

British HG Foundation

'has no quarrel with Lincoln'

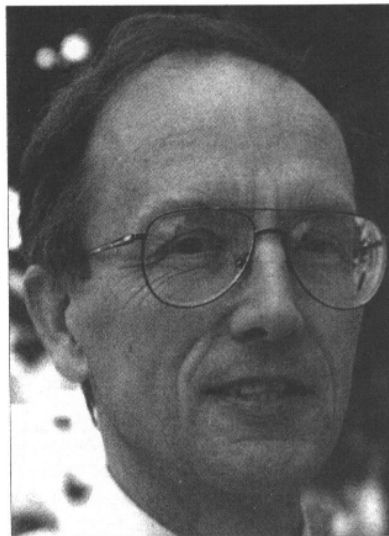
I WAS PRIVILEGED to attend the first Symposium for David C. Lincoln Fellows of Land Value Taxation at Cambridge, Massachusetts in October, as one of nine Fellows reporting to the Lincoln Institute on the first year of their six research projects. What we had in common was a keen interest – but no previous research experience – in LVT. My project "Preparing for LVT in Britain" was reported on in L&L Autumn 2000.

The audience included Jim Brown, CEO of the Lincoln Institute, and Kathryn Lincoln its Chairman, as well as Joan Youngman, Director of Lincoln's program on Taxation of Land & Buildings, and David C Lincoln himself, Chairman of the Lincoln Foundation.

Some readers may wonder why, in the light of legal disputes between "Georgists" elsewhere in the world, the CEO of the British Henry George Foundation was participating in this event. The answer is that my Directors have collectively agreed that we have no quarrel with Lincoln Institute. As I put it myself to the Symposium, on behalf of my Directors, without the support to British researchers that Lincoln have given over the past five years there would now be no debate on LVT in the UK.

ADDRESSING the Symposium on the second day, David Lincoln asserted that LVT was the most economically efficient tax and one which could "make things better" for more people than any other tax. Dick Netzer, a member of the Lincoln Fellowship Review Board, said: "What Lincoln is doing is getting better, due to the interest taken by David and Katie Lincoln".

THE first presentation by three researchers from Indiana – "hotbed of property tax reform" in the words of Jeff Wuensch – showed how difficult it is to shake professional conservatism, especially when allied with corruption. Indiana's assessors are all elected, only a third hold any professional qualification, real estate is self-assessed and there is no State oversight of the valuation for taxation function. Land Boards assess non-agricultural land values: until now there have been 92 County Boards but the job soon moves to the 1008 Townships, which will increase the scope for injustice and incompetence.



Tony Vickers reports from Boston on a Lincoln Symposium

Lincoln decided to fund this team because it was clear that progress via State funding was stuck in a political mire. In 1998 the State Supreme Court forced debate on tax reform into the open by ruling that assessment manuals and practice were unconstitutional, because assessments were 'subjective' and 'lacked meaningful reference to property wealth'. Perversely, Indiana assessors are specifically barred from making assessments of improvement value purely on market value, although they are supposed to use market value for land assessments. Indeed, even the Court ruling merely requires market value data to be considered.

The Lincoln Fellowship project is endeavouring to quantify the degree of departure from true value that property assessments have reached, and to advise how best to correct the situation. Naturally the biggest deviations occur with land values and the situation in Indiana offers an opportunity for LVT to be considered as the basis of a reformed property tax system. Property taxes comprise 23% of revenue within the State, almost all of it generated and spent locally. Half of this is paid by business. There is a particular under-assessment of home-owners, since they vote and businesses do not!

A major part of the Indiana project is the establishment of a State Property Tax Forum, for education and debate of the

many issues surrounding property taxes. This was a common theme of the whole Symposium: education must come before reform.

PROFESSOR Peter Brown of Liverpool's John Moores University and Moira Hepworth, Head of Research of the Institute of Revenues Rating & Valuation (IRRV) in London (Progressive Forum members), are developing a comprehensive reference source, on CD-ROM, of property tax systems in Europe. This is not specifically a land-value tool, although it will be useful to anyone interested in European tax reform as well as the wider property market, academic and business sectors.

Brown and Hepworth noted that globalisation is helping to focus governments on property taxes, as capital and labour can take flight from high-tax regimes. France and Ireland are two countries undergoing major property tax reform. Romania and the Slovak Republic exhibit taxes on land alone. The scope for expansion in studies at higher education of property taxation is increasing.

TOM Konyinbih of Kenya explained why LVT was currently so important for his country. In December 1999, President Daniel Arap Moi announced his Government's intention to impose LVT on all rural areas and to improve the efficiency of the existing LVT in urban areas.

Kenya's land tax goes back to 1921. Upon independence from Britain in 1963, legislation was enacted which entrenched LVT as the main source of local government revenue. But central government's lax control over other land-related functions – such as registration, survey and management of its own land holdings – has held back local authorities from being able to meet their revenue needs adequately from LVT.

Konyinbih has had an interest in LVT since gaining his Ph.D in Land Policy at Cambridge University in 1985. He recently wrote a report for the UN on reform of the taxation of Namibian commercial agricultural land, in which he recommended LVT. His research back home in Kenya, where he lectures at Nairobi University and is chairman of the board of valuers' professional qualifying examinations committee, is designed to help put President Moi's wishes into effect. There is considerable

Ground for Hope: The Smart Tax and Urban Renewal

A conference, held between the 3rd and 5th November in the comfortable environment of the Regency Hotel, Bournemouth was a huge success for organisers, speakers and delegates. We all covered considerable ground, raising many of the issues that would have to be tackled during a transition to Site Value Rating and learning a great deal from each other, writes *Katherine Deighton*.

