Which Value Tax?

A TITLE to land is a franchise to use it and also a franchise to keep whatever (ground) rent the government does not take by taxation. When some portion of the rent is left to the land "owner," the land not only has a value for use, but also a value as a means of appropriating (ground) rent, and it then seems to have a selling value. When the government leaves no rent for the land "owner" to keep, his title is then only a franchise to use land. While such a title may change owners, when it does so, if there is any "consideration" at all, it will, accurately speaking, be paid, not for the land, but for something else. And the value that any land seems to have as a means of appropriating rent, is inherent in the franchise and not in the land; and what is called its "selling value" is merely the market value of a law-made privilege to appropriate (ground) rent.

Many advocates of the taxation of land value fail to to see that the good results of such taxation cannot be gained by a tax levied on the so-called selling value. Why a tax on "selling value" will not do the good things which they think it will, may be shown as follows:

If a piece of untaxed land can be rented for $60 a year, and the current rate of interest on money is 6%, the rent is equal to the interest of $1,000 for one year; and because the use of this land is worth in the rent market $60 a year more than the use of land which is free of rent, it is as good to the tenant as $1,000 at interest at 6%, and the capitalized rent or rental value of the land will be $1,000; and because the land is not taxed the owner can appropriate the whole amount of the rent, and the land is as good to him as $1,000 at interest at 6%, and therefore the "selling value" also will be $1,000.

If now a tax of 1½% be levied on the land, its value to the tenant for use will not be changed by the tax; the annual rent will still be $60 and the rental value $1,000. But, as the government takes $15 of the annual rent, the land "owner" can keep only $45 and his franchise to appropriate rent will be only as good as $750 at interest at 6%, and therefore its selling value will now be only $750.

If the tax be $30 instead of $15, the rental value will still be $1,000, but the "selling value" will be only $500.

If the tax be $60, the rental value will still be $1,000, but the franchise to appropriate rent has now vanished, and its selling value is zero.

If the law levies this $60 tax on the rental value, that value will not be changed and there will be the same value to tax next year; but if the law levied the tax on the so-called selling value, there will be no value at all to tax the next year.

A careful analysis of rental value and "selling value" makes it plain that a land value tax should never be levied on "selling value;" for it always diminishes that value, and by so doing lightens the tax burdens that rented value ought in justice to bear, and tends to shift them more or less to other values and other things.