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## Land Value Taxation: A World Survey

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### CANADA

THE system of taxing land values to the exclusion of improvements made tremendous headway in the four western provinces of Canada during the first part of this century, and by 1915, 18 of the 50 cities, 45 of the 147 towns, and almost all of the rural municipalities in these provinces were exempting improvements wholly from taxation.

But despite its wide-spread application, the principle of the tax was little understood. The system spread because first-comers wanted a method of taxation that would attract people and capital into their wilderness, and, as this was accomplished—population grew by 260 per cent from 1901 to 1916—no effort was made to collect more than a small portion of the increasing values. Indeed, tax rates often were lowered as values expanded.

It was not to be wondered at, therefore, that the subsequent land boom in which both amateur and professional speculators engaged, was not stopped by their method of taxation, or that conditions became as serious as they did. At one time, one resident property owner in every four in Calgary, and one in every six in Edmonton, held at least one extra lot for speculation.

Thus went the land craze until the outbreak of World War I when the great wave of immigration tapered off. Tax collections then grew skimpy as speculators, minus customers, defaulted on their payments and the only properties on which tax money now could be raised were improved ones. So a partial shift was made.

Today, in British Columbia 54 out of 102 taxing districts exempt improvements 50 per cent; 16 grant more; 30 less, and two municipalities continue full exemption. In Alberta improvements are exempt 40 per cent of their assessed value in all seven cities and the same applies to the cities of Saskatchewan with the exception of Regina where the exemption is 70 per cent. In Manitoba, all improvements are exempt one-third.

It is also interesting to note in this connection that the Province of Alberta has retained possession of its newly discovered oil fields and that the purchase price for oil leases and rentals and royalties now represent almost 30 per cent of the provincial revenue which, in the year 1951-52, totaled \$39,577,978.

### THE UNION OF SOUTH AFRICA

Here, in this far-away country, the once-universal flat-rate system which taxed land and improvements together is giving way to differential rating which allows a higher rate to be applied to land values, and to site rating by which land values only are taxed for local purposes.

In 20 of the 60 taxing municipalities in the Transvaal, real estate taxation is wholly on the land-value basis except for a small levy for water and sanitary purposes, which is of little

importance. Johannesburg, where the change was made in 1918, is one of the twenty just referred to. In the other forty municipalities where improvements are taxed, the rate is small. In Pretoria, for instance, it is less than a sixth of the tax on land values.

Legislation in Cape Colony, has, since 1917, allowed local revenue to be raised in whole or in part from land values. Kimberly has taken full advantage of the privilege, and five other towns are in the process of making the change.

In the Orange Free State, 15 of the 65 municipalities are operating under differential rating and Bloemfontein, the provincial capital, completed the shift in April, 1950.

In Natal the law allows either flat or differential rating and 23 of the 35 municipalities now levy on land values at higher rates than buildings. The city of Durban was the first to take the step and now taxes land values at twice the rate applied to improvements.

### THE RHODESIAS AND KENYA COLONY

Differential rating is permitted by law in the Rhodesias and in the cities of Salisbury, Bulawayo, Gatooma, Gwelo, and Que Que in Southern Rhodesia; taxes are being shifted more and more to land values. The same is true for Livingstone, the capital, and four other towns in Northern Rhodesia.

In Kenya Colony, Nairobi, since 1921, has levied its rates on land values only, as also has the city of Mombasa since 1949.

### AUSTRALIA

Federal, state and local governments have practiced land-value taxation and in the two latter groups the system is spreading. A state land-value tax has long been imposed by each of the six states comprising this Commonwealth.

But of far greater consequence in the overall consideration is the land-value tax collected at the local level. In the States of Queensland and New South Wales, this tax supplies much of the total local revenue and there are no taxes on improvements. In Queensland, where 93 per cent of the land is owned by the Crown, the land is leased for use and then is subject to the local land-value tax imposed by municipalities.

In Victoria, 24 out of 198 taxing units; in South Australia 27 out of 143, and in Western Australia 131 out of 149, make land values the sole or chief source of real estate revenue.

A Federal land-value tax placed on the statute books in 1910 defeated itself as a revenue producer and was repealed in 1952. Its low rates and its generous exemptions were intended to favor the small landowner, but that purpose was all too often circumvented. Large property owners subdivided their holdings to bring each subdivision into a low-rate-high-exemption category, thus defrauding the revenue and escaping the purpose of the tax. Such is the

Most of the land used to create the Australian Capital Territory was Crown land ceded by the nearby state of New South Wales. The Territory therefore became the owner not only of land upon which government buildings were to be erected, but of that which would be used by government employees and private citizens as well. Thus a land-leasing system came about.

