

Incentive Taxation

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Land Value Taxation: Who Will Tell the People?

A home or business owner in Australia or New Zealand has little trouble deciding where to build or locate: as studies over the course of decades show, they usually choose cities or towns that use land value taxation (LVT). It's LVT as routine.

In Pennsylvania, the land tax has graduated from experiment to SOP for 20 cities and towns. Cities that use LVT – with one notable exception – have yet to capitalize (literally and figuratively) on having a tax policy that permanently grants abatements on capital investment and provides tax relief for homeowners of modest or fixed income.

The exception: Harrisburg. Since **Mayor**



Stephen Reed (pictured at left) took the helm, Harrisburg's economic development literature (www.harrisburgpa.gov/econProfile/econDev.html) has touted LVT as essential tool to the development tool box.

Most towns that use LVT are not as well placed as Harrisburg to attract development dollars; they have to try harder. *IT* urges them to market LVT as aggressively as any other trick in the bag. Since LVT is still fairly uncommon, it can be the one thing that differentiates Allentown (LVT) from Bethlehem (regressive property tax).

HARRISBURG STATS & BRAGS

Does even a partial shift of taxation onto land away from capital and labor make a difference? Yes. **Harrisburg** adopted LVT in 1975, and has studiously expanded it ever since. LVT is the only program that makes it different from **Albany, Richmond, Trenton, Hartford**, or other cites with almost

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Connecticut, Ripe for Tax Reform, Must Avoid Overripe Ideas

NEW LONDON

IT has been following the progress of LVT in Connecticut since 1996. Now, the time may be right to move from debate to reality.

Property taxes are skyrocketing quickly in Connecticut towns and cities. New London, a former whaling capitol on the Thames River of Southeastern Connecticut is typical.

A recent news story from that grand old town highlighted the issues: commercial

and industrial assessments dropping, residential assessments going through the roof and solutions that are worse than the problem...

One nationally reported fiasco has been the condemnation of the Fort Trumbull neighborhood to make way for a sprawling complex owned by drug giant Merck. One can't blame city officials for trying to increase ratable, there's just a less divisive and heavy-handed way: tax land more and people's homes

less.

One recurring rationale for land taxation in Pennsylvania LVT cities from mayors: "too much land is tax-exempt; we have to get it all into use."

New London as well: "The city must squeeze every penny from its roughly 3,800 acres, or six square miles, of land, councilors say.

"Unfortunately, New London is over 50-percent tax-free property," Mayor Gerard Gaynor said. – *New*

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Connecticut, Ripe for Tax Reform, Must Avoid Overripe Ideas

(Continued from page 1)

London Day, 11/11/04

New London should talk to New Castle!

HARTFORD

The idea of tax reform in Connecticut has an unhealthy obsession with income taxes as a solution. They are not. A look to New Hampshire to the north is clear evidence that reliance on property taxes doesn't impede wealth creation for all. The real reform would be to move away the traditional property tax a land based tax.

To back up that assertion, *IT's* publisher, the Center for

the Study of Economics studied the outcome of a land value tax in Hartford, the state capitol that has seen nearly half a century of flight, blight, and slight from richer neighbors.

The results are clear: 78% of residential parcels would see a tax reduction from the current system. 89% of two- or three-family houses (the norm in Hartford) would see reductions. 84% of apartment buildings would see tax liability drop.

The median residential tax bill would drop from \$5,673 to \$4,808 (18%).

A city income tax where

poverty is high makes little sense (ask Philadelphia). A state-wide income tax will exempt Hartford's poor, but will stoke the flames of resentment from the powerful horsey set of Connecticut and never get off the ground. Land in Connecticut is valuable, even in places like Hartford and Bridgeport. The revenue is there. It's time to act.

For information on reform in Hartford visit the Interfaith coalition for Equity and Justice of Greater Hartford at www.ghicej.org.

LAND IN CONNECTICUT IS VALUABLE, EVEN IN PLACES LIKE HARTFORD AND BRIDGEPORT. THE REVENUE IS THERE. IT'S TIME TO ACT.

