds, "While implementation of this taxing structure could affect greater efficiency in residential uses, it also contains the potential of running counter to existing policies directed at preservation and rehabilitation of a portion of central area neighborhoods, i.e., those zoned for multiple-family use. This problem might be solved by granting special tax treatment for areas singled out for preservation. Under this taxing mechanism, the use of zoning would most likely become a more critical land-use management tool." (Register-Guard ... Eugene)

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