

From IU Executive Member Dirk Lohr (Germany):

Hello folks,

I put a press release from the ministry of finance Baden-Württemberg (<https://fm.baden-wuerttemberg.de/de/service/presse-und-oeffentlichkeitsarbeit/pressemitteilung/pid/die-landesgrundsteuer-geht-in-das-parlamentarische-gesetzgebungsverfahren/>) I hope, the automatic translation is understandable.
Best, Dirk

This week, the State Government adopted the draft Land Value Tax law. This draft law will now be submitted to the Landtag (parliament).

"It is the first independent and fully comprehensive property tax law which is now being discussed in the parliamentary procedure", said Finance Minister Edith Sitzmann. "With the land value tax, we have developed a property tax model that is well suited to Baden-Württemberg. It is simple, transparent and, according to experts, meets the requirements of the Federal Constitutional Court. It also has the support of the local authorities. They are entitled to the property tax as an important source of income".

Baden-Württemberg is the first federal state to make use of the opening clause in the Basic Law. After the Federal Constitutional Court declared the assessment system of the previous real estate tax to be unconstitutional in April 2018, a property tax reform law was passed at federal level at the end of 2019. In the so-called federal model, the calculation of the property tax is based on the standard land value, the area of the land, the type of property, the net cold rent, the area of the building and the age of the building. With an opening clause, the law gives the states the opportunity to deviate from the federal law and to develop and implement their own land tax models.

The Baden-Württemberg model is essentially based on two criteria: the land area and the standard land value. Both values are multiplied by each other for the purposes of evaluation. In a further step, a legally defined tax rate is applied. A discount is applied to land used mainly for residential purposes. "It is important to us that housing does not become more expensive on average", said the Finance Minister. "A big plus of the land value tax is that newly created housing does not trigger higher taxation. This is because the building area is basically irrelevant for the Baden-Württemberg land tax".

The Baden-Württemberg land value tax model also meets with the

approval of the municipal associations. They had the opportunity to comment on the draft during the consultation procedure. For the municipalities, the property tax is a reliable source of revenue that is independent of economic cycles. They are entitled to the entire tax revenue. Through the collection rates, they have a significant influence on the level of the property tax. Overall, the land tax reform in Baden-Württemberg should be revenue-neutral.

Further information

After the Council of Ministers has decided on the introduction, the Landtag will debate the draft law for the first time on 15 October. This will be followed by a discussion in the Finance Committee before the final reading in the Landtag.