

YOU GET WHAT YOU TAX FOR

MARCH 4, 2019

BY CHARLES MAROHN

It was in Alberobello, a small town in southern Italy, that I first learned about the Trulli. They are medieval homes erected without the use of mortar, a unique construction approach used to avoid taxes. When officials from Naples were on their way to extract the kingdom's share of wealth, inhabitants of the Trulli would simply disassemble their homes. No home, no tax. When the tax collectors moved on, the house was reassembled, and life resumed.

I have a model Trullo on my desk, a humble reminder that humans—including myself—respond to incentives, often in ways that are unintended.

The Mansard roof is another example. In France, property owners were taxed based on the number of floors below the roofline. By putting two slopes into the roof and adding some dormers, the Mansard roof allows a building owner to have a tax-free floor. Paris is filled with them.

American cities are also shaped by the taxing approach we have chosen to use. Most cities have a property tax, which is a tax on the value of land plus the value of the improvements that have been made on that land. During



Trulli in Italy. Image: Wikimedia Commons

[suburbanization](#), governments favored property taxes because they put most of the tax burden on newly-developed properties. Cities that grew horizontally collected a lot of taxes very quickly.

As the post-war development pattern matured, as shopping malls and big box stores began to appear, the sales tax grew in popularity. For the lucky city that could capture a regional retail hub, a sales tax shifted more of the burden to outsiders. The sales tax is also popular because it raises lots of revenue in ways generally imperceptible to the payer.

Cities continue to mature, and the tax systems they are allowed to use need to be updated to reflect an evolving set of challenges. Today's cities are burdened with maintenance expenses from prior investments; they have too much infrastructure and do not make very good use of it. The number of neighborhoods trapped in decline is growing. And in those neighborhoods that do receive private investment, it tends to cause displacement of the residents who have lived there the longest. It's an all-or-nothing bargain; [the trickle or the fire hose](#).

There are many causes of the stress our communities are experiencing, but a major factor—and one we can address—is the incentives that come with our current approaches to local taxation.

The property tax punishes modest improvements and rewards steady decline. People who take steps to add value to their property pay more taxes, while those who allow their property to diminish in value pay less. The property tax makes slumlords possible, allowing them to buy distressed properties and ride the cash flow down a slope of decline, paying minimal taxes the entire way.

And property taxes encourage idleness. Buying a vacant lot or a decrepit building in an otherwise improving area, then waiting for other properties to improve, all while paying low taxes, is an easy way to have large investment gains with minimal risk. The investor who refuses to improve but also refuses to sell their property is a common frustration within neighborhoods. It's a direct byproduct of the property tax.

The [distortions of the sales tax](#) are in some ways subtler, but equally pernicious. There is a winner-take-all aspect to the sales tax, where the only city that can capture the big retailers get the tax. This is true even though a collection of smaller retailers often produces more revenue. Cities that don't play the incentive game and don't give the retailers subsidies lose out to ones that do, ultimately making a loser out of every local government.

Cities that are funded disproportionately by the sales tax have an incentive to pursue regional-scale retail, but a disincentive to accommodate residents, especially those who are high-cost or have limited value as consumers. Put another way: the optimal sales tax city would have the regional mall, the big box stores, and the auto dealerships, but no residents. All the people who shop there and pay the tax would actually live someplace else.

What is needed most today is an approach to taxation that allows cities to grow financially strong and resilient when property owners invest incrementally in their own neighborhoods. We need a taxing system that rewards neighborhood investments, discourages idleness, and closely aligns private gain with the public good. And a modern approach to taxation must encourage increasingly productive use of all the existing infrastructure, parks, and amenities local governments struggle to maintain.



By taxing building improvements, property taxes encourage landlords to sit on vacant and/or decrepit properties, rather than fix them up and face an increased tax bill. (Photo: Paul Hohmann / vanishingstl via [Flickr](#))

Fortunately, there is such an approach. It's called the land tax.

Why the Land Value Tax?

A land value tax is like a property tax, but where a property tax is based on the value of the land plus the value of the improvements, the land tax considers only the value of the land. The most consequential impact of this is that someone who improves their property will not automatically have a tax increase. If a landlord fixes their leaky roof, a homeowner adds an accessory apartment, or a shop owner expands their building, they are not punished with more taxes.

"We need a taxing system that rewards neighborhood investments, discourages idleness, and closely aligns private gain with the public good."

Enacting a land tax shifts the burden from financially-productive properties to vacant and under-utilized properties. From the community's standpoint, this realignment makes a lot of sense. The street in front of the vacant lot, the pipe that leads to the neighbor's house, the sidewalk, the fire-fighters, the police force... they all must be there whether someone builds on the property or leaves it vacant. Why increase taxes on those investing in the community while giving absentee landowners and slumlords a free ride?

There are a lot of reasons for cities to switch to a land tax, but few are allowed to make that change. Only a handful of state governments have given cities the authority to make this choice. Even though such a reform would lower local taxes for most families and businesses, it would raise them on some major retailers, developers and land speculators, all of which are influential constituencies.

States that want their municipalities to grow into strong towns should give them the choice to switch to a land tax. Cities given that option should use it. This is a key reform for building stronger, healthier, more prosperous communities.

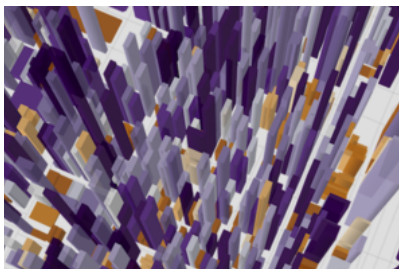
(Cover photo: morisius cosmonaut [via Flickr](#))

This week, Strong Towns is taking an in-depth look at the land tax and how it can incentivize a healthier, more resilient pattern of growth and reinvestment in cities.

