

Plunkitt's words are as relevant today as they were when he uttered them more than a century and a half ago. The very idea that cities might serve the people who actually live in their neighborhoods ahead of speculators like Plunkett feels revolutionary.

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“It's always sort of puzzled me that communities create enormous amounts of land value through schools, streets, water and sewer, et cetera,” says Rick Rybeck, founder of Just Economics, a consulting firm that helps cities think about their infrastructure projects. “They create tremendous amounts of value. They then give it away to people who are often the wealthiest people in the community, and then go to the general public and say, 'We're broke. You gotta give us more taxes or fees.' And it just seems a little absurd.”

The reason Plunkitt and so many of his descendants in the “honest graft” racket have been able to survive and thrive for so long is that most American cities cling to an antiquated tax code that penalizes landowners who build on their properties. Today, in every major American city, speculators are rewarded by lower taxes on their vacant lots while they wait for local or federal infrastructure projects to increase the value of that empty land, then sell it off at a tidy profit to those who are willing to bear the tax burden of actually building something. It's a regressive policy that penalizes builders and rewards speculators.

Rybeck is one of the nation's foremost advocates for what some call a “split tax.” The idea is fairly simple: It introduces a [“land value tax”](#) on unimproved property, a higher rate that gives incentives for owners to build on their land, while maintaining a lower rate for improved property.

The results aren't hypothetical. As Rybeck points out, in the 1950s the then-sleepy exurb of Rosslyn, Virginia, became a

thriving commuter suburb — one of the wealthiest in the country — because city leaders found a way to incentivize builders rather than rent-seekers. “When landowners’ assessments and taxes went up, they realized they needed to put that land to better use, and Rosslyn became the sort of booming town for consultants and lobbyists right across the river from D.C.,” Rybeck tells me.

Rybeck isn’t the only one advocating for a split tax. Detroit Mayor Mike Duggan is fighting for [legislation](#), currently pending in the Michigan legislature, that would allow Detroit to impose a land value tax on unimproved property. If adopted, proponents claim, it would cut the average property tax bill by 17 percent while giving landowners incentives to build. I myself floated the idea when I was mayor of Kansas City — we had something like 10,000 vacant lots in a city that could have used the housing and construction jobs — but I never had the votes.

The idea isn’t itself revolutionary — Pittsburgh had a split tax for nearly a century until it was repealed in 2001. The repeal has complicated Pittsburgh’s ongoing efforts to recover from the collapse of its steel economy in the 1970s, and the argument over its abandoned split tax still haunts planners’ discussions, Pittsburgh Deputy Mayor Jake Pawlak tells me.

“There have been advocates for returning to that system who’ve made similar arguments that would help us address, on the one hand, under-development in former industrial areas or in parts of neighborhoods that have seen disinvestment,” he says. “On the other hand, it would discourage speculation because no one would be buying and holding land without a plan to utilize it, so I can imagine that those may have been some thoughts that the earlier city leaders had. It did have a significant impact in blunting the blow of the collapse of the steel industry on us because as even as the value of the improvements declined dramatically, the value of the land remained relatively stable.”

Of course, speculators and wealthy landowners generally oppose such proposals. (In Detroit, something like 20 percent of the land is owned by speculators.) But part of the problem is political inertia itself, says Joe Minicozzi, a principal at Urban3, a consulting firm that advocates for split taxes. Too many local tax assessors, Minicozzi says, are wedded to the old property tax system, and they're not entirely sure why they're doing so or what it's actually doing for (and to) their city's prospects, Minicozzi says.

"We really need to interrogate this," Minicozzi tells me. "We really need to move past this system because of how arbitrary it is. And when I show the arbitrary and capricious nature of it to assessors, they can't think outside the box. They're just like, 'This is what we all have.' It's like, well, no, you're actually in control of those levers. And the fact that you can't explain it to me is kind of crazy."

The question is not going away. In fact, it's about to become more acute as one-off federal infrastructure funds make their way into American cities. To date, [some \\$454 billion](#) has been earmarked for projects in 4,500 communities, according to the White House. That money will of course increase property values for speculators, but its impact on actual infrastructure is going to be blunted as long as cities cling to their antiquated and regressive property tax systems.

Minicozzi, among others, hopes that the arguments coming to a town near you can at least be more open about what's at stake.

"We're going to be subsidizing something, but it should be something of choice, rather than something arbitrary or it's just the way we've always done things," he says. "A community may choose to subsidize suburbia, but at least you're doing it consciously now."

In other words, city policymakers have a choice. They can split the tax or they can continue to reward Plunkitt's "honest graft." But they can't do both.

City policymakers who want to shake off Plunkitt's cynicism don't have to go it alone. Funkhouser & Associates works with local governments to facilitate these critical, open conversations. It's essential for policy leaders, finance experts and residents to engage, understand trade-offs and together advance goals for a more just, equitable and sustainable city revenue system. [Get in touch with us](#) to learn more about developing strategic plans and budgets to help you do that.