Incentive Taxation

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Land Value Taxation in Urban and Smart Growth Policy Discussion: Recent Developments From 1996-2004

Land Value Taxation: A shift of property, sales, income and other taxes on labor and capital to the taxable value of land. In most cases, this is achieved by shifting the property tax away from buildings and onto land.

Iowa Commission on Urban Planning, Growth Management of Cities, and Protection of Farmland - January 1999

I. **OTHER RECOMMENDATIONS**

A. Representative Fallon recommended all of the following:

1. There should be an expedited process for approving permits for development within the boundaries of areas planned for development.

2. Iowa's zoning statutes should be reviewed in order to determine if they should be modernized.

3. Local governments should have a stronger opportunity to participate in decisions regarding local development carried out by state agencies, including the construction of highways by the Department of Transportation.

4. The state should provide tax incentives to persons who develop property in a manner that meets land use planning objectives as identified by the Commission. **Specifically, land value taxation should be examined as a potential tool for cities in encouraging redevelopment.**

Puget Sound Regional Council

psrc.org

POLICY BOARD MEETING HIGHLIGHTS

July 13, 2000

Growth Management Initiatives - Financial Incentives and Development Strategies
Commissioner Garrido continued the discussion that begin last month on the draft growth strategies initiatives being considered for inclusion in the *2001 Draft MTP Alternatives Analysis and Draft EIS*. Physical Design Guidelines were discussed at the June joint meeting, and this month Commissioner Garrido discussed Financial Incentives and Development Strategies. Draft Financial Incentives, intended to influence transportation and land use choices by providing financial incentives and disincentives, include:

- Tax Increment Financing
- Multi-Family Tax Abatement

- Transit Tax Incentive
- Location Efficient Mortgages
- Revenue Sharing
- **Land Value Taxation**

More Question and Answer with Mayor John Norquist on Tuesday, January 26, 1999, at *The Landmark Series*

Q: Have you looked at alternative property tax systems such as a two-tier land value based system to encourage efficient use?

A: Great idea and almost impossible to get politically. Usually the constitutions in most states block it but it's been great for Pittsburgh. You almost can't find an empty lot in downtown Pittsburgh. They've done a lot of things wrong in Pittsburgh but one thing they did right was having this land value taxation so there's no incentive to have an empty lot. Having a parking lot doesn't make sense economically so the buildings fill in and you don't have these big empty spots. So if you can do it in Minnesota, go for it. It's good for the city.

Brunori, David. Metropolitan Taxation in the 21st Century. *National Tax Journal,* September 1998, 11(3), p. 541.

As we enter the 21st Century, local governments will face challenges to how they raise revenue. Existing local tax systems are ill equipped to meet future basic revenue needs. Moreover, economic and technological changes will inevitably and profoundly alter tax systems of all governments. The problems with existing tax systems and future economic challenges will likely lead to an environment in which local taxation will be limited to an extent unseen in American history. The limitations will challenge the ability of local governments to fund basic services—a function that must be performed. The limitations will also alter the relationship between local governments within a metropolitan area. The ability of local governments to use tax policy as a means of furthering economic development, i.e., competing with neighboring jurisdictions, will be greatly reduced. Finally local tax limitations will lead local governments to seriously consider an alternative system for collecting revenue—land value taxation.

Green Screens - AUGUST 1998

Tax Land Values and Control Sprawl

Most Northwest jurisdictions seek to prevent sprawl through the regulatory tools of land-use planning; none applies taxes to the same task. Yet shifting the property tax off of buildings and onto land values would turn it into a powerful incentive for investment in city and town centers and adjacent neighborhoods.

Taxing sites but not buildings turbocharges growth management, spurring development of the most valuable locations in developed areas. A study of eight randomly selected urban and suburban neighborhoods in King County found that between 8 and 63 percent of residential land is currently vacant or radically underused. Existing zoning codes in the city of Seattle alone can accommodate an additional 113,000 housing units. Under land-value taxation, parking lots, a typical holding pattern for land speculators, give way to buildings. Supplies of apartment and office space increase. Rental prices moderate.

This reform would more than double taxes on parking lots and vacant building lots, increase taxes by up to one-quarter on car-oriented commercial strip development, and moderately reduce taxes on pedestrian-oriented neighborhood shopping districts. It would reduce taxes by about one-third on the most land-efficient forms of housing -- apartments and condominiums -- and by about 5 percent for most single-family residences.

CENTER FOR POLICY ALTERNATIVES

Land Value Taxation – June, 2000

Instead of taxing land alone, most localities currently tax property, of which the most valuable part is the building. One way to contain sprawl is to tax land value and reduce taxes on capital investments, housing and jobs. If landowners have to pay more taxes on land instead of buildings, they are more likely to put their land to efficient use. The result is that owners of the most valuable sites have to pay the most tax and thus are the ones most eager to attract development. Since the most valuable sites lie near the center of a city or town, it is the center that attracts the development.

Taxing land not buildings also cuts down on driving. If people are attracted more to the center of their city or town, they will drive less because they will be able to use mass transit. Furthermore, the tax would force some sites that now have massive parking lots to use the land more efficiently in order to make more money to pay the new tax on land. As a result, parking would become more scarce and expensive and more people would switch from driving to riding.

November 26, 1998 The Lincoln county News, Serving Maine and Lincoln County for Over a Century

Task force says hubs warrant protection

According to the report, entitled "Reviving Service Centers: The Report of the Task Force on Regional Service Center Communities," 69 towns and cities throughout the state account for 75 percent of the jobs, 84 percent of the taxable retail sales and the majority of the state's social services

It also recommends that the state consider adopting a "split-rate property tax," which would encourage service center property owners to develop their land, "(a)s such, it is a tool for economic development." It would reduce the mill rate on improvements by shifting the burden to the actual land value.

"The effect would be to reward investment and create jobs, especially in service centers where the majority of commercially zoned land with public utilities is located."

Paradox of Sprawl Conf., October 30/31, 1997, Edited remarks of Evan Richert, Director, Maine State Planning Office

There is a version of the single tax idea, which was Henry George's idea that is now widespread in Pennsylvania, simply using his idea and recreating it into an optional split-rate property tax for commercial and industrial districts. What that does is it untaxes the capital, the investment, and increases the taxes on the land so that the incentive and the reward are in the production of capital investment where you want the industrial and commercial growth to occur. The first community that enacts this will leap head and shoulders above the surrounding communities in terms of attracting commercial and industrial investments. It is that powerful an incentive.