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[Charles Marohn](#)

Charles Marohn is the **Founder and President of Strong Towns**. He's a Professional Engineer (PE) licensed in the State of Minnesota and a member of the American Institute of Certified Planners (AICP). Marohn has a bachelor's degree in Civil Engineering from the University of Minnesota's Institute of Technology and a Master of Urban and Regional Planning degree from the University of Minnesota's Humphrey Institute.

Marohn is the lead author of *Thoughts on Building Strong Towns* — [Volume 1](#), [Volume 2](#) and [Volume 3](#) — as well as the author of [A World Class Transportation System](#). He hosts the [Strong Towns Podcast](#) and is a primary writer for Strong Towns' web content. He has presented Strong Towns concepts in hundreds of cities and towns across North America and in 2017 was named one of the [10 Most Influential Urbanists of all time](#) by Planetizen.

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**valar84** • 11 days ago

LVT has proven its worth in downtown areas like Pittsburgh and Harrisburg, but its implementation in lower-density neighborhoods where land value is much lesser has proven less impactful than wished.

Personally, in light of the objectives of Strong Towns, I think a good idea would be for the State/province to mandate that every city levy a frontage tax on every property based upon the estimated cost of rebuilding the street and its underground infrastructure, funds that must go exclusively to an infrastructure fund that can only be used for maintenance and repair of city infrastructure.

That would serve a double function, the first would be to force cities to have enough revenues to ensure the sustainability of its infrastructure. The second would be to incentivize cities and property owners to prefer narrower lots which require less public infrastructure to serve.

7 ^ | ▾ • Reply • Share ›

**Joanne Butler** → valar84 • 10 days ago

Interesting. Reminds me of the condominium fee approach, which ensures funding will be there for expected future maintenance.

1 ^ | ▾ • Reply • Share ›

**BruceWMorlan** • 11 days ago

As my rural township considers incorporation as a City, I am thinking of how we can structure a taxation system that helps ensure that farmland is not converted to other uses.

3 ^ | ▾ • Reply • Share ›

**LeeHazelwood** → BruceWMorlan • 11 days ago

That seems to me more of a planning issue, however the benefits of LVT would be to reduce the distortion of speculation on rural land at the margins of expanding cities being converted to other uses, as the value uplift of a rezoning can be up to 200x per m2, which is a recipe for corruption.

1 ^ | ▾ • Reply • Share ›

**GuyJohanson** → BruceWMorlan • 6 days ago

That is a good idea. I would suggest that you look at Europe to see how they manage to do it. I would suggest that you keep your sewer in town, keep your public water for yourself. Gain control of your cable and garbage costs so you are not subsidizing houses on five and ten acre lots. Do your best to keep you urban growth area free from development until the city can annex it.

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**John Hawkins** → BruceWMorlan • 10 days ago

Is your township nearby a large metro area? Is it becoming a bedroom community for commuters?

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BruceWMorlan → John Hawkins • 9 days ago

Bridgewater is in the northern part of Rice County near Northfield-Dundas.

We are trying to avoid the hobby-farm feel of Scott County by really focussing on ag preservation. Becoming a City will protect us against rapidly expanding Cities like Faribault. Other reasons have to do with trying to build an industrial tax base around some of our RR-accessible properties.

We started our own planning and zoning because of a proposed ethanol plant, we stopped that project based on its need for more water than we thought we wanted to give up.

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John Hawkins → BruceWMorlan • 8 days ago

Well, like Lee said, more of a planning issue, but LVT could be part of your planning. If the LV of an ag parcel is based on it being use for agriculture, there won't be pressure on the owners to convert it to something else. Tax the land based on the value of what you want done with it.

I was a little surprised you fought industry based on water usage, but I guess MN doesn't get as much rainfall as I thought. Land of 10,000 lakes, they must not be very deep ones :)

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Philip Bess • 11 days ago

Chuck: thanks for this, and congratulations for immediately concretizing the benefits of land value taxation in your typically succinct and eloquent manner. Land value taxation needs an institutional proponent and to hit the political mainstream, not only because it's fair and serves the common good but because LVT has the potential to create allies across current political dividing lines (though it won't be easy). I look forward to the rest of the series.

3 ^ | v • Reply • Share ›



vinceinseattle • 11 days ago

Of all the windmills you could tilt at, this is the windmilli-est. While fine in theory, it's been around for 140 years without making a dent anywhere except Pennsylvania. It would generally have to be authorized at the state level, and you know how that would go? Every farmer would ask, "Why are you taxing my land and not taxing the city people who own the skyscrapers?" I'm sorry, but with respect, this idea is a non-starter. You have so many better ideas with better potential.

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lvtfan → vinceinseattle • an hour ago

Some years ago, there were parts of midtown Manhattan where an acre of land -- a full city block -- was estimated to be worth about \$250 million. (Just the land, not the building(s).) At that same time, an acre of residential land about 45 minutes away via commuter train was selling for about \$250,000, or

1/10th of 1% of that Manhattan acre. And decent farmland, in places not all that many hours away, could be purchased for \$2,500 to \$5,000 an acre.

Using the lower of those two figures because it is convenient, it would take 100 acres of farmland to pay the same amount of land value tax as that single acre of residential land within an hour of Manhattan.

It would take 1,000 of those single-family-home-on-an-acre lots to pay the same amount of land value tax as that midtown Manhattan acre.

It would take 100,000 acres of farmland to pay the same amount of land value tax as that Manhattan acre. That's 156 square miles, or a square township about 7.5 miles on each side, or a circular area 14 miles in diameter.