These issues were raised particularly in the workshops that took place on Saturday afternoon. The following summaries of the workshop reports may help give a taste of the range of what was discussed.

Workshop A – Land Valuation and Property Law (Led by Owen Conellan and Joseph Hyde)

The workshop explained how land values can be assessed, and that although these are related to perceptions, there is no need to indulge in 'spurious accuracy' when there are some effective methods available. Any value calculated should be regarded as fair and calculated as far as possible by a method that is straightforward to understand. In this way, confidence in the system is maintained and appeals would be minimised.

Land law was explained as giving security and title to the occupier of the land. If someone owns land but doesn't occupy it, they have to lease the land to show occupancy. Alternatively, if someone occupies land for long enough, then the title becomes theirs. These principles of common law can be useful in bringing in LVT and showing that the same principles operate in both.

There was some discussion about the effect that contamination has on a site. Joseph Hyde explained that this could be treated like a negative building, with no permanent effect on land value. Another useful point was that it wasn't necessary for an authority to collect 100% of the rent, only what was required to meet expenditure.

Workshop B – Planning and Urban Economics (Led by Greg McGill and Derek Aldous)

Most people in the groups recognised the need for planning controls of some description, but generally felt that there should be more community involvement to make this a more democratic process. (In fact this is happening in some parts of the country where people are involved in their own local development plans). Valuation could then become part of the plan making. This would involve a certain amount of feedback with the valuation having an impact on the permitted use and vice versa. Up-to-date valuations would also be necessary for the process to work and for people to feel that it was fair.

A key question is over when a change in LVT should take effect following a change in permitted land use. The possibilities would be immediately after the allocation of land to a new use, or when planning permission had been granted to a developer or when the new land use

had taken effect. The majority decision was when land had been allocated although implementation of the tax could be stepped to take into account potential difficulties with third party applications above the owner's wishes.

More research is needed into how public uses of land such as parks and roads should be taxed, whether the system of planning gain would still be necessary and to compare the results of different rating systems on how land is used.

Workshop C – Political and Legislative Steps (Led by Ian Mason and Peter Gibb)

This group looked at the issue of reaching people, and identified a number of important areas. These included listening to people first to find out what agenda they want to discuss, to be able to answer the questions that are important to them. Answering these questions therefore involves having enough knowledge and examples to be able to give a substantial reply. It's also important to value people's time by taking up less time and fewer words than offered.

A short and long term strategy is useful, ultimately aiming to reach the people who draft the legislation. In the nearer future, looking at local government is the best way ahead, but there are also opportunities in responding to the 'Reforming Local Government Finances' and Urban Task Forces White Papers.

In addition to the workshops, we were very fortunate to have the presence of some very able speakers. **Dave Wetzel** (Vice Chair, Transport for London) talked about the impact of transport on land value and the potential that this gave for raising revenue as well as explaining some of the transport changes hoped for in London.

Josh Vincent (Executive Director, Center for the Study of Economics, Washington DC) gave two very encouraging talks on the impact that LVT has had on some of the poorest towns in Pennsylvania and the US. Josh was due to meet council leaders in Liverpool after the conference: what he has to say can only further support their arguments to trial LVT in the future.

Billy McCluskey (Professor of Property Studies, Lincoln University, New Zealand) was able to explain the technological developments that would enable LVT to take place and said that valuations would be able to take place every year with this.

Richard Harbord, Margaret de Woolf and Peter Gibb also gave informative and inspiring speeches. It seems remarkable to think how much fitted into so short a space of time, but this is largely due to the organisation of Tony Vickers and Gordon Brennan. All concerned deserved their round of applause.

resistance from the usual sources to these ideas, not helped by Kenya's shortage of cash to invest in public services. "Tax collection and enforcement is weak", says Konyimbih, "but land tax is increasingly being seen as the main source of growth in revenue for local government, as grants from central government reduce."

The main activity of this research is establishing an education programme for officials and local politicians: reform will have to be 'bottom-up', given the resistance from certain top officials. Interestingly, little or no further legislation is required to implement full LVT: the barriers are procedural and institutional inertia.

TODD Litman is a transport consultant from Victoria, British Columbia, whose interest in LVT is linked to his desire to see more efficient use of land set aside for transport systems. He believes that if the opportunity cost of such land allocation – for parking as well as movement – was properly reflected in land value assessments, it would assist the justification of sustainable transport systems. His research aims to develop ways to measure the amount of land devoted to transport, how it varies under different circumstances, how to value it and how tax policies and other regulations are – or could be – optimised in terms of various social and economic objectives.

BOB Gloude-mans is the author of a recently published text-book *Mass Appraisal of Real Property*. His research aims at deriving a method for assessing land values for individual sites on a very large scale with very little market evidence from bare land sales. He has taken several complete property tax jurisdiction data sets and applied non-linear regression and feedback statistical techniques, hoping to empirically derive formulae that can be proven to offer realistic land values for taxation. Results so far appear very promising: real market data compares with values derived from Gloude-mans' model to within 5-10%.