

# MURDER TOWN USA

## DEATH & TAXES — A DIRECT CONNECTION

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Wilmington, Delaware — Corporation city, the bastion of capitalism and private enterprise, the birthplace of the DuPont company — has now been branded “Murder Town USA”. It’s been ranked the third most dangerous of its size and the 5th most dangerous city in the country. Perhaps the murders are an outcome of poverty, and Wilmington is just one more “Tale of two cities” — one black and one white, one prosperous and one poor. Twenty-five percent of its residents live in poverty with unemployment and low wages at the root.

At the same time, there are parcels with vacant land or empty buildings in many areas of the city. Many of these parcels could be developed, businesses established, and jobs created. What is needed is for this real estate to be sold to the highest bidder — regardless of whether its owner wants to sell or financing is available.

Why would anyone hold on to a vacant lot or an empty building year after year when it yields no income? The simple answer is that the land is expected to increase in value. Even during a recession when land values are falling the owners of idle land expect its value to appreciate in the long run.

For some time now Wilmington has levied a registration fee on empty buildings. The fee increases each year until it reaches what is hoped to be a point where the landowner will sell or fix up the building and use it himself. There are definitely fewer empty buildings than there were before the law was enacted, but all that the law requires is that someone is living or working within the building, or that its owner tears it down. In no way does it encourage the full economic use of the site.

### Land Value Taxation

The best way to raise revenue while encouraging jobs and economic activity is to harness the profit motive. That way the public investment in streets, sewers, police, fire departments, and public education yield a direct return to the public treasury. Land value taxation delivers that return. Not only is the tax levied in reference to the value of the benefits received by the taxpayer, but it removes the tax on buildings and wages, which seem like a penalty for the creation of jobs and housing. At the same time, it creates an incentive to hire people and use each parcel to its full potential, providing permanent jobs or additional housing — because the tax is exactly the same whether the land is used or not. Unlike other taxes, a higher rate on the value of land not only yields more revenue, it gives a greater incentive to put the land to its highest and best use — creating jobs and economic activity.

The incentive to hold idle land is the difference between the increase in the value it can be sold for and the tax that must be paid. Shifting taxes from wages and buildings to the

value of land diminishes proportionately the rewards of holding idle land (speculation).

The value of land and buildings are already separated in the assessments, so all other taxes levied by the city could be eliminated, and the tax rate increased until the city gets from the value of land the same total revenue that it got from all other taxes. The school districts and the county could do the same thing.

The assessments are out of date. Since the last assessment in 1983, the value of some areas have increased far more rapidly than others. Whether it is done before or after a tax shift, a reassessment of land values is always a step toward fairness — measuring in proportion, the value of the benefits received by one taxpayer as compared to another.

Within the city there are actually three entities that levy real estate taxes: the city, the county, and the school district. Only the city’s portion of the real estate tax may be shifted to land values by Wilmington itself. Couple that with the fact that Delaware is among the states with the lowest real estate tax rates (relying more heavily on the graduated income tax), and the incentives to develop and use idle land are significantly reduced.

### Free Utilities

One way to increase the incentives, however, is to give every household and business location basic water and sewer service for free. That will increase the value of land in the amount of the savings, and a higher tax on the value of land will provide the needed revenue. But, like empty houses that still pay taxes for trash collection, it will act as an incentive to put the land to its highest and best use. Since it is only the basic service, it will not remove the incentive to conserve water. The same thing could be done with all utilities: basic service for gas & electric, phone, cable, and WiFi — any utility that would be needed and paid for by all normal families or businesses, but are not now paid for by the owners of empty buildings or vacant lots. Some cities are already adding free WiFi. With land value taxation, as long as it yields more revenue than it costs to provide, it is an asset to the community and one more deterrent to idle land and unemployment.

### Brownfield Sites

It is estimated that 24 percent of the land in Wilmington is contaminated (“Brownfield sites”) and it can not be used until it is cleaned up. That is not surprising given that Wilmington is among the oldest industrial cities in America. In many old industrial cities, most of the contaminated sites are worth less than it would cost to clean them up, so they sit idle. Obviously, this is a political problem that may take a long time to fix. In the (continued on page 6)

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mean time, however, the rest of Wilmington could be redeveloped with jobs, housing, and economic activity.

There is no question, land value taxation would create many more jobs and housing in Wilmington as it has in dozens of cities around the world; and were it applied to all taxes throughout the country, there would be full employment and affordable housing for all. However, as many more jobs are created in Wilmington, competition for those jobs will come from near and far. Land value taxation can't solve Wilmington's unemployment entirely, but it would grossly lower its rate of unemployment and poverty while being able to generate sufficient revenues to pay for job training, police, and the social programs that were still needed.

**Land Value Taxation in Practice**

A measure of land value taxation was adopted in Harrisburg, PA in 1975, and increased several times over the next four decades. By 2009, this city of just under 50,000, which had been judged the 2nd most distressed city in the U.S., had reduced its crime rate by 46%, its fire rate by 78%, and its vacant structures by 80%, while receiving \$4.8 billion worth of new private investment.

From "Murder Town" to "A Place to be Somebody", land value taxation is the vehicle for change.

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