The Institute for Local Self-Reliance (ILSR) proposes a set of new rules that builds community by supporting humanly scaled politics and economics. The rules call for:

- Decisions made by those who will feel the impact of those decisions.
- Communities accepting responsibility for the welfare of their members and for the next generation.
- Households and communities possessing or owning sufficient productive capacity to generate real wealth.

OutLANDish TAXes?

by Pam Neary
published in the Summer, 1999 issue of the *New Rules Journal*
Click here to find out how to subscribe

Outraged voters, tight city budgets and intractable urban problems have all combined to encourage public and policymakers to explore alternative forms of taxation, especially a tax that could replace the vilified property tax. One of the "new" taxes under increasingly widespread examination is the land value tax--first proposed over 100 years ago by political economist Henry George. Can a land tax reduce sprawl and strengthen urban economies? The evidence is persuasive, but not conclusive, and many things have changed since 1879, when George published his famous book, Progress and Poverty. Henry George lived in San Francisco during one of California's many land booms in the 1860s. During that time he observed that increasing poverty usually accompanied rapid economic growth, and a correlation existed between the increased wealth of landowners and the decreased wages of workers. He believed it was because land speculators withheld their holdings from productive activity in anticipation of greater returns in subsequent years, forcing the costs of production up and the level of wages down….

Perhaps the differential between suburban property taxes and Pittsburgh land taxes induced at least some of the construction activity. Since land taxes have not been enacted on a regionwide or statewide basis, structures in Pittsburgh clearly receive beneficial treatment when compared to the surrounding communities. Some researchers believe that it is this differential that most influenced Pittsburgh's construction since 1979. Given that more expensive structures benefit the most from a land tax, it is perhaps not so surprising that commercial construction activity increased most noticeably.

Many other cities in Pennsylvania have experimented with the split rate tax system, including Aliquippa, Carbondale, Clarion, Coatsville, Du Bois, Duquesne, Harrisburg, Hazleton, Lock Haven, McKeesport, New Castle, Oil City, Pittsburgh, Scranton, Titusville, Uniontown, and Washington. In 1998, Pennsylvania enacted Act 108, which permits the state's nearly 1,000 boroughs with a population of 2.5 million to implement split-rate property taxation.

Split-Rate Taxation – Georgia Municipal Association, 2000 Legislative Goals

GMA will continue to examine the benefits and costs of authorizing local governments to use split-rate taxation or land value taxation as a means to promote efficient use of urban land.

Explanation: Split-rate or land value taxation taxes the value of land and the value of building improvements separately. By taxing improvements at a lower rate and land at a higher rate, local governments provide incentives to efficiently use vacant, abandoned, and dilapidated properties. GMA recognizes that this proposal would drastically alter existing Georgia tax policy and should be studied carefully.

1000 Friends of Maryland Platform

5. Promote Innovative Fiscal Policies

- Support enabling legislation to allow for regional tax-base sharing.
- Support enabling legislation to permit innovative local property tax structures, for example a tax structure based on land value taxation.

Tax Reform for the Environment

Highlighting Tax-Shift Initiatives in Minnesota and Around the World
Vol. 2, Issue 1
November 1999 - MINNESOTA

The Minnesota Environmental Quality Board's new report, *Smart Signals - Economics for Lasting Progress* (November 1999), covers a wide range of tax/environment issues and offers some intriguing proposals for tax reform in Minnesota. Among the findings, the EQB finds that "Minnesota is doing many things well, but some tax and spending policies work at cross-purposes."

A section of the report on Minnesota's convoluted property tax system concludes that the current system should be changed to one using site-value taxation (or the "split-rate" property tax). Site value taxation "splits" the property tax into its two components, a tax on land value and a tax on buildings value. The benefits of such a system are summarized as follows: economists generally praise site value taxation for its ability achieve economic efficiency and equity together and impose minimal distortions to the economy; it reduces the property tax penalty for improving property; pressures for urban sprawl are reduced by encouraging best use of higher value (already serviced) land; and site value taxation recognizes that government investment in infrastructure and general community growth creates private wealth in the form of higher land values — wealth not earned by the property owners.

Regional Proposals for Transportation and Land Use Reforms – Coalition for Smarter Growth, 1999 (Metro DC)

4. Apply Market Incentives and Tax Measures

A variety of market incentives and tax measures can do much to reduce the subsidies for growth on the region's fringes and to remove the disincentives to investment in core areas, including:

- Location (or transit) efficient mortgages for homeowners who exclusively use transit, enabling homeowners to qualify for higher mortgages in more expensive station areas.
- Fiscal impact fees for developments outside growth areas.
- Split rate taxes that impose higher taxes on land than on buildings in infill areas (and the reverse policy in rural conservation areas), thereby providing an incentive for infill development.

An Environmental Agenda for the District of Columbia 1999

Endorsed by:

Anacostia Watershed Society
Clean Water Action
Coalition for Smarter Growth
Committee of 100
Environmental Defense Fund
Friends of the Earth
Green Party of D.C.
Institute for Local Self Reliance
Scenic America
Sierra Club, New Columbia Chapter
Sustainable Community Initiatives, D.C.
Washington Area Bicyclist Association
Washington Regional Network

Recommendations for Action:

Split the Property Tax Rate

The District's current property tax rate structure penalizes those who build or improve houses and businesses and rewards speculators who neglect or board up their buildings. This is because land and buildings are now taxed at the same rate: for example, homeowners are taxed at approximately $.96 per $100 of assessed value. The attempt to remedy the problem with the class 5 property tax rate has failed.

Pittsburgh and many other cities have shifted to a more progressive scheme that is designed to promote restoration, conservation, and use of existing property: the "split-rate" property tax. The concept is simple -- instead of taxing both land and buildings at the same rate, say $.96, the City would tax land at a higher rate, say $1.50, and buildings at a lower rate, say $.50. (The latest available rates for Pittsburgh are now $1.84 and $.32, respectively).

The effect of such a tax shift is to encourage maintenance, renovation and new construction while discouraging speculative hoarding of vacant lots or decaying housing. *The former director of housing for Harrisburg, PA, has credited that city's split-rate tax with reducing the number of boarded-up housing units from 1,800 in 1985 to less than 400 today*.

The split-rate tax can be readily implemented without expensive government programs or regulations and will result in a tax break for most property owners, particularly in low and middle-income neighborhoods, while encouraging home ownership.

Recommendations for Action:

(1) **The Mayor should direct the Office of Tax and Revenue (OTR) and the Board of Real Property Assessments and Appeals (BRPAA) to prepare for a split-rate property tax**.

(a) OTR assessors and BRPAA staff should be trained in proper land assessment techniques. This should include training in the use of the multiple regression module of the District's CAMA system. The law presently requires market value assessment of both land and buildings.