Think of how much business gets conducted on a well-built acre in midtown Manhattan, and how much tenants and building owners are willing to pay to be in that location.

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Jeffrey Jakucyk → vinceinseattle • 11 days ago

Farmers are already taxed on their land, this wouldn't change that. Do you really think the tax rate would be the same on farmland as on prime downtown real estate?

2 ^ | v • Reply • Share ›



LeeHazelwood → vinceinseattle • 10 days ago

Rural land is worth as little as 0.5% as much per m2 as residential. Hence the taxes upon it with LVT would be very low. In fact studies in the UK show even though 70% of the land mass is rural, it would only collect about 3-4% of the total tax from LVT.

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John_Schubert • 11 days ago

This is an intriguing article and an erudite discussion.

My comments are:

(1) Watch the blowback when you propose this, and

(2) What will be the unintended consequences of such a massive change?

Regarding blowback: Pennsylvania has tried, twice in recent decades, to change its tax structure, and the citizens fought the unknown. The first time was approximately 1989, when Gov. Casey put a ballot measure to change the structure. The voters (I was one of them) said we'd rather stick with the devil we know, rather than trust a 100-word description that we'd be better off with the new version. The second time was approximately 2005. Ed Rendell was governor, and he required local school boards to propose to their community that the school earned income tax be replaced by a total income tax (including investment income), and that the total tax rate be lowered so that the whole package was revenue neutral. My school district's citizens loathed this proposal, and gave us the "I'll have to eat cat food if you do this" speech, even after one of our board members calculated that you needed to have about \$80,000 in annual investment income for this tax to start to cost you very slightly more.

Regarding unintended consequences: Why not try a hybrid tax for a five-year period? That will teach volumes about the unintended consequences.

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Benjamin → John_Schubert • 10 days ago

Unintended consequences are by definition difficult to guess at, but I have a hypothesis. If you imagine a community switching from current property taxes to a land value tax very suddenly, then there could be a scramble to sell empty/parking lots in the downtown. If the parking lots are surrounded by highly productive land, owners of the lots might find themselves selling for much less than their land is worth since they're all putting it on the market at the same time.

I realize that one of the key intentions is to convince parking lot owners to sell their land to people who will put at least low rise buildings on them, but I think a sudden change would be an unnecessary burden on the land owners, even if they are engaged in speculation. Additionally, since Strong Towns advocates incremental development, I think an ideal situation would be for some empty lots to get developed earlier than others.

That brings us back to your concept of a hybrid tax. I would argue that the status quo is already a hybrid. Current property taxes are already a mixture of tax on land and tax on improvements. But that makes it conceptually simple to ease into a land tax slowly. Just shift the weight a little more to the land to tax side each year. If your community currently derives 30% of the tax from land value and the rest from improvements, then next year make it 31%. Write legislation to keep auto-increasing the importance of the land-portion each year until it either makes up the entire tax or the community notices an unintended consequence. Then speculators will, so I hope, sell at different times and development will be more incremental.

6 ^ | v • Reply • Share ›



lordofexcess • 11 days ago

Hmmm ... sounds like what we need is a universal parking space tax and a tax on single family housing (only single family, all added units are not taxed) ... many problems solved :), also a tax on all non-mixed use commercial ... what the market would likely create would be wonderful. It is a good point that some interesting and even positive things have come from clever ways to evade taxes!

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Eric Morris • 11 days ago

Chuck, isn't part of the StrongTowns message being that costs to government should have a more direct relation to revenue of government? Does a surface parking lot in downtown cost the government as much as the multi-story tower next door?

1 ^ | v • Reply • Share ›



joshuavincet → Eric Morris • 11 days ago

The downtown lot represents value from built-and-paid for infrastructure *lost* to non-utilization. The snow plow doesn't lift its blade when passing the surface lot. The benefit of the tower to the city far outstrips the outlay that the city puts into its services.

9 ^ | v • Reply • Share ›

**Eric Morris** → joshuavincen • 11 days ago

But a large building will require more police and fire service. That's why user fees for water/sewer make sense, roads also theoretically are user fee- based (gas tax, but we know it's not necessarily used as purported, and probably not high enough), but does this land tax account for more use of general services that are hard to tie to specific uses.

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**Lee** → Eric Morris • 11 days ago

In short, yeah, this would essentially make the vacant lot subsidize the services provided to the office tower - and that's where the development incentive lies. The owners of vacant land would essentially be subsidizing the owners of productive land, meaning they have an incentive to become productive and extract the value out of their land.

4 ^ | v • Reply • Share ›

**Henry Miller** → Eric Morris • 11 days ago

Does the large building require more? I'm not sure. The building is likely to have its own private security guards and camera system. The parking lot probable does not. Thus the parking lot is a larger target for the crime everyone thinks about as crime (mugging). Cars are filled with dangerous chemicals (gasoline, oil...) and so they start on fire often. I have no clue how often buildings start on fire but I wouldn't be surprised if the parking lot is a higher risk of fires than a high rise office. Someone who knows how to find the real statistics could comment (I couldn't find them in google though maybe I don't know the right search)

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**Rick Rybeck** → Henry Miller • 10 days ago

During the years when I was working on transit issues in Washington, DC, I learned that most of the crime committed within the transit system was located in the parking lots associated with the rail transit system. Vacant lots, parking lots and boarded-up buildings probably generate more crime and arson than their well-developed neighbors.

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**Charles Marohn** Mod → Eric Morris • 10 days ago

I think you're framing this backward. How do you get a tower next to a vacant lot, and in the downtown no less? There's something wrong there; that's not a natural situation. A major reason that situation persists and is so common is the property tax.

