

HOW TO CONVERT INCOME TAX TO L.V.T.

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In a letter from the Centennial Celebration Committee, October 12, we are invited to contribute with ideas and suggestions for better methods of marketing and implementing the philosophy of equality in association, to explore new, innovative and ethically sound methods, and create a focus around which the present tax reform and land reform movements can view their problems and aims.

If you want to market the idea of LVT combined with the abolition of the income tax, it could not be timed better.

Income tax is blamed for playing a great part in the problem of inflation. It is hampering initiative, punishing activity, penalizing the savings, creating unemployment and poverty.

It is evident that income taxes are not only unpopular, but hated, and that doesn't apply only to the people in the high income brackets, but also to productive people, ordinary wage-earners who have reached the middle income tax bracket. Thus, there is a broad resistance against the income tax.

In my own country, a new political party, which has rapidly grown to be the second biggest, is based upon the income-tax hate, much like the Jarvis people here in California.

In Sweden, where they have probably the highest social benefits in the world, and thus the highest taxes, a well-known banker said, "Taxing in Sweden today is the most advanced system, practicing to take from one and give to the other, so that both give up working." But that is not only he, but also the Nobel Prize winner, Social Democrat Gunnar Myrdal, who says that the income tax system has proved a failure as a wage-harmonizer. This man was for many years the leading advocate for higher taxation and higher social benefits, but now he can see that all his efforts have been in vain, because when the ideas were practiced, they could not work. However green and beautiful the theory was about income levelling, in practice it proved to be wrong.

I have always fought against income taxes, as they are punishing initiative, skill, and saving, and rewarding laziness and inactivity, while LVT has all the opposite effects. The opportunity could not be better, and that is probably why Milton Friedman says,

"There is a sense in which all taxes are antagonistic to free enterprise - and yet we need taxes... So the question is, which are the least bad taxes ? In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago."

This means we have two Nobel Prize winners on our side, who have brought into focus the execution of the income tax.

It should not be difficult to find believers for a plan to such a conversion, especially here in California where the Jarvis plan was accepted last year. This plan could never have been carried through without income taxes having become overexaggerated, being hated with good reason.

Of course, we can only use half of his plan, abolishing of the income taxes, but to make that possible: introduce an L.V.T. This means we have a better chance than ever before to open up the eyes of the public and politicians. We have got the best sales arguments ever.

Interesting Experience in Denmark 1969:

Due to alteration of tax collection system, all overtime - and surplus incomes were made tax-free for the year of 1969.

This stimulation resulted in an increase in production of 8% against usually 4%, and in private investments of 20,5% against usually 5%, and a halving of the ordinary increase in consumer price index, from 8% to 3½%.

Actually, people like to work, when not penalized.

Converting from Income Tax to Land Value Taxation:

Jarvis wants to kill the income tax, but only we Georgists can point out the way to do it.

And to this point, I would like to explain my suggestion to other Danish Georgists and Danish Justice Party. (To avoid resistance, it is important that we point out we aren't in any way violating the right to property of land itself).

My first suggestion was to collect only 1%, rising another 1% every year - but when I realized how fast land value is rising the last years, I found that 2% would not bring any disturbance to the economy.

And the faster we get rid of the income tax, the better.

You must not forget that land value in many places is rising 25% in a year. My theory is that the value will continue to rise as long as we have rising productivity and rising population, and when we want to collect all of the rise, even 2% a year might prove to be too little.

The conversion is a tax-reform, and as such you must not just collect the land rent as another tax on top of others, thus making it unpopular. The revenue has to be used fully for abolishing of the income tax. Income tax is as bad as L.V.T. is good.

If politicians can just use the revenue for financing their more or less stupid expenses, we won't bring the release and happiness we promise.

Land Taxation in Denmark:

In Denmark, we have a public land assessment every four years, which indicates the actual selling-price ("what a sensible buyer would pay"), though in practice it turns out to be a 90% of the actual selling-price. The last assessment, 1977, indicated the land of Denmark to be DKr. 193 billion, equal to 35 billion US\$. In order to compare the figure to US. conditions, the US. population being 42 times that of Denmark, you may multiply by 42.

Denmark actually has a small taxation on land, which is paid to the individual municipalities who do not all demand the same percent L.V.T. The average is a 4 pct. of the assessed value.

A System For Converting Income Tax to L.V.T.

1. A levy of 2% shall be put on all pieces of land, beginning 1980, based upon the 1977 assessment. 1981, another 2% levy shall be added, in total 4 pct.
- In 1981, the next public assessment is due.

The total revenue from the levy on land shall be used for reduction of income taxes, by an equal amount of kroner on every tax-paying Dane.

By this time, half of Denmark's taxpayers have become income-tax free.

The DKr. - amount collected as L.V.T., by now 4%, shall be registered as a fixed annual levy on each piece of land.

2. In 1982, a new 2% levy shall be put on all pieces of land, according to the new assessment, gradually rising over the coming four years to 4% in 1983, 6% in 1984, and 8% in 1985, on top of the first annual fixed levy.

The total revenue collected of L.V.T. shall be used for the reduction of income taxes, by an equal amount of DKr. on each tax-payer.

By this time, three-quarters of Denmark's taxpayers have become tax-free.

New public assessment takes place, now quite heavily influenced by the rising L.V.T. (no speculative land-rush).

3. A new 2% L.V.T. shall be put on all pieces of land, based on the 1985 assessed value, gradually rising over the four coming years to 4, 6, and 8% in 1989, after which this amount of DKr. shall be registered as a fixed annual levy on each piece of land, on top of the former two amounts. The total revenue shall be used for income tax reduction, by an equal amount of kroner on every tax-payer.
4. If the income tax by 1989 has not been totally abolished, the process of L.V.T. shall be repeated according to the assessed value, and so forth until the population has become completely tax-free.

1. It has been calculated by the Statistics of Denmark that after the first 4%-process in 1981 half of all Danish income tax payers will be released of taxation (4 million people being income-taxed reduced to 2 million by 1982), and the remaining half will have received considerable reductions on their income taxes.
 2. By 1984, the middle of second L.V.T. period, there will remain about 1 million tax-payers who, however, have received large reductions on their income tax.
 3. By 1986, when the third L.V.T. period begins, there will remain 300.000 tax-payers, who by the end of this period will be completely released of income tax.
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In accordance with all evidences and the Danish experience 1969, people like to work, take initiative, be productive, when not punished by income taxes. This will create new jobs, with the side - effects of a considerable reduction of inflation, halving of the rate of interest, as all savings will be offered for productive investments, the demand for financing land speculation (intentional as well as unintentional) including the hedging against inflation, having ceased.

The lower rate of interest will be a great help for investors and new job creators. There will be less demand for social security.

Added to that, there will be no real background for envy, and nothing to fuel political unrest, because we get a more just system.

The most important side-effect is abolishing of inflation.