

# Can a land value tax save Baltimore?



By [Dan Reed](#)

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Reform will be the word of 2015 in Baltimore City, for good reason. Unfortunately, in a political machine city such as Charm City, “reform” means the existing power structure “gets in front” of the problem, produces some great soundbites from fictitious solutions, then runs on their so called “reform” in the next election cycle. If Baltimore City wants to get serious about reforming and not just tapping into the tumult to build a few new rec centers and then go back to business as usual, Mayor Stephanie Rawlings Blake and the City Council should eliminate all Baltimore City property taxes and replace them with a (LVT).

The city is in dire need of fresh energy and new ideas. The LVT is a unique creature in that it's supported by progressives and conservatives, affluent and aspirational alike. Simply put, the land value tax is an annual tax on the unimproved value of a piece of property. It completely ignores the value of any building, structure or capital improvement. This is important because our current property tax system encourages a number of unintended negative consequences. In addition to being incredibly

inefficient and prone to manipulation, it provides a disincentive to long term livability of the city and incentivizes the exact opposite behaviors of what Baltimore needs.

Our **current property tax** isn't a levy on property so much as it's a tax on the structure that sits above that property. That means the value of each lot is arbitrarily assessed and assigned, deriving value from the land and structure. In this way, it's a government-sponsored derivative of sorts. As a consequence, property owners and landlords are rewarded for developing "the best, worst structures." Quantity over quality is rewarded. Build "too well" and face a higher tax burden, diminishing the incentive to improve the property. But the bigger problem is that it encourages land speculation by outside sources, enticing them to swoop in, accumulate unimproved land and "wait until the market improves." The wait for many dates back to 1968 and continues today.

The LVT is ideal for areas like Baltimore, where there are extreme concentrations of developed property. The LVT creates a defector tax haven for property ownership in the areas where it's needed most. It eliminates the idea of "punishing" owners from developing a property (i.e. paying more taxes for investing in the city). Instead it creates positive incentives for those who do.

Under LVT, two properties sitting side by side, one a beautifully kept row home and the other with boarded up windows, would pay the same, predetermined tax. An LVT would financially incentivize owners of the vacant property to make a decision. Develop or ditch the property. This would benefit the homeowner who maintains their property. Finally, elimination of the property tax would give Baltimore an instant advantage over both the county and other cities that it's losing residents to.

Progressives like the LVT because it's an efficient way to reduce economic inequalities by placing a larger share of the tax burden on the wealthy. It discourages treating land as a financial instrument and tamps down on the boom/bust speculation that derailed the economy in 2007. Instead, it encourages on-site ownership. Environmentalists favor LVT because it curbs urban sprawl and makes green-field development less attractive. It encourages development and revitalization of what's already here.

Those on the right favor the LVT (called "the least bad tax" by conservative icon Milton Friedman and championed by Winston Churchill) because it encourages economic activity and individual responsibility. It gets money moving by urging people to develop, build and own. Unlike the current system, which penalizes hard work and disrupts the supply of developed housing, it creates a culture of responsibility, is fairer and prevents tax manipulation and tax evasion by those in power.

Will the LVT be a panacea for all that ails the city? Of course not. It took us years/decades/centuries to get to this place. But without a structural change to the essence of current Baltimore City structures, it won't be enough. The mayor has shown a genuine interest in addressing the city's property tax problem. Here's a way to step up. If she's been co-opted, as many of her supporters fear, the land value tax would be a wonderful piece of signature legislation from which to launch a challenging campaign. We're speaking to you, Councilman Brandon Scott.

Few would have known it the night CNN broadcast images of Baltimore burning, but people were looking at the most lucrative real-estate market in America for flipping

houses. The act of flipping houses netted an average return of 94 percent on an investment of \$125,313. According to the Greater Baltimore Board of Realtors, a whopping 48 percent of all housing transactions are in cash, an indication the transactions are being driven by investors, not residents. The LVT puts the brakes on artificially inflated property values at a time when many average Americans are still reeling from the last bubble that cost so many so much. It's a bold step, but one that's been vetted and endorsed by both sides of the aisle and up and down the income ladder. The next move is yours Baltimore.

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