2 ^ | v • Reply • Share ›

**Michael** → Charles Marohn • 10 days ago

The reason parking lots emerged in core downtowns is just because the property was worth more as parking than whatever proceeded it. The fact that sometimes the buildings there previously were

The fact that sometimes the buildings there previously were substantial just speaks to the incredible value of the downtown land as parking.

Unless the underlying conditions totally eroded between when the parking lot was built & today, it also indicates to us that whatever development comes next will need to be built to 2 increments greater than whatever was initially torn down. I.e. if we went from a 3 story building -> parking lot. The next increment is certainly not a reversion back the 3 story buildings that the parking lot replaced. Progress would be from parking lot -> mid-rise.

Just to put some numbers behind this. In my downtown, all the little homes & shops within a mile of city hall were torn down for commuter parking shortly after the interstates were built. Today, prime surface parking lots sell for \$5M/acre. No developer is going to rebuild little homes & shops on a \$5M/acre lots. They are going to put a 5-10X, \$25-50M/acre, worth of development on that. That's how you get a tower from a parking lot. Property taxes shift a coefficient or two, but it's not the root cause. The root cause is that there's so much demand for downtown parking that it makes economic sense to develop the land as parking rather than the first several rungs of built development.

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Curt Adams → Michael • 10 days ago

In traditional downtowns parking lots almost never are financially justified. Parking lots replacing existing buildings is only worthwhile in areas of collapsing real estate prices where the buildings they are replacing are nearly worthless. Parking lots in downtown are built overwhelmingly because of parking minimums, and when there are high prices for lots that's the reason.

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Michael → Curt Adams • 10 days ago

The stuff torn down to build these parking lots was not the "worthless" stuff, though. The worthless stuff was the massive inventory of obsolete brick warehouses. What actually became parking lots was all the viable neighborhood fabric, like the 1 story shops & little duplexes. Basically, anything that was easy to demolish became market rate parking by about 1965 in the downtown.

It has to be put in context though. In 1945, there were 100s of trains per day arriving downtown, plus an urban rail system that could move a million passengers per day. Within 20 years it was all bankrupted with the interstates built directly on top of the old rail right-of-ways straight into downtown. Folks had no option but to drive & park, so of course parking spots for nouveau riche junior executives was worth more than aging stick housing stock. The impact in the neighborhoods commercial districts was much more muted, but still present. Really, the interstate act was like dropping a parking lot bomb on these cities and completely altered economics in

downtowns.

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Eric Morris → Charles Marohn • 10 days ago

Thank you! I was missing the natural, incremental growth part.

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Stephen J → Eric Morris • 11 days ago

The city's operating expenses would be higher (i.e. more trash, more police calls, etc.). However, the fixed expenses (streets, pipes, stations, etc.) would be equal.

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Michael • 11 days ago

The flaw of any land-based tax is that it creates a race to the bottom to prohibit low property value activities: airports, universities, hospitals, heavy industry, government, affordable housing, museums, most civic & cultural attractions. Once we "successfully" eliminate all those uses, what's left of a community but residential housing & discount shopping?

The tax regime can have land tax as a base, but a better system would ALSO collect a hefty cut of the personal & corporate income tax levy earned within its borders, PLUS a substantial user fee on regional transportation assets (i.e. airport ticket fee, etc) . Right now, hosting jobs, industry, production is almost always a liability for cities; adopting this taxation regime would align cities' financial incentives with those of the residents.

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Jeffrey Jakucyk → Michael • 11 days ago

The flaw of any land-based tax is that it creates a race to the bottom to prohibit low property value activities: airports, universities, hospitals, heavy industry, government, affordable housing, museums, most civic & cultural attractions. Once we "successfully" eliminate all those uses, what's left of a community but residential housing & discount shopping?

How is that any worse than the current race to the bottom of abandoned buildings, parking lots, and vacant property? Besides, airports, universities, museums, and cultural attractions are all things that are mostly paid for with taxes to begin with. Those can't be eliminated any more than parks or elementary schools because they're needed services. Their presence raises values around them. So I don't buy that a land tax would push those things out.

For heavy industry, that decanted to the outskirts (at least what were the outskirts at the time) during the era of frontage taxes anyway, and they continue to do so because multi-level buildings are anathema for any industrial process. I don't see that really changing because of the tax structure. The big low-value warehouse type facilities requiring tons of loading docks and truck turnaround space will continue to exist around the periphery with good highway access, while the smaller more intensive workshop spaces and facilities which need good, heaven forbid, rail access

will be more central. That's pretty much now it is now anyway.

Low-income housing is actually helped immensely by land taxes because of the pressure on property owners to actually build on their land or sell it to someone who will. Land speculation keeps a lot of property off the market waiting for that high bidder. The high bidder can then only afford to build high-end units. With more land on the market and more building, the price pressure comes down on housing.

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Michael → Jeffrey Jakucyk • 11 days ago

Regarding tax exempt uses, there's really no difference whether it's a traditional property tax or a land tax. It's exempt. It's easy to say a Museum increases surrounding property values. Sure, but how about the state psychiatric ward? The medical examiner's office? The homeless mission? Most tax exempt uses drive down neighboring property values... in addition to being tax exempt.

Regarding industry, I live one block from a Chrysler parts factory & 2 blocks from a steel forge in a mixed-use, walkable neighborhood. There's a lot of industry still taking place in neighborhoods all across America.

Regarding affordable housing, the housing projects in my city are run by the city's Housing Authority. It's not taxed today & it wouldn't be under a land tax.