HARRISBURG STATS & BRAGS

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half of their land off the tax rolls (The commonality? All are state capitols in the Northeast US). The usual truckloads of abatements, exemptions, government cash-tossing contests, and sweet-heart deals haven't helped stabilize these cities, because they don't address the root problems. Harrisburg and **Mayor Reed** has.

In 2002, the city issued **1,567 building permits**. They represent a total of \$269.7 million in new investment, the highest total for any year in city history and eclipsing the record set several years ago.

By the end of 2002, the number of businesses on the City's tax rolls had risen to 5,976—the highest number ever recorded. It is in sharp contrast to the number which existed not so long ago—1,908.

In 2002 the crime rate in the City dropped 5.48% from 2001.

The fire rate in 2002 dropped 25% from 2001. For the third consecutive year, the city experienced not a single fire-related fatality—a new record.

Less crime and fewer fires? That makes sense: with lower house abandonment rates, there are fewer opportunities for firebugs and more eyes on the street watching for trouble. Interestingly, **Connellsville, Pennsylvania** which abandoned LVT in 2002 has seen a remarkable surge in arsons.

In 2003, the City issued **1,763 building permits**—an increase of 12.5% over the number issued the previous year. More importantly, the total amount of new investment represented by these permits total \$351,517,500—the largest amount ever recorded in City history.

When city government began current economic development efforts, there were 1,908 businesses on the City tax rolls. In 2003, there are **6,951**, an increase of 975 from 2002.

In 2003 the City's crime rate dropped another 5.5% from 2002. The crime rate has dropped 56.5%—to the lowest in more than 30 years.

The fire rate in 2003, which stayed the same as 2002, has dropped by 76.3%—the lowest since citywide records began being kept more than 45 years ago.

– data courtesy of the City of Harrisburg

FROM THE DIRECTOR

TENNESSEE ERNIE FORD
WAS RIGHT: IT IS A
LOOOONNG
ISLAND

Long Island, NY is a fascinating place. It's crisscrossed by parkways, expressways, and causeways always filled with traffic that never moves. It's a place of sybaritic splendor and gross consumption (the Hamptons) next to some of the most depressed areas of the Northeast US.

Driving Long Island is an experience all should enjoy once; the diners sprout like corn along the Sunrise Highway, and the malls, while not individually spectacular, are as prevalent as ruined castles on the Rhine. It's a suburban (de-)construct of undefined magic, but with some big urban problems

On October 11th of this year, CSE presented a proposal to the **Long Island**

Progressive Coalition (www.lipc.org), a prominent and active public policy group that fairly defines progressive policies and politics in Long Island, NY. LIPC's positions are what are perceived as "progressive" with the extra steel of well-conceived studies and policy options on the environment, political reform, as well as economic health. They also maintain a non-profit fuel cooperative.

To combat a property assessment and tax system that for decades had overtaxed poor and working families, LIPC proposes a regional graduated income tax. *IT* believes that a shifting of the property tax can accomplish most if not all of the goals of an LI Income Tax, without penalizing the earnings of those who work.

CSE offered to perform a parcel-by-parcel study to determine the impact of

LVT. CSE Director Vincent addressed both staff and board and answered many questions in a lively, positive, and serious session. The Board passed a resolution supporting a Long-Island wide study. Subsequently, LIPC contacted CSE and its Long Island rep, **Charles Ellinger**, to confirm interest in a study. CSE expects to have the two counties of Nassau and Suffolk done in time to coincide with the reassessment of Nassau in time for tax season in October, 2006.

PARKING ENCORE

Noted Philadelphia journalist **Noel Weyrich** started a fuss that shows no sign of abating. His article in *Philadelphia Magazine* (www.phillymag.com/ArticleDisplay.php?id=464) highlights the impact of the parking industry on the political process, including its impact on LVT.

Philadelphia Record publisher and statesman Jim Tayoun is also raising concerns about the impact of the near-monopoly business on commerce, shopping and the political process (www.phillyrecord.com/2004/1118/1118-index.html). An article on LVT highlights the obstructionism of that building-busting "industry" towards real tax reform for neighborhoods and homeowners.