City lots within Canberra itself are leased at 5 per cent per annum of the capital unimproved value as ascertained by bids at public auction or as assessed by Government. On top of that, a tax, which in 1946-47 amounted to 5 per cent, is levied on all taxable land for the general expenses of the Territory.

The spread of land-value taxation has been helped in Australia by their system of rating polls. Those polls allow property owners in any district to vote on the question whether to replace the old annual rental-value system which this Commonwealth took over from Great Britain, with the rating of unimproved values.

Studies have been made that prove that in those districts where land-value taxation exists certain distinct benefits have accrued, and that these benefits are greatest where the land-value tax is highest. These benefits include: a greater flow of population into the land-value areas; more and better building construction, and less land held vacant and idle.

### NEW ZEALAND

In 1891 the Liberal government headed by John Ballance introduced the present National Land Tax in New Zealand, and in 1896 local governments were given the right to levy local taxes on land values.

The National Land Tax, a graduated tax, increasing with the unimproved value, produces a million pounds in revenue each year.

Here, as in Australia, rating polls have been legalized. These polls are held frequently and are not often rescinded. For instance, since 1944, 23 such polls have been held whereas only two have been rescinded. The procedure to rescind is the same as for adoption and there must be a minimum interval of three years between any polls on this issue.

In 1891 the only rating systems operating in New Zealand were the capital-value and the annual-value systems. Today, 62 of the 124 counties, 10 of the 13 cities, 94 of the 125 boroughs and 12 of the 25 independent towns in the country are rating on land values. In all but 24 of these land-value-taxing units there are no taxes on improvements. In the 24, certain small charges are made due to the fact that according to the original legislation a few rates could not be placed on the unimproved value. That defect was removed in 1911.

The New Zealand League for the Taxation of Land Values works steadily to extend the progress of land-value taxation in local govern-

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ment by promoting and encouraging rating polls wherever possible. As can be seen, notable progress has been made.

### DENMARK

National and local real estate taxation is levied in Denmark. On both levels land and improvements are taxed at almost equal rates, but discrimination is made in favor of improvements through the generous exemptions allowed only to them by Government and by the local taxing bodies. The exemptions are highest in the urban areas where building values are greatest. In the rural areas, where building values are low, the effect of the exemption is to make land values almost the sole source of local revenue.

Since 1920 the Government of Denmark has acquired much land that now is being rented out as small holdings. These small holdings, or farms, are rented to users at 4 per cent of the assessed value at the time of transfer and as periodically revised. This policy has tended to increase the number of self-employed farmers, to strengthen the agricultural economy of the country, and to break up large estates.

Also in Denmark there is a species of land increment tax the purpose of which is to take, periodically, a portion of the increased value whether the land is sold or not. (The old increment tax in Germany, it should be remembered, applied only when properties were sold.) This increment tax is levied on the increases in value that occur between the dates set by law as they are revealed by the regular valuation of the whole country.

A Parliamentary Commission appointed in 1948 is now studying the changes that would have to be made in order to collect all the economic rent of Denmark.

### THE UNITED STATES

Since Colonial times local governments in the United States have taxed land as well as buildings under the General Property Tax and so, from the first, it has been less profitable to hold land out of use here than, for instance, in Great Britain where idle land is not taxed under the Annual Rental-Value System.

It nevertheless must be admitted that no great movement has occurred towards shifting taxation from improvements to land values, and only isolated examples can be cited. They are: The great irrigation districts of California which were developed under a system of land-value taxation and where a partial application still survives; Pittsburgh and Scranton, Pennsylvania, where, under the Graded Tax Plan, land-values bear twice the tax burden imposed upon improvements, and the so-called "Single Tax Enclaves" in Delaware, New Jersey and Alabama. All of these examples have been the subject of adequate discussions in prior issues of *The Henry George News*, and it suffices now simply to mention them by name.

Land-value taxation has passed the experimental stage in those countries where it has been tried, and it now is successfully established as part of fiscal policy. In these widely separated lands the fires of public interest already have been lighted. The task is to keep the flame constantly rekindled.