(b) OTR and BRPAA need to establish procedures allowing property owners to appeal the apportionment of their assessment between land and building values.

(c) Whenever the next round of proposed assessment notices are mailed (and from that date forward) taxpayers should be notified that they may appeal the apportionment of their assessment between land and building values.

(d) OTR and BRPAA should promote understanding and awareness of the split-rate concept among ANCs, civic associations, etc. Similar information should also be provided to business groups.

(e) Summer / Fall 1999, the Mayor should propose a set of split-rate property tax rates to the Council for enactment. These rates would come effective at the first billing after property owners have had an opportunity to appeal their assessment apportionment.

(2) **The Council of the District of Columbia should:**

(a) Enact legislation authorizing taxpayer appeal of assessment apportionment between land and building values, unless this has already been accomplished by an executive order of the Mayor. *Neither BRPAA nor the Courts allow these appeals at present because, under the present system, assessment apportionment does not affect the* *total amount of taxes due*.

(b) Provide budget support to OTR and BRPAA to cover initial training for assessors and assessment appeals staff. This cost for training will be recovered from new revenues that result from increased development activity.

(c) After the public has had an opportunity to appeal assessment apportionment, the Council should initiate a gradual reduction in property tax rates on building values and a gentle increase in tax rates on land values. The consultant to the D.C. Tax Revision Commission demonstrated that this can be accomplished without significant tax increases or decreases for the vast majority of property owners.

Smart Growth in the Southeast: The Environmental Law Institute

The split-rate property tax, also known as the land value or two-tiered real estate tax, sometimes is used to encourage historic renovation, building rehabilitation, and development of vacant land in existing communities. Under a split-rate tax system, land is taxed at a higher level than buildings in areas where the community wishes to encourage investment. Although not yet used in the Southeast, other parts of the country are experimenting with a split-rate tax to discourage holding idle land in urban areas. Under most tax systems, property owners are penalized whenever they increase their property's value through new building, rehabilitation or repair because as their building value increases so does their tax liability. Under a split-rate system, owners who improve their properties are not penalized, because the building and its improvements are taxed at a lower rate then the underlying property [land]. Split rate taxes thus help provide affordable rental spaces, since the cost of developing commercial and residential space is reduced. Harrisburg, Pennsylvania has used the two-tiered real estate tax for several years and the Mayor endorses the system as rewarding the best use of land in the city, discouraging land speculation and providing a concrete incentive for development.*

*Letter from Stephen Reed, Mayor, Harrisburg, Pa. to Mayor Anthony Williams, Mayor, Washington, DC Dec. 28, 1998.

Greenprint #2: Smart George Taxes

By Peter Shorett and Michael H. Shuman

Bad taxes make bad neighbors. They scare off businesses and residents, and drain a community of its assets. The good news for poverty-stricken communities, however, is this: Smart taxes can reverse these trends. And one of the smartest tax reforms, conceived more than a century ago by economist Henry George, is remarkably easy to do: Refocus existing property taxes on land rather than on the buildings and businesses and – voila! – the owners have a new incentive to "improve" their land. Plus, buildings and land are no longer held for speculation. Dozens of cities in the United States and around the world have experimented with this so-called "split-rate" property tax and have been able to bring back companies, job opportunities, and affordable housing, all of which had vanished because of urban decay and suburban sprawl. It's time for other communities to learn from these successes – especially poor, inner-city neighborhoods.

"In Pittsburgh: Brownfields No More" E Magazine (06/00) Vol. 11, No. 3; P. 30; Motavalli, Jim

For decades Pittsburgh was contaminated by coal fires and heavy metal. In recent years, though, the city has made great strides in revitalizing its brownfield sites. This, in turn, is bringing residents and businesses back to the city. The nearby island of Washington's Landing has shown some of the most dramatic improvements. A $26 million restoration and environmental cleanup has led to residential and commercial developers adding a mix of townhouses, office buildings, and restaurants. Other city projects are being helped by a two-tier tax system that encourages the redevelopment of vacant downtown land. Deborah Lange, executive director of The Brownfields Center, declares, "Effective reuse of brownfields can actually prevent urban sprawl." However, not everyone shares her optimistic appraisal. A recent Pittsburgh Tribune-Review editorial stated that sprawl should be regarded positively as "growth fueled by man's age-old desire to migrate out of population centers."

SPRAWL WATCH CLEARINGHOUSE

BEST PRACTICES

Tax Incentives

1. Promoting Good Design and New Investments in the City: Site-Value Taxation

As an alternative to the current property tax system, James Howard Kunstler (author of The Geography of Nowhere) commends a rational alternative, site-value taxation which levies a tax on real estate commensurate with the site's potential value, regardless of what buildings may occupy the site. This form of property taxation recognizes "socially created value" -- the huge public investments in streets, sewers, utilities and so forth, that make the private real estate holdings more valuable. Site-value taxation encourages productive new investments, such as buildings for middle-class housing and denser urban development. This, in turn, makes urban spaces more lively and interesting -- places where people want to live and businesses invest. By taxing land, and not buildings, developers have greater incentive to design durable, gracious buildings and can more easily eschew the slipshod standards of so much contemporary construction.

Under the current property tax, land speculation is encouraged. Land speculation inflates land prices near existing roads, transit, sewers, schools, etc. and drives development away from these facilities and services to cheaper remote sites. However, under a site value tax, land speculation is discouraged. This helps reduce urban land price inflation. Furthermore, where urban land values are high -- generally near existing infrastructure -- landowners will need to generate income from which to pay the site value tax. As a result, landowners are motivated to create compact, infill and brownfield development on high-value sites near infrastructure. More intense development of these urban sites reduces the pressure to develop rural greenfields where land values (and taxes) are lower.

The Brookings Review

Summer 2000 Vol. 18 No. 3
Pages 22-26

Nothing left to Lose

Only Radical Strategies Can Help America's Most Distressed Cities

by **Edward W. Hill** and **Jeremy Nowak**

"…cities should abolish all business taxes that inhibit the location of startup firms or discourage investment in productivity-enhancing equipment or practices, including all forms of gross receipts or turnover and net profits taxes. Cities should also replace the business property tax with a tax on the market value of land, coupling the land tax with the broader use of business improvement districts or tax increment finance districts to pay for major infrastructure investments. Land taxes, which may initially be extraordinarily low, even zero, in some especially distressed neighborhoods, have several advantages over property taxes in keeping a city's economy competitive. They discourage speculative land banking. They encourage businesses to place as much capital on property as is economically justifiable because non-land forms of real property are not taxed. They strongly encourage city government practices that preserve the value of land. And, finally, they are a powerful incentive to maintain properties.

