

# Keeping LANCASTER Current

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Lancaster County Growth Management Issues

March 30, 2010

FYI

## ASSESSING THE THEORY AND PRACTICE OF LAND VALUE

**TAXATION** - Published by the [Lincoln Institute of Land Policy](#), and co-authored by Richard F. Dye and Richard W. England. At a time when local governments are increasingly strapped, **the land value tax (LVT)– taxing the value of land more than buildings – is an efficient source of revenue that avoids the negative effects that can accompany other taxes**, such as local wage or income taxes, a new report says. The LVT, a concept **dating back to the 19th century** political economist Henry George, has had a checkered history in the U.S., but it can be more successfully implemented with a few simple adjustments such as better assessing techniques, more flexibility in rate setting, a gradual phasing-in process, and targeted tax credits for land-rich but income-poor property owners, according to [Assessing the Theory and Practice of Land Value Taxation](#).

**“The bottom line is that land value taxation provides city officials with a revenue source that does not damage the urban economy.** It allows the city to avoid reliance on other taxes that can undermine urban development, such as local wage and income taxes that encourage businesses to locate elsewhere,” said Joan Youngman, senior fellow and chair of the Department of Valuation and Taxation at the Lincoln Institute. **“A land tax is an efficient tax because it can make the economy more productive and create wealth, because raising the tax rate on land has few undesirable effects, while lowering the rate on improvements has many benefits.** A conventional property tax tends to discourage investment in new structures and maintenance of existing structures by reducing the return on such expenditures. **A LVT can be a better method of property tax reform than assessment limits**, which have undesirable side effects, including unequal treatment of similarly situated taxpayers and distortion of economic incentives.

[Assessing the Theory and Practice of Land Value Taxation](#) shows that **a LVT can raise the same revenue as a standard single-rate tax, changing the distribution of the tax but not the overall revenue collected.** Because these changes will redistribute the tax burden, this [report](#) recommends a **phase-in of dual tax rates, and inclusion of tax credits to ease the transition to a new tax system. Land is in fixed supply, so an increase in the tax rate on land value will raise revenue without distorting the incentives for owners to invest in and make use of their land.** By contrast, the part of the property tax that falls on structures or other improvements discourages investment. The LVT is neutral with respect to the choice of when to develop a parcel and the density of its development, whereas the taxation of improvements is likely to increase low density sprawl. [Economic theory suggests that switching to a land value tax might result in a number of outcomes: lower house prices; more improvements per acre of land; higher population density; more employment and higher wages; and less sprawl.](#)

## INTERESTING PUBLICATIONS

[Homeowners balk as property tax bills stay high](#) – USA Today  
From Florida beachfronts to Nevada deserts, fed-up homeowners are challenging property tax bills that have stayed high despite the housing crisis. Property taxes have been a lifeline for flailing local governments, which collect more than 96% of property taxes. Toss them out, and the remaining sources of state and local tax revenue — including sales and income tax receipts — sank more than 9% last year from 2008.

[Emerald Cities: Urban Sustainability and Economic Development](#) - by: Joan Fitzgerald, director of the Law, Policy and Society Program at Northeastern University. This new book provides a refreshing look at how American cities are leading the way toward greener, cleaner, and more sustainable forms of economic development.

[Turning Cities into Innovation Centers](#) – by Saul Kaplan - Business Week. We are playing defense based on old industrial economy rules and systems. We must play offense to create a 21st century innovation economy in which all citizens can fully participate. A new national economic development conversation should bubble up from cities.

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