Mr. Tayoun notes the Philadelphia Parking Authority's efforts to give shoppers (and, by extension, the stores) a break during the holidays by the Philadelphia Parking authority:

"PPA Executive Director Joseph Egan said, 'We hope to mitigate the impact of higher rates found in privately run Center City garages by being proactive.'"

Government protecting citizens and business? What'll they think of next?

FROM THE READERS

IT reserves this space for readers; send your thoughts to incentivetaxation@urbantools.net

John Kelly, Peoria, Illinois
City Parking: Private Sector Cash Cow or Public Good in the October *IT* [Vol 30, No. 5, page 1] cites two cities, downtown Philadelphia and Silver Spring, MD, where parking space rent appears to cover the cost of operating and paying for parking decks. Most U.S. cities do not enjoy such favorable revenue.

There **is** a parking plan that is economically sound while accommodating parking needs in smaller cities: an umbrella authority coordinating parking and mass transit.

In U.S. cities, downtown land rents are not high

enough to finance building parking deck space.

The difference between the monthly space rent and the real space cost is a subsidy to downtown workers from taxpayers. This is unjust.

How can we raise the land rent or lower the space cost?

The alternate mode of transportation into the downtown is also heavily subsidized – the lines of the local transit district. During weekday rush hours most transit vehicles have high ridership, but not at other times. It loses big while taxpayers foot the bill.

So we have two losing methods of accommodating

transportation into the downtown, both subsidized, and neither providing value to the downtown to raise rents enough to pay for themselves. Worse, the two systems compete against each other! In the absence of a land tax, is there a way they can cooperate, to the betterment of both the downtown (demonstrated by higher rents) and the taxpayer?

My idea is to form an authority to run all the decks and mass transit thus eliminating fares. With each additional rider, the per-rider subsidy will drop. Downtown's value will increase and rents will

gradually rise. Parking fees will rise with the rent increases. As ridership increases, new, marginal parking decks won't have to be built. As downtown becomes more valuable, tenancy will rise.

With more tenants, new construction would further raise downtown land values. Free buses will look better as parking fees rise with higher rents; the parking subsidy would decrease. The mass transit subsidy would not be lowered, but the number of people directly benefiting would increase while the per-rider cost would drop. Seems like a win-win.

Measure for Measure

When dealing with LVT, sometimes we are forced to address the ancillaries: land use, assessments, and the politicians' efforts to do what's maybe right, but certainly popular. **Measure 37** in **Oregon** is one such item that looks great only hidden from the light of day or thought. 'Natch, it passed!

TAKINGS, AGAIN

The issue in front of Oregon voters was: if the government puts restrictions on land use, then land owners should be protected by their loss of land value (often called "property" value) by sacks of cash. Standard boilerplate from the property rights movement. Now, let's delve.

Who pays? If some land owner protests a new zoning restriction, the taxpayers do. If the landowner goes ahead with no compensation, the

landowner gets to do whatever a bulldozer and grader can do.

Unlike zoning and other restrictions there's NO public hearing if the government can't ante up. You wake up one day, and there's **Chuck E. Cheese** leering at you through your window instead of vistas of quaking aspens and mule deer.

Incredibly, the state number crunchers say the eventual annual price to state or local government would be: "who knows?" The cost of establishing the administrative framework: \$344 million. Considering the loss of revenue from three decades of payoffs to the rustics for current use farm assessments, it's a **Hobson's choice**: fiscal black hole or real black holes in the landscape.

WHAT TO DO?

Although *IT* wagers there's little shame amongst Measure 37 proponents, one idea might be to enact a state-wide LVT to support a fund to pay for this shakedown. Happily, LVT is the flip side to **takings**: morally, if the government must compensate landowners for loss of value through government action, then government has the moral right to collect the "**givings**" of land value increases thanks to government action. Try this the next time you're arguing with a landowner in his downtown Portland club, and tell *IT* how it worked.

Sources for Measure 37:

www.friends.org

www.takeacloserlookoregon.org

IT's ABSOLUTE favorite Measure

37 website:

www.getrichquickwithmeasure37.com

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