Local personal taxes commonly take three forms: sales taxes, wage or income taxes, and property taxes, the latter being the most common. A residential property tax has two components—a land tax and a tax on the value of the structure. The land component of the residential property tax should be assessed on an equal basis with the business land tax, again providing incentives to develop in neighborhoods with low land values, as well as preventing speculative land banking."

Eastern Pennsylvania Business Journal – August 12, 1996

“A lot of the people who will pay more property tax have been getting an easy ride until now. They’ve made little or no improvements to their land while still benefiting from the same city services as landowners who invested in their property. A land value property tax addresses that inequity by taxing land at a higher level than buildings. It’s a proven stimulus to economic development.” – Pat Toomey, then local businessman now a Republican Representative from the 15th Congressional District.

Abandoned Buildings: Models for Legislative & Enforcement Reform

Prepared by: Mark Setterfield·Associate Professor of Economics
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Trinity Center for Neighborhoods
190 New Britain Avenue, Hartford, CT 06106-3100
Research Project 23, March, 1997

c) Land Value Taxation — the idea of Land Value Taxation (LVT) is a simple and, as the experience of cities such as Pittsburgh and Harrisburg, Pennsylvania suggests, an effective way of encouraging urban development and discouraging abandonment simply by shifting the burden of property taxes. The principal aim of LVT is to orient property taxes towards taxing the value of land (based on its calculated rental value) rather than taxing the value of improvements — such as buildings — to that land. The idea is to ensure that the burden of taxation falls on property owners regardless of whether or not they make good or bad use of their land. This creates an incentive to improve land — to maintain and/or to develop buildings — in an effort to ensure that it is used productively, rather than to allow potential income generating structures to fall into disrepair and disuse. [9] LVT may even involve assessing vacant land at a higher rate of taxation than improved land in order to further enhance incentives for improvement. Proponents of LVT argue that shifting property taxes away from buildings is also likely to reduce residential and commercial rents and stimulate construction activity. Consequently, LVT may not only help arrest urban blight, but also may contribute to the reversal of this process by stimulating new development. There is, moreover, some evidence to support these claims. Oates and Schwab (1995) examine the impact of Pittsburgh's decision, in 1979-80, to tax land at a rate more than five times higher than the tax on structures. They find that Pittsburgh subsequently experienced a construction boom that greatly exceeded increases in building activity in other cities within the region. While the scarcity of commercial space in Pittsburgh during the 1980s is found to be the main factor behind this dramatic construction boom, LVT was found to have played an important supporting role.

Capstone Seminar in Economic Development and Planning: Brownfields and Urban Revitalization in Pittsburgh
Spring Term, 1998, PIA 2096
Graduate School of Public and International Affairs University of Pittsburgh
Prof. Sabina Deitrick

Land Value Taxation (LVT)

Land value taxation (LVT) is a tax proposal that has intrigued many highly respected economists and others with its potential to raise revenue, while encouraging rather than discouraging development. LVT has recently been implemented, with preliminary indications of modest but consistent success, in 16 Pennsylvania municipalities.

LVT asserts that the assessment of property value and the resulting property tax burden should be divided into two components: the value of the land itself and the value of the buildings or other improvements on the land. Dividing property value into these two "tiers" allows the value of the land itself to be taxed at as high a rate as possible, and the value of the improvements to the land at as low a rate as possible, or perhaps not at all, in the extreme case.

The burden of higher tax payments, in a revenue neutral shift from a single-rate property tax to a two-tiered tax, would be borne by owners of lots in areas where the land is in high demand – such as central business districts, suburban retail corridors, and large suburban housing lots. Owners of underdeveloped but extremely large tracts in more distressed communities – such as large-scale absentee landlords, or owners of the former steel mill sites in the Mon Valley, would also be likely to have a much higher tax burden if land were taxed at a higher rate. Several studies have documented that most homeowners, particularly in the older communities, would have a lower tax burden under such a plan (Barry and Sullivan, 1992; Incentive Taxation, 1992).
http://www.pitt.edu/~bfield/Project/Chapter3/chapter3a.html

Summer 1999 Issue of *Environmental Law at Maryland*, University of Maryland School of Law

SMART GROWTH: HISTORIC PRESERVATION TAX INCENTIVES

Another effective tax incentive that can be used to encourage historic rehabilitation is the split-rate property tax, also known as the land-value or two-rate tax. The split-rate property tax takes the value of a piece of property and divides it into two parts-the value of the land and the value of any buildings or improvements on the land. The value of the land is taxed at a higher rate, whereas the value of the building and improvements is taxed at a lower rate. This scheme creates an incentive for property owners to rehabilitate and maintain their property. It also promotes vertical, rather than horizontal, development. Moreover, this tax system benefits all properties, not just historic ones.

Rachel's Environmental & Health Weekly, erf@rachel.org (410) 263-1584

Taxes for Sustainability

Here is a brief discussion of some of these "taxes for sustainability":
LAND VALUE TAX TO DISCOURAGE SPRAWL

Urban sprawl destroys natural areas, paves over farm land, eats up scarce open space, increases commuter traffic and air pollution, isolates the poor in city centers, decreases the urban tax base, reduces the jobs available to city residents, increases the number of vacant or abandoned lots and buildings in cities, destroys the traditional sense of community found in urban neighborhoods, and increases the tax burden on suburban residents. To revitalize our cities, and reduce automobile pollution, we need to curb sprawl.[3]

The movement of people out of cities and into suburbs is being promoted by many public policies. For example, governments subsidize automobile travel (by paying for highways, traffic control, law enforcement, parking, effects on public health, and more). The Federal Housing Administration's (FHA) rules have favored lending for single-family dwellings (suburban) but not for multi-family units (city). FHA rules have also made it cheaper to buy a new home (suburbs) than to renovate an older one (city). Federal tax deductions for home mortgage interest subsidize homeowners (suburbs) over renters (city). As suburban development drives up the price of farmland in the suburbs, inheritance taxes may force the children of farmers to sell the farm just to pay the taxes. To revitalize cities and prevent destructive sprawl, each of these subsidies to the suburbs should be reduced or terminated.

But that is not all. SA suggests that the property tax could be shifted in an interesting way to reduce the incentives for sprawl. If the property tax were taken off of urban buildings and focused on the land beneath the buildings, this would penalize land speculation and would reward people who built on their land. Land speculators hold land undeveloped, hoping to earn a higher price in the future. This promotes "leap frog" development out of the city and into the surrounding countryside. The proposed shift from traditional property tax to "land value tax" would penalize land speculation and encourage urban development. Removing (or reducing) the tax on buildings makes them cheaper to construct and operate, and more affordable to buy or rent. Urban construction creates urban jobs.

