GEORGIST JOURNAL - SUMMER 1984

TESTIMONY ON TAX REFORM

(The U.S. Treasury Department conducted hearings on tax reform in New York on June 25. inviting citizens to testify. Robert Clancy, President of the Henry George Institute, was one of those who testified, and following is the statement he made.)

Rather than discuss a reform of the income tax, I would like to point to a potential source of public revenue that has barely been tapped - and that is, the value of land. Although taxes on land are usually thought of as local revenue via the property tax, land is also a suitable source of Federal revenue.

It is curious that the land of our country has never been valued. When you think of it, the land is our country, on which we live and work. And yet we do not know how much it is worth.

The only land value listed in the Statistical Abstract of the United States for 1984 is farm land value, and the total of this for 1983 was $668 billion, excluding Alaska and Hawaii. Perhaps we can round this out to $700 billion, including these states. (This figure excludes improvements on farm land.)

But this is a small percentage of the land values of the whole country, as values are much higher in urban centers. Land values tend to be proportional to population, and farm population in 1983 was about 3.78 million, with total population an estimated 230 million. Is it possible then that total land values are 60 times the $700 billion of farm land value? That would be an amazing $42 trillion. We are only talking of the value of the land, not of the improvements. This is conjecture and projection, but surely there is enough at stake to warrant a more systematic evaluation, which I think should be undertaken.

Annual revenue would be, say, 10% of the total, and so $4.2 trillion would be the annual income (whether public or private) from the projected total of land values.

To the value of land area should be added the value of natural resource land - or rather, the annual income therefrom. Again quoting the Statistical Abstract, the Federal government collected from public lands a total of $21.686 billion in 1982, from oil and gas leases and other uses - probably more in 1983, but still a fraction of the potential, since leases and patents on public lands are often sold at a profit. To this must be added revenue from State lands, Alaska being a notable example, having been able to give each of its residents a dividend of $1000 derived from oil royalties. Furthermore, private revenue from oil and gas leases received in 1981 by the top 100 companies was $1.12 trillion.

One would also have to add the value of special uses of land and natural resources, such as air rights, air waves, rights of way, franchises, etc., both private and public. It would be difficult to estimate the total of this value. Perhaps it is only a trillion dollars - but to paraphrase a familiar saying, a trillion here and a trillion there and it begins to add up to real money.

While property taxation has usually been considered to be a local matter, we might keep in mind that before the 16th Amendment enabled the Federal government to reach into our private pockets, the U.S. Constitution provided that taxes be apportioned among the states according to population. As land values follow populaeion closely, a Federal land value tax would be consistent with this provision. And indeed there were taxes on land values in 1798, 1813, 1816 and 1861. These taxes included houses, but provided that the property was to be assessed with a due regard to situation and with reference to all advantages, whether of soil or location, which is a matter of land value.

There are sound reasons why land values should be taxed: they are created by the presence and activities of the population as well as by qualities of the land, and they do not represent earned income. There is a growing interest in the proposal to increase land value taxation while lowering taxes on improvements. It is being studied on local and state levels. It should be considered at the Federal level, too.

I hope the Treasury Department will look further into this matter, and I believe that many interested persons and agencies could be called upon to assist in such a study.

- - - - - - - - - - - - -

(The Treasury officials - John E. Burke, John E. Chapoton and Charles McLure - listened politely to the above testimony, had no questions, encouraged us to press for the reform at the state and local levels (thanks for that!), but indicated no interest at the Federal level. Not surprisingly, they seem firmly committed to the income tax - and although the hearing was titled "Fundamental Tax Reform", which is surely our dish - showed more responsiveness to testimony that proposed adjustments to the present income tax - which deductions, what rate on what amounts of income, suggestions on the income tax forms, etc. We know we have a long way to go - and it wouldn't be a bad idea for the Treasury Dept. to hear from others on this matter to keep it alive. Send your opinion to: Treasury Dept., Tax Reform Study, P.O. Box 299, Washington, DC 20044.

We understand the House Ways and Means and the Senate Finance committees also plan similar hearings and we'll watch out for them. From this provenance we are also likely to encounter the argument that our reform is a local matter, as per the following excerpt from a letter from Senator Orrin G. Hatch to Earl A. Hanson: "In regard to a tax on land values, it would be extremely difficult to do anything at the federal level as Congress would be accused of reverse federalism. In my opinion, changes in local taxation are needed, but those changes must originate at the local level." Reverse federalism? What is the income tax? What about real federalism in the days before the income tax? We certainly have a lot to do at the local level, but we should not surrender wholly to the idea that our reform has nothing to do with the Federal government.)

+ + +