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DELAWARE TAX STUDY RECOMMENDS SHIFT TO LVT

A recent Center for the Study of Economics report commissioned by the government of New Castle County, Delaware recommended "an initial shift to a tax rate on land values at least five times the rate on buildings."

The study was requested by the county government after hearings on the idea last fall. It was conducted by George Collins, Frank Nelson and Steven Cord, with the full cooperation of the Delaware County Finance Office and its computer resources.

Two separate studies were conducted. One determined the impact of a shift whereby equal revenues would be obtained from land and improvements. At present, county-wide building assessments are recorded as 3.293 more valuable than land. The first study, then, presumed a tax rate on land values 3.293 times greater than the rate on improvements.

The second study determined the impact of a county property tax which falls on land values only, with all improvements exempt.

Seventy-two percent of all New Castle homeowners would pay lower property taxes under either format. Average savings in the first plan exceeded ten percent; under the second plan, 26 percent.

Owners of apartment buildings fared equally well, according to the CSE report. Roughly 63 percent would save tax dollars ranging from 16 percent under plan one to 42 percent under plan two. This would "encourage new construction and rehabilitation, plus possibly lower rents," the report said.

Among those paying more under the LVT provision are commercial property owners (whose average increase comes to less than \$110 per year), the owners of industrial sites (a virtually revenue-neutral classification, as those paying more would be offset by several paying considerably less), utilities (which collectively pay less, although 58 percent of individual utility companies pay more) and the owners of vacant land.

One of the factors which makes LVT politically viable in New Castle County is the existence of the Delaware Farmland Assessment Act, which allows agricultural land to carry an assessment of "zero" for tax purposes and removes farmers from the list of landowners paying more under an LVT scenario.