As things stand now, as urban buildings decay, owners often don't make repairs because their property tax will rise. Thus the typical property tax creates an incentive toward suburban sprawl and urban decay. Shifting the property tax from buildings onto land reverses these incentives.

Taxing land more than buildings will reduce taxes for homeowners. Land speculators, on the other hand, will see their taxes rise. And there are other benefits. According to the Henry George Foundation in Columbia, Maryland, the city of Harrisburg, Pennsylvania has shifted from a traditional property tax to a "land value tax" system. There used to be 4200 abandoned structures in Harrisburg, and now there are 500 because now no one is penalized for repairing an old building. (See www.urbantools.net).

There can be one major drawback to this property tax shift: it could create an incentive to build on open spaces and ecologically sensitive areas, so these areas will need to be vigorously protected by zoning and by the establishment of strict urban growth boundaries, such as have been enacted in cities like Portland, Oregon. But of course such areas need protection under the present property tax system, too.

[3] See http://www.sierraclub.org/sprawl/report98/ and http://www.sierraclub.org/sprawl/report99/. *Rachel's Environment & Health Weekly is a publication of the Environmental Research Foundation, P.O. Box 5036, Annapolis, MD 21403*

About CIELAP

Brief History

Founded in 1970, The Canadian Institute for Environmental Law and Policy (CIELAP) is an independent, not-for-profit research and education organization.

CIELAP's mission is to develop and advance proposals for the reform of environmental law and public policy. CIELAP's research is presented in a manner that assists public interest groups, government, industry and individuals in their daily decision-making. This approach aids the protection of both human and environmental health as well as the preservation of the natural environment.

Move to Unit Value or Land Value Taxation

The current system of property taxation in Ontario taxes real estate according to its market value. This represents a combination of the land value and the value of the buildings on the land. Some urban economists believe that this approach to property taxation is contributing to urban sprawl. They argue that by taxing buildings we are discouraging property owners from improving their lands and increasing densities. We are also undertaxing vacant lands within the urban envelope that should be developed, effectively encouraging the land owners to maintain the land in an idle state. Market value taxation also penalizes people who live in city centres where land values are high and may encourage people to settle in outlying regions where taxes are low. Thus, taken together, market value taxation may be encouraging sprawl in a number of subtle ways.

Alternatives to market value taxation include unit value taxation and land value taxation. Unit value taxation assesses property based on physical characteristics such as the size of the lot. The larger the lot, the higher the property tax paid. Advocates of this approach claim that it is fairer than market value taxation because larger lots use more municipal services, e.g., more snow removal and road maintenance in front of their house, longer pipes in the ground to get past the house, and further distances for police and fire trucks to drive. Unit value taxation would discourage oversized lots typically found in suburban locations and reward residents housed on small lots in the inner city. Thus, this approach could help stem sprawl.

A land value tax would tax only the land component of real estate within urban areas. By increasing property taxes on land, we would encourage owners of vacant lots to develop them in order to generate the revenue they need to pay the taxes. The greatest incentive for development would be where land values are highest, such as near major transit facilities. The result would be to encourage higher density development throughout the urban region, and in particular in areas that are better serviced by municipal infrastructure. Outside the urban growth boundary, property would be taxed at a lower rate in order to avoid increasing development pressures on and penalizing owners of rural land.

THEORY IN ACTION

Association of Bay Area Governments

Smart Growth Case Studies
in the San Francisco Bay Area
and around the nation

Split-Rate Tax Encourages Infill, Discourages Speculation

A number of Pennsylvania cities use a split-rate property tax to encourage infill development, and increased density, while discouraging land speculation.

Description

Using property taxation as an incentive for concentrated development and redevelopment, over a dozen Pennsylvania cities take advantage of state enabling legislation that authorized a split-rate property tax. Under this scheme, the tax on buildings and land is split and buildings are taxed at a lower rate. The lower rate for buildings provides an incentive for owners to maintain and improve their properties. The higher land rate discourages real estate speculation, which often leaves potentially productive urban space vacant; the disincentive for speculation in turn encourages infill development. By helping to prolong the life of existing buildings, the split-rate system has the potential to promote more efficient use of land and public infrastructure to direct growth toward downtown and inner city areas.

- Results: A study showed that the annual value of building permits in Pittsburgh grew by 70% in the 1980s after the city expanded its split-rate tax. Fourteen comparable cities analyzed saw a 14% decline in building permit value during this period. Other cities that have instituted or expanded split-rate taxes (including New Castle, McKeesport, Scranton, Clairton, and Connellsville) have experienced similar gains while comparable nearby cities have seen declines.
- Research has found that the tax system has encouraged concentrated economic development. Pittsburgh has a relatively compact pattern compared with other cities.

- Harrisburg has seen increased vertical—as opposed to horizontal—development that the city attributes in part to its split-rate tax.
- In the City of Washington, the reduced tax on buildings and building improvements has created a surge in building permits for modifications to existing structures, stimulating economic development citywide.
- Vital Statistics: Eighteen cities and two other jurisdictions in Pennsylvania use a split-rate tax, with land-to-building tax ratios typically around 5:1 but ranging as high as 16:1.
- Pittsburgh and Scranton implemented the system in 1913. Since the 1970s, the state legislature has extended the split-rate option to other cities and school districts as well as the state's 1,000 boroughs.
- Many participating cities enact the split-rate tax on a "revenue neutral" basis, so that there is no initial fiscal impact. The total tax on an existing parcel with improvements remains the same, only the method of calculating it changes, with a share of the tax burden shifted from the buildings to the land.
- Gradual implementation (incremental over a ten year period, for example) of the tax shift from buildings to land has also proven successful.
- Key Player(s): Joshua Vincent, President, Center for the Study of Economics
- Stephen Reed, Mayor, Harrisburg
- Contact Info: Anthony Spossey, Mayor, Washington, PA, (724) 222-9315
- Joshua Vincent, President, Center for the Study of Economics, (215) 545-6004, Email: centerforthestudyofeconomics@msn.com

MAJOR ISSUES
CURRENT STATUS
RECENT ANALYSES
NARPAC, Inc.
HOME
NATIONAL ASSOCIATION TO RESTORE PRIDE IN AMERICA'S CAPITAL
TOPIC INDEX

May, 2001

Land Use Planning:

The Committee reflects NARPAC's strong emphasis on increasing the density of mixed-use developments around Metrorail stations. It also suggests the need to incorporate transportation objectives in its Comprehensive Plan, and suggests adopting a "Split Rate Tax" to encourage "compact growth and neighborhood renewal.

