LVT — Incentive Tax

SHIFTING the tax from buildings to land would immediately benefit those owners whose improvement-to-land-value ratio exceeds that of the city as a whole. Where city improvements are double land values, any landowner whose improvement is *more* than double the assessment on his land would benefit if taxes were shifted from improvements to land values (urban renewal experts often refer to this as an "incentive tax").

On apartment buildings the improvement-to-land-value ratio is generally quite high and most owners would receive an initial benefit in that their real estate taxes would be substantially reduced. The price of land can be increased only if demand increases or the supply decreases, but a tax on the land cannot of itself increase demand or decrease supply. Economists agree that such a tax cannot be passed on to the tenant but must be paid by the landowner. Tenants could therefore expect their rents to decrease markedly. A boom in new apartment house construction would be the inevitable result.

The improvement-to-land-value ratio of office buildings and factories is also usually considerably higher than the city average, so the owners would receive rent reductions. An owner-user would receive both benefits. New industrial prospects could be promised lower taxes on buildings with no loss of revenue to the city treasury! Something to think about!

In downtown retail areas where land values and the taxes on them are highest, only the best developed properties would show immediate tax saving—but this is exactly where LVT is needed most—and there would be no building tax to pass on to merchants in the form of higher rents. A report in Nation's Cities shows that "untaxing improvements would make a much higher intensity of use profitable in the heart of the central business district. This would probably check the developing trend to central-business-district fragmentation and it might double the profit potential in renewing old downtown neighborhoods and replacing, enlarging or modernizing buildings that are too old or too small for the valuable land they pre-empt."

Under the LVT, tax reductions are geared to enterprise. The more an owner improves his land the greater will be his tax saving compared to the present real estate tax. Instead of taxing office and factory buildings, LVT would untax them, thus creating new jobs and opportunities. Is there any wonder that this is called an "incentive tax"?

By imposing a penalty on the underuse of land, LVT would force such owners to improve or sell their valuable land, at the same time making it easier for them to do so by untaxing the improvements. There certainly is a difference between a tax that encourages incentive and one that allows inefficiency, don't you think?

In the series of letters being sent out by the Graded Tax League of Pennsylvania, Professor Steven B. Cord reports evidences of growing interest. The above excerpts are from the March 10th letter.

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Charles H. Batty of England, long a member of the International Union for Land Value Taxation and Free Trade, died in the West Indies while on a visit there, and is buried in Antigua.

Robert Ritchey, our faithful Albany friend, who would have been ninety in March, died before that date. His was a fruitful life to the very end, and when the time comes to say farewell there should be no sadness, though men like these are greatly missed.