Is a land tax better than a property tax? Maybe. Do both have perverse incentives that undermine the livability of our communities, create predictable winners & losers? I think so. Why do we want to create incentives where cities do NOT WANT to host cultural institutions, non-profits, regional transportation assets, etc. Where the winners are lifeless but rich, while losers have all the amenities but too broke to access them.

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Jeffrey Jakucyk → Michael • 11 days ago

I really don't see how a land tax would cause a city to reject cultural institutions like you say. We had all those things in the past when local taxes were essentially land taxes. We still have them now, and cities are always chasing for more tax base anyway. So why aren't they being excluded now? Your argument has no basis.

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Michael → Jeffrey Jakucyk • 11 days ago

When American cities/urban life really peaked before WW2, they had the full tool box of taxation options. In 1930, my city ran 70% on business taxes, 30% property taxes. Now, it's about 70% property taxes and 30% a convoluted state revenue sharing formula, that's been eroding away for decades as more dollars are retained at the State.

Just as proof of concept, where are the grand american suburban libraries, museums, of the last 60 years? I can't think

of anything that's truly elite despite experiencing the greatest deluge of wealth in human history over the same time.

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spencerrecneps → Michael • 11 days ago

Have you considered the dearth of cultural institutions in the last 60 years might be precisely _because_ we've experienced the greatest deluge of wealth in human history?

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Michael → spencerrecneps • 11 days ago

I'd counter: Look at "Eds & Meds" in places like Cleveland, Pittsburgh, etc. We know no community really wants these land uses (Non-profit hospitals) since they pay no property taxes, so it's resulted in outrageous consolidation where they already existed, even while every other industry fled the city. Why not medicine? No tax base. Health care is an industry with almost no economy of scale... it doesn't make much sense to have mega complexes. Also, do we really think suburbanites really like driving into Cleveland to go to the doctor? So I think it's just another manifestation of the tax policy, just as existing museums have grown in principal cities even as their patrons left. And, conversely, there's been little growth in "eds & meds", museums, cultural institutions where they didn't already exist around about 1955. It's just every community reacting to the same policy framework that punishes them for having tax exempt land uses.

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LeeHazelwood → Michael • 11 days ago

This is not correct, Land value taxes are levied both on the location and within the planning/zoning limits. ie you don't tax a museum as if it could be the empire state building, nor rural land as if it were residential. That is a planning/zoning issue.

Land taxes do not create a race to the bottom on affordable housing especially. Land taxes come off land prices so make all housing equivalently more affordable. In theory a full land value tax would drive the price of a house to just that, the cost of bricks and mortar.

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John Hawkins → LeeHazelwood • 10 days ago

That just replaces economic squeeze outs of culturally positive - economically marginal uses with a top-down bureaucratic distribution of them. An LVT has to be agnostic to the use, otherwise it's just another Property Tax. The point of an LVT is to incentivize land owners into maximizing the use of their land. If you give exemptions or special rates to some uses, you're not maximizing use.

OTOH, if you are maximizing use, you're disadvantaging museums.

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LeeHazelwood → John Hawkins • 10 days ago

It's not replacing them. it's preserving them. You cannot build a

tower block in a park even if it would be more profitable today, unless you get planning permission.

LVT doesn't change that, land/property today is already charged a property tax based on permitted use for that parcel. If you think planning and zoning should be relaxed or scrapped or instead preserved, argue for that, but it's conflation to claim LVT would force particular uses out and it can be used within any current planning regime.

Planning/zoning limits land use, LVT incentives maximum use within those boundaries.

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Michael → LeeHazelwood • 11 days ago

Most affordable is tax exempt. If the housing projects are owned by the city's housing authority, it would just be the city passing tax dollars from one pocket to the other.

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LeeHazelwood → Michael • 11 days ago

There are tax exempt 'enterprise zones' in the UK. But they are not more affordable because the reduction in taxes raises the rental value of land, meaning landlords can raise rents and land/house prices reciprocally rise to capture the higher revenues.

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Michael → LeeHazelwood • 11 days ago

There's 10,000 units of government-owned affordable housing in my city, mostly in Great Society-era housing projects. The landlord is the City, so it doesn't pay local taxes to itself.

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LeeHazelwood → Michael • 11 days ago

Well exactly, taxing land is just a more efficient and less arbitrary way of socialising rent than public housing.

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Derek Hofmann → Michael • 11 days ago

Denver decided that its new airport should be located where land values are low.

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Michael → Derek Hofmann • 11 days ago

Moving a major airport is easier said than done, especially in a no growth metro. If the airport here was vastly overloaded and we had to build a new one no matter what, sure... push it out 30 miles into some cow pasture. But as it is, there's a few billion dollars worth of aviation-specific infrastructure sitting rent free in a neighborhood of duplexes & garden apartments.

What could help, though, is if the FAA started decommissioning these "general aviation" reliever airports that are just for flying lessons &

private jets. We've got one of those that's a thousand acres of tax-free, wasted space.

^ | v • Reply • Share ›



Derek Hofmann → Michael • 11 days ago

My closest airport sits on hundreds of acres of land right next to downtown where the land is worth tens of millions per acre, so moving the airport would break even on land values alone.

1 ^ | v • Reply • Share ›



Michael → Derek Hofmann • 10 days ago

I've tried to estimate the land value of MKE airport by me. It's somewhere around \$500M. Enough to sting, but will never be moved. If it were developed to about 10X the land value, the assessed value would be \$5B, which would be around 15% of city's total taxable property value.

^ | v • Reply • Share ›



Rob → Michael • 11 days ago

Why are those low value activities? In fact, with a land tax, the value of those would reach a new equilibrium probably making them all of equal value.