The Center for Chesapeake Communities' Summit

Toward a Sustainable Chesapeake - Part V Planning for the Future

Developing Sustainable Codes and Ordinances -Redevelopment Through A Shift In Tax Policy

Tool: Innovative Tax Policies

Joshua Vincent, Center for the Study of Economics has studied the benefits to the two tier tax, or split rate tax for many years, and works with communities to re-evaluate and change their tax policies to promote smart growth. Communities throughout the watershed have experienced massive suburban growth. Cheap land in the countryside, cheap mortgages for new construction, transportation patterns and ever-increasing tax on sales, income and infill projects only encourage sprawl. A common-sense solution to discourage sprawl and encourage homeowners and businesses to use their sites more productively (thereby providing more jobs and construction) is tax on land values.

Like any program that will bring change to the status quo, involvement at the community level, education and outreach are essential. Grass roots organizations can help promote and educate the public on the facts of split tax rate and how it will affect the community. There are now clear, successful examples throughout Pennsylvania where 16 communities have instituted the split tax rate, and everyone can learn from their example. But, Vincent cautions, land tax will not work in a vacuum, and communities should also consider smart growth policies encouraging strong zoning and open space regulations.

There are many faces to sprawl. It inhibits the use of transit by pushing places of work and residence away from mass transit infrastructure. It necessitates auto travel and encourages new development to build for the automobile instead of the pedestrian. It pollutes the air, the water, and ultimately, communities' quality of life.

To combat sprawl, local government must look at innovative antidotes that encourage compact, mixed-use development that places homes near jobs, schools, recreation and shopping, promotes, walking and cycling, and enhances the efficiency of travel. To counteract these negatives, local governments can look to the reformation of property taxes - reducing the tax rate applied to building values, while increasing the tax rate applied to land values.

In his article, *Tax Reform Motivates Sustainable Development*, Rick Rybeck states, "Property tax reform can help create economic incentives to develop land adjacent to public infrastructure and amenities while reducing development pressures at sites farther away." He continues, "The higher land tax cannot be avoided or passed on to space users. Thus land owners are motivated to generate income from which to pay the tax. The greatest economic imperative to develop land will exist where land values are highest, adjacent to existing infrastructures and amenities. At the same time, a reduction in the tax rate applied to building values makes that development more profitable. Away from infrastructure, where land values are low, taxes will be low and there will be less economic motivation for development."

Model: Harrisburg City officials have described land value tax crucial to the cities revitalization. Harrisburg was labeled the second most distressed city in the early 1980s. Once plagued by over 4,200 vacant lots, Harrisburg now has fewer than 500. A more vital downtown has led to more jobs available in the inner city, a drop in crime by 22.5 percent since 1981, and a 51 percent drop in fires since 1982. These results are especially noteworthy when one considers the fact that 41 percent of the land and buildings of Harrisburg are owned by state or non-profit bodies and cannot be taxed by the city.

Model: Municipalities in Maryland have the authority to set differential property tax rates. The Honorable Daniel Hartley, former Mayor of North Beach in Calvert County, MD considered tax reform for his community. North Beach is a small, but clear example of how tax on land values could work, though it has not been adopted as yet. This town of 2,700 people has a large supply of vacant and underused land yet it is on the Chesapeake Bay, where developers are seeking development opportunities. Denied the chance to develop a large, already infrastructured area (largely due to a recalcitrant landowner), the development community has been forced to look to pristine wetlands to build and develop. Research done by the Center for the Study of Economics shows that land value tax can make a difference in North Beach.

Resources:
Please view the Appendix for a list of possible funding sources, publications, and web sites providing more detailed information about the listed tools and techniques.

Presenters: Joshua Vincent, Center for the Study of Economics; The Honorable Daniel Hartley, North Beach; Rick Rybeck, staff attorney for the Honorable Hilda Howland M. Mason
Moderator: Ann Swanson, Executive Director, Chesapeake Bay Commission

UTNE READER – January, 2001

The 10 Most Underrated Towns in America -Ten great American cities, once dismissed as bad news, that deserve another look.

5. Pittsburgh

The affordable San Francisco: great neighborhoods lining valleys and perched atop hills—and unlike San Francisco, it's not losing all its **working-class character** • Steel, once its lifeblood, is down to just a few thousand jobs, but the town has hung on and diversified • Downtown survived the '60s and '70s better than most, and still sports four major department stores (although a new plan to level some older buildings there warrants close scrutiny) • Hilly topography fosters **strong neighborhood identity** and cohesion • The city wisely kept its **streetcars,** upgrading them to light rail and adding **bus-only lanes** to improve transit • It passed on building a perimeter beltway and constructed fewer freeways than other cities • The **Andy Warhol Museum** helped to spark revitalization • A North Shore development replaces the outmoded Three Rivers stadium with a new football stadium, ballpark, housing, and office buildings • A New Urbanist community, now under construction, will extend the popular Squirrel Hill neighborhood across a mountain of industrial slag; it's the **ultimate brownfield reclamation** project • Chatham Village, a visionary workers' housing project built in the early 1900s, today ranks among Pittsburgh's most prestigious addresses • The stock of **old buildings** throughout the city is outstanding • A **unique tax system,** inspired by 19th-century economic theorist Henry George, assesses land at a higher rate than buildings, thus encouraging historic preservation, discouraging downtown parking lots, and reducing sprawl.

Municipal Research & Services Center *• Working Together for Excellence in Local Government*

Infill Development Strategies for Shaping Livable Neighborhoods

June 1997 - Report No. 38

Recommendations

Adopt Tax Policies Which Discourage Holding Unimproved Property

Taxing land at a significantly higher rate than property improvements can accelerate development of vacant parcels. Conventional property taxation involves the taxation of both land and the improvements to the land such as buildings. In Washington, although county assessors separately assess the market value of a property's land and its improvements, both components are added together to determine property value and are taxed together at the one rate. Under this conventional property taxation system, improving property with buildings or other improvements such as infrastructure, increases property value. It also has the negative consequence of triggering higher taxes. This situation operates as a disincentive for improving land. A property owner must be certain that the property improvements will produce adequate return and investment to realize desired profits despite increased taxes. As long as tax rates on land are low, a property owner can afford to hold land, in an unimproved state, for speculative purposes. Speculation, in general, drives up land prices that in turn drives up housing costs. In fact, the King County Housing Partnership identified rising land values as the main "cost driver of the 1980's" (King County Housing Partnership, 1991).

