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Does a Tax on Land Imply Not Owning the Land? Why it Matters

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Some critics of land-value taxation say that if one has to pay a property tax, then one is in effect renting the land from the state, rather than really owning it.

First of all, both the opponents and the advocates, of tapping rent for public revenue, are often unclear in their language. Ownership is a bundle of rights, and the two basic bundles are possession and yield. With a land-value tax, the title holder owns a conditional right of possession. He has the rights of control and transfer conditional on paying the community rent. In contrast, a tenant renting from a landlord only has a leasehold estate, rights specified in the lease, the landlord having the rights of transfer and of ultimate control. A land-value tax does not imply that the title holder does not own the land, but only that one does not own the rent of the land.

Since policy analysis has to generalize, if one does not own land because of a tax, then one does not own one's labor if one's wages are taxed. Any tax implies incomplete ownership of what is taxed, so unless one opposes all taxation, whatever tax one favors implies that one does not fully own that item.

Geoist ethics postulate that the morally proper owners of the land rent are the members of the relevant community, in

equal shares. Therefore the pure public collection of the rent for distribution to the community is not a renting from the state but a payment to the proper owners. If one is renting, then it is from the community members.

Now suppose there is no tax in a voluntary libertarian society. The homeowners want to benefit from public services such as streets, security, fire protection, parks, transit, and utilities. In today's statist world, taxation pays for these civic goods, and since only a portion of the taxes come from land rent, in effect the landowner is subsidized.

(As an aside, some followers of Henry George claim ATCOR, that all taxes ultimately come out of rent. It is true that landowners' income from rent pays some of the taxes, and that by reducing profitability and income, taxes reduce market rents, and are therefore also at the expense of rent. But since public goods pump up land values, and landowners claw back the taxes they pay by receiving higher rent and land value from the public goods, ATCOR is not true, as otherwise public goods would be paid entirely from rent and could not raise rent and land values.)

In an anarchist world, landowners would have to directly pay for civic goods and services. They would belong to homeowners' associations, condominiums, and other contractual communities, in order to benefit from streets and other civic goods. If you own a unit in a condominium association and pay monthly assessments or dues, are you renting the unit from the association? Perhaps indeed you are

renting the common elements. Then any periodic payment is a rental. But it makes more sense to think of this relationship as a utility fee, just as paying for electricity does not imply that one is renting the utility from the provider. Who owns the water that comes out of the tap? The homeowner owns that water, not the water company.

Some people think that if one borrows funds from a bank to buy a house, one does not really own the house; the bank owns it. But the title holder has rights of possession, conditional on paying the mortgage. So the concept of renting rather than owning due to the loan is semantical, rather than a question of substance.

In all countries, no private title holder owns all the rights to land. Government imposes restrictions such as zoning; it taxes the property, and may even take the land by asset forfeiture. When one buys real estate, one knows that all the governments that have jurisdiction will be your senior partners.

Therefore those who complain that paying a tax on land implies that one is renting the land are engaging in semantics, and are also not confronting the basic moral question, who is the proper owner of the benefits from the land that nobody created? Even if the title holder is the proper owner, he will have to, from his land rent, periodically pay those who provide the public goods that service the land, and will thus be unable to avoid being a renter. The

proposition that paying a land tax implies being a renter is therefore both true and false, and irrelevant to policy.

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