^ | v • Reply • Share ›



Henry Miller → Rob • 11 days ago

Museums are low value because most struggle to survive. It costs a lot of money to preserve the collection and visitors pay a fraction of that cost. Thus the land tax drives many out because they are already on the verge of not making it. The city is poorer culturally.

1 ^ | v • Reply • Share ›



John Hawkins → Henry Miller • 11 days ago

This highlights a fundamental problem with taxes in general - they discourage culturally important but economically marginal activity because people are forced to maximize income to pay the tax man.

Keeping the tax burden low - however it's collected - is the only good answer. Government cannot be such a wealth-hoovering enterprise that the rest of society is impoverished in order to pay for it.

3 ^ | v • Reply • Share ›



Rob → John Hawkins • 10 days ago

I am not convinced museums are economically marginal activity. Or, put another way, if they are, I then question their cultural importance. If you have a museum or orchestra that know one goes to see, its cultural significance is low. If people are excited about the museum/orchestra/whatever, then it will be able to raise money via ticket sales and donations.

^ | v • Reply • Share ›



spencerrecneps → Michael • 11 days ago



Many of those low value activities are already tax exempt via their status as non-profit or government uses, are they not?

^ | v • Reply • Share ›



Michael → spencerrecneps • 11 days ago

Yep. In a land or property tax regime, nobody wants anything that's tax exempt. That's the "unintended consequence" created by the system. My city is BY FAR the poorest in its region. In my state, local government runs on property tax, & since we've clearly lost the battle, we can learn how NOT to do it: We've got the prisons, the power plants, the sewage treatment facilities. The whole non-profit industry for the state. A giant VA complex, 2 airports, rail yards, a public harbor, the national guard installations. Several universities, all of the non-profit cultural amenities for the region. The principal places of worship for every religion. None of it pays property taxes.

When a large portion of your city pays nothing, yet still receives city services, it puts the burden on the rest of the tax base. What we've seen happens is just that the upwardly mobile just move, and what's left in its place is geographically concentrated poverty.

If the city collected 90% of the state personal income taxes generated from all this activity (as was originally designed 100 years ago, before the State gvmnt got bloated and decided to keep nearly all the revenue), it plays out totally different. Having these activities becomes an asset rather than a liability for communities.

^ | v • Reply • Share ›



Rob • 11 days ago

I oppose the LVT but favor the SLT.

The SLT or Single Land Tax, is exactly the same as the Land Value Tax except it replaces all other forms of taxation. This was the Henry George ideal.

1 ^ | v • Reply • Share ›



tipton → Rob • 11 days ago

I have a few questions about the SLT.

Would this be collected by the federal government?

Would land owned by local governments be taxed, state, counties, cities, and local incorporated areas?

Would land owned by nonprofits be taxed such as universities?

If any of these are not taxed, then what stops a group of residents from forming a collective that incorporates as a town that owns all of the land and "rents" to it's residents to avoid paying taxes? Or, a city or state claiming that it owns all of the land therefore does not pay tax?

1 ^ | v • Reply • Share ›



Rob → tipton • 11 days ago

My answers, details would obviously be handled by lawmakers, but these are mine.

1. Split between Fed, State and Local in some ratio to be determined (I think 50/25/25).
2. Yes, obviously they wouldnt need to pay themselves, but Park

County Wyoming might collect a nice chunk of tax revenue from the Federal lands there.

3. Yes, all land would be taxed, even owned by churches. I see this causing problems, but to do it right, you have to do it right.

4. See above.

^ | v • Reply • Share ›



John Hawkins → Rob • 11 days ago

Whether it's a Land Tax, or a Sales Tax, an Income Tax or a tax on cow farts, I'd really like to force government to deal with a single tax system. Every form of taxation has the exact same benefit - funds government activity - and each has their own unique set of problems. We should have one and eliminate all the others.

1 ^ | v • Reply • Share ›



LeeHazelwood → John Hawkins • 11 days ago

These taxes are not equivalent, taxes on sales or incomes hit margins and lower productivity so for every \$ collected, a further amount is lost to the economic surplus. This is known as dead weight loss.

A land value tax does not have a dead weight loss. Arguably it even has a negative dead weight loss as it encourages efficient use of land so raises overall productivity.

A sales tax at any level would not prevent the sort of land speculation bubble that led to 2008, LVT at a sufficient level would.

A tax on cow farts (or more broadly pigouvian taxes) may also be justifiable, as it is correcting a negative externality created ie the damage from methane contributing to global warming. But you couldn't have a single tax on pollution, as the point of the tax is to reduce that activity ie destroy it's own tax base.

Personally I would like to see sales taxes, income taxes, corporation taxes replaced with LVT, and other taxes on economic rents ie oil, electro magnetic spectrum, and pigouvian taxes until such time as renewables make them obsolete.

2 ^ | v • Reply • Share ›



John Hawkins → LeeHazelwood • 10 days ago

Of course taxes aren't equivalent - that's the reason not to have more than one form. They all create problems unique to their nature, so just pick one, live with the problems it creates, and avoid the problems of all the others.

^ | v • Reply • Share ›



LeeHazelwood → John Hawkins • 10 days ago

LVT has been used as a single tax in Kiachow, China from 1897 to 1914 until Japan invaded the region.

I'm sure it was not perfect, but it prospered economically and became a model for land reform in Taiwan.

1 ^ | v • Reply • Share ›



Rob → John Hawkins • 9 days ago



I agree. I have two reasons I specifically support the SLT as that one tax:

1. Economic reason - no deadweight loss. Most taxes have a deadweight loss associated with them, which hurts the economy. Land tax doesn't (although there are arguments about this, if it does, it is tiny).
2. Moral - I am of the "taxation is theft" school of thought, but as I have yet to hear of a good natural law argument for land ownership (and I don't buy Locke's "mixing labor" argument), so I go with the Georgist view on taxing land vs taxing production. Basically, it comes down to, ownership of land is a fiction, but it is a useful fiction, so we tax away the economic rents, meaning there is no value to owning land other than as use for a productive purpose.