Some communities have dramatically restructured their property tax system to tax land at a much higher rate than the tax rate on property improvements. Raising the tax on land while lowering the tax on buildings means that it will become more expensive to hold land in a vacant state. At the same time, this action would reduce the "penalty" on improvements, thus encouraging more intensive use. A study using King County data found evidence that land-extensive uses (such as single-story strip commercial shopping establishments with abundant surface parking, or large lot subdivisions) would experience a greater tax burden than land-intensive uses (such as multifamily complexes). Such a tax structure also would tend to precipitate upgrade of older, obsolete buildings or their conversion to more intensive uses. The overall burden on single family residences would remain much the same, except for large lot residences which would experience increased taxes (Gihring, 1993). In general, this restructured tax system promises to promote changes which are consistent with many communities' growth management goals.

Successful Applications

Pittsburgh, Pennsylvania restructured its property tax system in 1979 to 1980 to one in which land is taxed at more than five times the tax rate applied to structures on the land. Following this change, Pittsburgh was the only city among 15 studied to experience "a large and significant increase in levels of building activity during the 1980's (a 70 percent increase on an annual basis over the 20 year period preceding the reform)." Only one other of the studied cities experienced any increase in building activity during this period, while the rest of the cities typically experienced a substantial decline in the annual real level of building activity. Pittsburgh's suburbs did not experience a similar increase. (Note that county and school district property taxes were not restructured so that overall, land within the city was taxed at twice the rate that was applied to improvements.) At the same time, Pittsburgh instituted a generous three-year tax abatement on the additional value from new construction. The study's authors concluded that the tax abatement on improvements was the more powerful incentive. However, the huge increased rate on land provides the additional revenue source that allows the reduction in the rate on improvements (Oates and Schwab, 1992).

Q-Do you know anything about a proposal made a few years ago by the Center for Public Dialogue, which I believe is one of those Washington D.C. think tanks?

A-I don't know much about that organization but I think the idea for a double rate tax system that would treat improvements, and the land on which they were built as two distinct forms of property, may have originated there.

Q-How would it work?

A-They found that over a twenty-year period building costs (materials etc.) rose approximately 14 percent a year, house-related labor costs rose anywhere from 11 percent to 15 percent whereas land values increased annually at three or four times that rate or an average of forty-eight percent. Land used to be ten percent of the cost of a house; now it's 24% to 30% of the cost in many areas.

By adopting lower tax rates on structures, tax-relief is given to both owner-occupied and rental housing and the owners have an incentive to improve the buildings. Then taxes are raised on land a value, which decrease the profit of holding idle land and slows the growth of land values.

This approach would keep housing costs and apartment rentals down and would encourage landlords to make improvements to existing buildings.

Q-That's nothing new. A lot of cities in Pennsylvania have been doing that for years and years.

A-What's new is suggesting that this layered taxation be adopted widely by communities as a way to make housing more affordable. In Pittsburgh structures are taxed at a rate six time higher than land and the average price of new and existing homes is far lower than most cities its size. In 1988 Pittsburgh homes averaged $51,300 versus $183,000 in San Francisco and $229,400 in Boston.

Q-That's ridiculous! There are many reasons completely unrelated to property taxes, for those price differentials.

A-Of course you're right, but you've got to admit having low tax rates on buildings encourages, or at least does not discourage, construction as the property tax structure in most cities does. Look at examples of cities in the same general locality.

When Scranton, Pennsylvania began taxing structures at only 25 percent of the rate it taxed land, the value of private construction rose 22 percent. Nearby in Wilkes-Barre, which taxed improvements at a higher rate than land, as most cities do, private construction dropped by 44 percent over the same two year time period.

And even if you want to discount numbers, look at the other benefits that come from encouraging development in cities: more jobs and reduction of urban sprawl, which means fewer public funds have to be allocated for services to outer-city areas like transit systems and extended sewer lines.

Q-On top of that, farmland is preserved. It looks like the only losers would be land speculators who find if they sit tight without developing their holdings their taxes keep rising.

VERMONT FORUM ON SPRAWL

Split-rate tax, lower tax rate on building values and higher on land values in centers to encourage in-fill	Pittsburgh (and other PA cities) - working in Pittsburgh (res and comm growth increased in city)
June, 2001	

Blaine County, Idaho is just one locality that explains the homestead exemption on the structure only.

Idaho has a homeowner’s exemption for owner-occupied homes, including manufactured homes, which are primary dwellings. This exempts 50% or $50,000, whichever is less, of the value of your home (excluding the land value). Taxes are computed on the remaining value. You may also receive the homeowner’s exemption if you are paying occupancy taxes.

City of Omaha

NEWS AGENDAS CHARTER DEPARTMENTS EMPLOYMENT EVENTS SERVICES

June, 2001

In addition, the City will participate in sponsorship of future legislation such as tax incentives, site value taxation, neighborhood improvement districts, etc.;continue to develop new programs which will provide additional incentives to stabilize, revitalize and redevelop the entire Central City area.

NEW·BC "Sound economies need a safe environment" close this window

January 2003

Land Value Tax Shift

In brief:
A land value tax shift would lower or remove the tax burden on property value and instead place this tax burden on land value. Taxing land value rather than property value recognizes that, for the most part, the value of land is socially created-that is, land increases in value according to its proximity to things like utilities, roads, and libraries. Taxing land value, therefore, is a way to recapture unearned increases in land value rather than penalizing owners for investing in their property.

The current property tax system rewards speculators for sitting on prime real estate-as long as lots are underutilized, the owner can afford to pay the low taxes and wait for a windfall profit when land values increase. The effect of land speculation is socially and environmentally costly: it removes land from productive use and thereby encourages development (sprawl) farther from the city centre.

Benefits:

Shifting the tax burden from property value to land value can have several significant benefits:

- Discourage land speculation and urban decay: property owners would be encouraged to develop their land to its highest and most productive use. Such a shift could lead to revitalized city centres in many communities;
- Encourage compact development and discourage sprawl and related dependence on automobiles: removing the disincentive from property development will encourage high intensity use in core areas allowing for more effective public transit and more efficient utility servicing and infrastructure development;
- Social values: shifting development patterns and encouraging a vital downtown core has been shown to have positive social impacts such as lower crime rates and more vibrant, mixed-use neighbourhoods.

CIOB International

Chartered Institute of Building, UK

NEW CONCEPTS EMERGING FOR FINANCING THE INFRASTRUCTURE - BUT NOT AT URBAN SUMMIT – November 2002

SIR JOE SEES LAND PRICE INFLATION AS BARRIER TO AFFORDABLE HOUSING

Sitting with Robert Kiley at the London urban regeneration meeting as chairman of the session in which some of these ideas were brought forward was Sir Joe Dwyer, Chairman of Liverpool Vision, well known to CIOB members as a distinguished past president. His visit to London was a follow-up to the Liverpool Vision conference he chaired last February at which various ideas for augmenting local revenues and promoting economic revival were discussed (CIOB International, March 2002).

