

How Land Value Taxation (LVT) Can be Made Politically Acceptable (In Answer to David Tiggs)

By David Harold Chester / July, 2020

Much as the Single Tax proposal of Henry George is greatly appreciated, for having the most significant ethical principles at its core, one finds that its introduction is simply not practical.. Apart from use of the word “Tax”, which in any case no politician wants to propose or introduce, we must eliminate the offense that these proposals for LVT will cause to landlords. Obviously they will be strongly opposed to having to pay a new tax (or anything else we might like to call it). Then the solution is not to fight them, nor try to convince them on ethical grounds, but to find a way to make them want to pay for their land access rights, through revenues.

To achieve this there should be introduced a gradual change in the way that land is being owned. This requires the making of some new laws. Whenever a site or prospect of land (or real-estate with buildings} is being offered for sale, or whenever ownership of such a site is being transferred between family members (and on which an inheritance-tax would normally be collected), the change being introduced here is that the government automatically buys the land at its current normal price. This is done simultaneously when the buildings are being sold in the usual way, or when their ownership is being transferred. (The courts shall be empowered to settle the land-value, if or when doubt is expressed—prepared land-value maps being publicly accessible.)

The previous landlords or their heirs will no longer have any serious financial objection, since the money from the land sale will greatly exceed the subsequent annual lease-fee (see below) for access rights to this land. This change will also eliminate the (hated) inheritance-tax. It is estimated that this process of all the land sales and governmental purchases will be spread over at least 40 years.

Immediately a site belongs to the government, this land should be offered for occupation and use by it being leased. The first refusal for this must be to the new or bequeathed owner of any buildings thereon. The lease-fee should be set according to normal amounts of rent for other similar sites, (and again the courts should decide on it, when there is disagreement.) The above first refusal for this leasing offer is necessary, because any buildings of practical use

and value on the site will still be sold or bequeathed as items of durable capital goods, as before.

However, the government should deny access to the site and its buildings, until the site is being leased to the person or organization who/which have purchased (or have inherited) the buildings in the usual way. All taxes that are applied to subsequent building development on the site and its additional value should be abolished at this time..

Then the new owner would acquire the building-property more cheaply than before, because it is now without the price of the land under and around it. Such a buyer can then use or give for hire (rent-out) any building for its access rights and use, as if it were any other item of durable capital goods. In the unlikely but possible chance of the land leaser not owning the buildings, his/her incoming ground-rent (from the building owner), shall be legislated not to exceed the out-going lease-fees by more than 2% (say). Should nobody initially lease the site and its buildings (if any), because of there being no demand for their use, the buildings may be pulled down by the next (eventual) leaser, who will be free to re-develop the site, and normally would want to do so.

The government should borrow the money for site purchase, or even can offer national redeemable “land-bonds” to raise money for it. The previous landlords might even be inclined to purchase these bonds, which presumably are a more stable source of income than the tenant’s rent was. As the lease money begins to flow to the government, it uses this to:

- a) repay part of its loan for site purchase, which may be extended, and
- b) purchase more sites as and when they become available, and
- c) cover the interest on the loan and on the new bonds and their eventual redemption, and
- d) eventually and gradually reduce and eliminate the many other kinds of taxation.

It will be appreciated that over the long-term the lease fees are equivalent to LVT, but due to the greed of landlords (who behave as if they were capitalists), the income from land sales will satisfy them better than their being more directly taxed. Eventually nearly all the land would then be leased from the government. Because

the selling of land is a natural process which (if anything) is encouraged by the land returning to public benefit, the resulting lower priced buildings will ease their sale and this will not place such a limitation on their (entrepreneur) owners, who probably want to develop the sites.

Nationally leased land, in countries like Hong Kong, Singapore and Estonia, is close to 100%, and this kind of revenue gathering regime is known to be most successful, for the rate of growth of national prosperity. This proposal is not the same as land nationalization (at least no more than what currently applies), since no additional regulations are placed on how the land is to be used.

Also when the previous landlords have more money to spend, some or most of it will be invested in durable capital goods, making production costs lower as obsolescent durable items are more easily replaced. Consequently, the national prosperity will increase from the government's investment in land values, too.