1 ^ | v • Reply • Share ›



Joe Minicozzi • 7 days ago

I haven't checked all the comments on this, so it may have been covered, but most states don't enable municipalities to do "Land Value Tax". So as a start, States should remove the barrier to using this tool, if a city or county elects to do this. Municipalities should have more tools in their toolboxes, instead of less. And States should be more enabling of their municipalities, instead of less. I think the only states that allow it are VT, PA, and MD. However, other cousin countries (descendants of the British Empire) have evolved a greater emphasis on Land Value (Australia, New Zealand, Canada).

1 ^ | v • Reply • Share ›



Dan • 9 days ago

This sounds regressive to base the tax solely on land value and disregard the property value. You do need to encourage investment but I'm not convinced that this is the best way.

^ | v • Reply • Share ›



Benjamin • 10 days ago

Would an LVT likely have to make exceptions for properties that are marked for historic preservation? An example of what I'm talking about would be if a church building is marked as historically significant, but it's now used for commercial purposes. We'll assume that this particular church is in a neighborhood of typically eight-story buildings. Since the building is no longer a house-of-worship, it will be taxed. But the commercially-used church building will produce only so much revenue, and the owner isn't allowed to put anything else on the lot.

^ | v • Reply • Share ›



LeeHazelwood → Benjamin • 10 days ago

LVT taxes within planning/zoning limits. A listed building limits the potential yield of the land so the property tax assessor will already base the assessment based on that.

If we wanted to get rid of an old building, we would scrap the historic preservation, not an issue either way regarding LVT.

1 ^ | v • Reply • Share ›



nate • 11 days ago



The reason land value taxes are terrible is because all land is unique and its extremely difficult to implement in an equitable manner.

Land is not just valued because of its physical form and location, but the legal and regulatory backdrop in addition to geological, soil, environmental factors.

Whereas taxation on improvements is far easier in that regard because its easier to quantify the added value of additional bedrooms, floors, barns, etc.

It should be noted that if you are growing your local economy correctly, "slumlords" and land "speculators" have less incentive to hold properties over the long term. Land speculators make their profit on the eventual gain, not the hold. Slumlords in a strong economy will get cash flow but ultimately sell to realize their gain as well. And they sell to flippers or developers, either way you get new development and taxable value out of it.

Everyone knows of at least one property where the owner just sat on it and let it go, but those are the exception not the rule in a region with a strong economy because of the profit incentive to eventually sell and realize a gain.

^ | v • Reply • Share ›



Jeffrey Jakucyk → nate • 11 days ago

Land speculators make their profit on the eventual gain, not the hold.

That's exactly the problem though. There's no financial penalty for sitting on fallow land, even in a highly desirable location, thus shifting the tax burden onto everyone else. So they can just let them sit for years or decades. That's how downtown surface parking lots work. Their assessed value is stupidly low because there's essentially no improvement on them. But as mentioned by others, the streets, lights, sidewalks, pipes, and other utilities still exist and still need maintenance, they still need police and fire protection (cars get broken into and can catch fire), but the taxes may only be a few thousand dollars a year. In the middle of downtown. They can make that with a week of parking revenue, but it's a sham because everyone else is subsidizing them.

3 ^ | v • Reply • Share ›



nate → Jeffrey Jakucyk • 11 days ago

"There's no financial penalty for sitting on fallow land, even in a highly desirable location"

There absolutely is, the opportunity cost of not developing it.

Goodman family sat on surface parking lots in downtown Portland for decades. So what? They leased many of them out to food carts to generate some cash flow to cover holding costs, and now they are moving forward with building high rises on many of the lots. The entire time they did that, they were losing the higher cash flow they would have received had they developed them earlier, likely at lower densities (mid-rises). If the local economy is strong, eventually they all realize the gain. Every one of them. Otherwise you'd see them slapping development restriction covenants on the property in perpetuity. Name me a land speculator or slum lord who has done that?

^ | v • Reply • Share ›



Jeffrey Jakucyk → nate • 11 days ago

If what you say is true then land speculation wouldn't be a thing, but it is. Up-and-coming neighborhoods routinely see redevelopment stall out because of speculators hoping to cash out. Speculators are not developers, they just want the cash-out. They may not have the resources to build on the property anyway, especially if it's in a more dense location. \$100,000 in purchase price (or inheritance!) and a few thousand a year in taxes is an order of magnitude less burden than financing a million dollar project, let alone a multi-million dollar project. So it's easy to just sit on it and wait for Mr. Moneybags to come knocking. If he doesn't offer enough, Mr. Double Moneybags may show up eventually.

2 ^ | v • Reply • Share ›



nate → Jeffrey Jakucyk • 11 days ago

Don't misunderstand me, it is very much a thing. I'm just saying it isn't consequential if the local economy is thriving. You won't see an up and coming neighborhood falter because of speculation in the face of strong demand. That's misreading cause and effect.

^ | v • Reply • Share ›



John Hawkins → nate • 10 days ago

Funny that you mention parking lots. A while back, ST had an article on a city block east where the downtown had lost a lot of buildings and replaced them with parking lots. The gist of the story was how auto-centric lifestyles forced this downtown to convert a bunch of value-producing buildings into low-value parking lots.