Sir Joe looked at the problem created by steeply rising land values from a different angle: that of the housebuilders. He observed that the Bank of England Monetary Committee was divided on whether to reduce interest rates to help the economy ride a recession, or raise them in a bid to restrain inflation. But, he said, contractors could see the economy moving towards recession; it was not necessary to dampen a market already showing signs of correction.

The real driver of inflation in the housing market, said Sir Joe, is rising land prices.

As if in response to what John Prescott had to say about house-building policy at the Urban Summit, Sir Joe said:

"There isn't a land scarcity, there's an artificial land scarcity. It's simply a direct result of land speculation." He added: "Should a land value tax be introduced into the United Kingdom, then in terms of impact there is no greater example than the UK housing market, with huge benefits in releasing the housing market from the grip of the high inflationary aspects of land speculation and hoarding."

Mr. Prescott however showed scarce recognition of this in his Urban Summit address: "We've got to change the culture", he admitted - "not just more planners, but new thinking and new ideas. A bit of vision¡. "For far too long we've allowed low density housing on our precious land. In the South East it's been around 20 homes to the hectare. Compare that with many parts of London, like Islington, where it's over 50; the new Greenwich Millennium Village is over 80; and in Barcelona it is 400!"

Vermont Fair Tax Coalition - 2003

What Fair Taxes Could Work for Vermont?

Taxes To Reduce or Eliminate

- Property Tax
- Sales Tax
- Personal Income Tax
- Payroll Tax

Taxes To Create or Increase

- Energy and Air Pollution
  - Motor Fuel Tax
  - Sales Tax on Fuel
  - Carbon Tax
- Water Pollution
  - Pesticides and Fertilizers
- Solid Waste
  - Solid Waste/Variable Pricing Program
  - Beverage Container Deposit/Refund
- Land Use
  - Land Value Tax

No SprawlTax.orgNorthern Virginia - 2002

10 Things the Governor and General Assembly Can Do To Address Virginia's Traffic Congestion

2. Focus State Investments. Direct state investment to towns, cities and areas of contiguous development where public infrastructure is already in place.

- Example: Increase funding for state brownfields redevelopment, Governor's Opportunity Fund, Regional Competitiveness program, Enterprise Zone Program, and the Main Street Program and direct to towns, cities and areas of contiguous development where public infrastructure is in place.
- Example: School funding should fairly support the repair, maintenance and technology upgrade of existing schools.
- Example: Adopt "Smart Building Code" that reduces obstacles to rehabilitation of property in urban areas. Authorize cities to use split rate property tax to spark revitalization.

PIEDMONT ENVIRONMENTAL COUNCIL
promoting and protecting the Virginia Piedmont's rural economy, natural resources, history and beauty

Blueprint for a Better Region-- Local, Regional and State Policies for 2003

Implement the Split Rate Property Tax - Approved for use by the City of Fairfax, the split rate property tax implements a higher tax rate on land and a lower rate on buildings. The result for cities and downtown areas is an increase in investment and construction as empty lots are converted to useful purposes including more housing.

PORTLAND OREGON DEVELOPMENT COMMISSION

Donald F. Mazziotti, Executive Director Portland Development Commission 2004

The site value tax system, however, taxes the value of the land not the improvements. Owners, under that system, can reap a financial reward for improving their properties.

In Oregon, where we have developed urban growth boundaries to protect our forests and farmland, we have sought to promote dense development. But our current property tax system runs counter to these ideals. A site valuation system would help us develop wasted urban space to further the goals of making our cities livable and sustainable.

Further I believe that the long term effect of such a change would result in increased revenues to local governments and schools collected in a more equitable fashion.

Vernona Anastasio, Philadelphia Democratic Committee and 2005Council Candidate

I remain the only candidate seeking the 1st Council District seat that believes in the principles of LVT. I look forward to helping reform the way we are taxed in this City and lower the real estate taxes of all our neighbors.

National Multi Housing Council; Mark Obrinsky, 202/974-2329, mobrinsky@nmhc.org, is their Chief Economist.

"I asked our property tax expert, and he says: "we would definitely favor shifting property taxes off of buildings and onto locations."

www.feasta.org

2005

FEASTA
The Foundation for the Economics of Sustainability
Cad a dhéanfaimid feasta gan adhmad? Tá deireadh na gcoillte ar lár
'What will we do in the future without wood? The end of the forests has come.'

The purpose is to sketch the overall form of a sustainable housing strategy in the Irish context. The suggested changes can be carried out in the order described. Obviously, the home benefit and site value tax proposals need a carefully managed transition period and the levels of taxes and benefits need further research and modeling. But Feasta believes these fiscal tools would prove invaluable to the government in the context of expected slowed economic growth and a consequential fall in house prices.

In brief our main recommendations are: -

1. The remit of Part V of the Act should be extended to cover all categories of zoned and non zoned land in the context of 'proper planning and sustainable development'
2. An annual development site tax on the site value of development land triggered on zoning or granting of Planning Permission should replace the existing provisions of Part V triggered on development.
3. The annual development site tax receipts should be ring fenced (hypothecated) and made available to local authorities (and through them to the housing association, co-operative, community company or trust etc) to support the land element of purchase of community-owned housing and facilities at market value.
4. The annual development site tax should be nationally set and applied as an even percentage throughout Ireland of the increased value of the land due to zoning or granting of Planning Permission, replacing the Housing Strategy provisions.
5. The 'affordable' designation should be changed to 'community-owned' and should provide not-for-profit rented housing for a range of social categories and income groups.
6. Housing benefits should be paid on the basis of a single home benefit system which could be used to pay rent to a local authority, housing association, co-operative or private landlord and even replace mortgage interest relief.
7. A gradual shift from income taxes to an annual site value tax on all property including residential is necessary for intergenerational equity, mitigation of property price cycles and efficient use of land.

Green Party, Eire

Refundable Tax credits, a new Site Value Tax to replace commercial rates and an end to Property reliefs in detailed Budget 2005 proposals

16 November 2004

Refundable Tax credits, a new Site Value Tax to replace commercial rates and an end to Property reliefs in detailed Budget 2005 proposals

The Green Party launched its budget statement today calling for the introduction of a refundable tax credit system, a new site value tax to replace commercial rates and an end to property tax reliefs. The party has also called for intermediate tax bands, an increase in capital

gains tax from 20 to 25%, a limit on tax reliefs for the wealthy and a series of pollution levies to reduce environmentally harmful waste.