

# Confusing conclusions about property taxes

## BOOK REVIEW

Joseph Comby, Editor-in-Chief of *Etudes Foncières*, and Vincent Renard, Research Director, Centre National de la Recherche Scientifique.

*L'Impôt Foncier*, Paris: Presses Universitaires de France, 1985.

ONE MAY have to recognise that there are those, even among economists, who consider that land is simply another form of capital, but anyone who writes a book purporting to be about "the land tax" should see the difference between land and capital or any other form of wealth which has been produced through the application of human labour to land. Otherwise, he has missed the whole point of land taxation.

Admittedly, Joseph Comby and Vincent Renard, the authors of this book are handicapped by the fact that the term "*impôt foncier*", whilst it *can* mean a tax on land alone, can also mean a tax on land-plus-improvements (i.e. buildings, etc.) or even on improvements alone (in other words, it is a property tax).

But it is possible to find a French expression for a tax on land alone (or land-value tax), as Messrs Comby and Renard have, in very rare instances, demonstrated. Mostly, however, they not only *use* the term "*impôt foncier*" indiscriminately to mean both "land tax" and "property tax" but themselves seem to lose sight of the essential difference between the two.

None of this might matter too much if the book were presented simply as an informative study of the different types of property taxes, past and present. Unfortunately, they attempt to draw conclusions as to the merits and demerits of the *impôts foncier*, which therefore can only be, at best, confusing and, at worst, totally erroneous.

For instance, as disadvantages, the authors talk about the administrative complexity and excessive cost of operating the *impôt foncier* in relation to the revenue. Based as they are on the French system of *impôts fonciers* (there are 12 different types), these observations are undoubtedly true; but what is true of a complicated conglomeration of property taxes is not necessarily true of a pure land tax.

Amongst the advantages, they say that there is less opportunity for fraud, as one cannot hide the taxable item — at most, one might be able to avoid declaring the installation of, say, a bathroom which would increase the tax basis of a house (the emphasis is mine). In reality, of course, whilst it is true that there is less opportunity for fraud, the addition of a bathroom to one's property would *not* attract an increase in tax, if the tax was based on the value of the land alone.

The authors ask: "What is the future for the *impôt foncier*?" They say: "Whilst the main aim of any tax is to procure revenue for the public coffers, an *impôt foncier* generally involves two further aims: justice [which they seem to think means simply recovery of unearned increments brought about by increases in land prices through public works financed by taxpayers — which is not the complete story] and optimum use of land".

They feel, however, that it would be a mistake to think



• Vincent Renard: Better reasoning needed

By LYN NICHOLS

that an *impôt foncier* would simultaneously satisfy the three objectives, as (a) A tax that gave a strong incentive to development could not bring in a high revenue as the tax is based on a "wasting asset"; (b) A tax that aimed primarily at justice could have adverse effects with regard to inducement to optimum use; and (c) A tax that aimed for maximum revenue could have doubtful effects with regard to justice or to optimum use, not to mention its effect on land prices.

On point (a), presuming they mean by a "wasting asset" that the tax would bring down land prices (which is undoubtedly true if the tax were levied on capital value though not, I think, if it were levied on annual value), surely the amount of revenue would largely depend on the rate of tax?

I do not understand the authors' reasons for the assertion in point (b). Point (c) is, of course, with regard to maximum revenue versus optimum use, just a re-statement of point (a); as to maximum revenue versus justice, again I do not understand what makes the authors think this.

Though the authors have made a factual study of the history and present-day application of various types of property (including land) taxation, they have obviously not fully comprehended the nature of land-value taxation.

Whilst they seem to be of the opinion (or, perhaps more accurately, to have accepted someone else's opinion) that strength of reasoning may not have been the dominant feature in the writings of Henry George, the American advocate of land value taxation — they quote Alfred Marshall as having called him "a poet, not a scientist" — I feel that if they had only half George's strength of reasoning, they would have written a better book.