But the economy of the place had been dismal for a while, and the thought struck me - what if the buildings were replaced by parking lots because parking lots are about the cheapest to maintain land use you could have and still eek some income out of it. Maybe the economy of the city had collapsed to the point that parking lots were the only economically viable use of that land.

Office buildings, housing units, retail space - all that needs paying tenants to cover maintenance, and if there aren't enough paying tenants, you can't keep the building. Maybe the presence of a lot of parking lots isn't a sign of auto-dependence so much as it is a sign of an under performing economy.

1 ^ | v • Reply • Share ›



nate → John Hawkins • 10 days ago

Exactly. If the economy is strong that means demand for rental space is strong and tenants are paying higher rents per sqft. The last thing you would do would be to demo a building capable of high rents in favor of extremely low value surface parking lots.

^ | v • Reply • Share ›



LeeHazelwood → nate • 11 days ago

Land speculators are particularly attracted to thriving local economies, parasites are naturally attracted to thriving hosts after all.

How much that impedes future prosperity depends on the extent to which land speculation and the resulting volatility of the boom bust cycle is curbed, and LVT is the best tool for that job.

1 ^ | v • Reply • Share ›



nate → LeeHazelwood • 11 days ago

Any time you have scarcity you're going to have people who position themselves to profit off that scarcity. Whether thats land speculators, flippers (res & comm), gentrification, etc. Why stop at the land speculator? The developer who buys up the land sure as heck is going to charge the maximum return on the resulting development he puts on that land. If not the land, the developer who buys up the apartment building, jacks the rents on long-time residents, kicks them out, reno's the building and releases at far higher rents.

The best defense against market speculators is making sure the regulatory environment doesnt introduce excess scarcity. Thats typically where big gains are made

1 ^ | v • Reply • Share ›



LeeHazelwood → nate • 11 days ago

The reason to stop land speculation is it does not create anything, a speculator on capital goods creates a market signal to create more of that good.

Yes the developer will want maximum returns, LVT does not stop profits from developing, it increases them, it stops profits from holding land out of use and drip feeding it from land banks, big difference.

2 ^ | v • Reply • Share ›



nate → LeeHazelwood • 10 days ago

So what? If they have the capital for it and if they want to take on the opportunity cost of losing out on other investments that generate yearly cash, then good for them. Its their property to utilize, not anyone elses. "Land speculation", depending on how you define it, is not that big of a problem precisely because the same capital can be invested into income property at reasonable leverage and generate reliable, consistent, lower risk cash flow. Significantly lower risk i might add.

^ | v • Reply • Share ›



Jeffrey Jakucyk → nate • 10 days ago

It's rent-seeking, which is pretty universally understood to be a

bad thing. <https://en.wikipedia.org/wi...>

4 ^ | v • Reply • Share ›



LeeHazelwood → nate • 10 days ago

Yeah so land speculation led to huge oversupply, 2008, millions of people in negative equity, job losses political instability, increased suicides. And this boom bust land cycle has been this so at around 18 year intervals for most of the last three centuries. (2026 is likely the next major downturn btw)

But you're right I shouldn't complain, as a landowner it's money for doing and producing absolutely nothing of value.

Or alternately we could tax land and divert investments into productivity instead of ponzi schemes, just a thought.

2 ^ | v • Reply • Share ›



nate → LeeHazelwood • 9 days ago

I think that's a fundamental misunderstanding of what led to the 2008 downturn. Cheap money, zero due diligence, and bundled debt secondary markets combined with greed at all levels (individual on up) led to the housing downturn. Land speculation played its role in that drama but it was not the lead act.

^ | v • Reply • Share ›



LeeHazelwood → nate • 8 days ago

No, land speculation bubbles are baked into the system and was always due to happen around 2008. To quote UK economist Fred Harrison from 1997

"the consequence is predictable. By 2007 Britain and most of the other industrially advanced economies will be in the throes of frenzied activity in the land market equal to what happened in 1988/9. Land prices will be near their 18-year peak, driven by an exponential growth rate, on the verge of collapse that will presage the global depression of 2010. The two events will not be coincidental: the peak in land prices not merely signalling the looming recession but being the primary cause of it."

It's true several factors (demographic, regulatory etc) combined to make the 2008 crash worse but the vast majority of that 'cheap money' was going into real estate and hidden in mortgage derivatives.

If you taxed land sufficiently none of that would be possible. If you make money less cheap, ie by raising interest rates, then you slow down all credit growth and the entire economy, so no central bank does that. LVT focusses on the actual

problem, bottlenecks and distortions in the land/housing market directly.

Following the correction, mortgage lending standards were raised, but as house prices rise to facilitate more growth lending standards must be loosened or banks/speculators will find ways to circumvent them be it via arbitrage or outright fraud (See Australia's crashing market today, and the terrible practices revealed by the Royal banking commission - what did they learn from 08?). In the US 2019 is the first year real land/house prices may actually fall since 2011, and it will only be slight and short lived

Following the current slowdown (predicted as a 'mid cycle' by Fred Harrison's the 18 year model btw) The US has a demographic bump 2020-24 of prime age buyers which is very bullish for real estate. But history tells us this will culminate in a bubble and GFC, sometime around 2026.

2 ^ | v • Reply • Share ›



Jeffrey Jakucyk → nate • 11 days ago

The developer who buys up the land sure as heck is going to charge the maximum return on the resulting development he puts on that land. If not the land, the developer who buys up the apartment building, jacks the rents on long-time residents, kicks them out, reno's the building and releases at far higher rents.

Not if there's no market for those higher-rent units.

^ | v • Reply • Share ›



LeeHazelwood → nate • 11 days ago

Land, ie location value is actually very easy to calculate within a reasonable margin (+/- 10%) from market data. Assessors are quite aware of the various

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