

LOCAL INTERVIEW

## Edward J. Dodson on Land Value Taxation

by Michelle Vacanti

**W**e recently spoke with Edward J. Dodson, a resident of Cherry Hill, New Jersey, and a member of the Green Party and director of an online education and research project called the School of Cooperative Individualism. He is a graduate of Shippensburg and Temple universities and a contributing writer to several publications devoted to improving public understanding of political economy.

### Does the Green Party see a need for property tax reform?

The platform of the Green Party of the United States calls for the public collection of what in economics is referred to as "Community Ground Rent", or what a user of land would pay to lease a parcel or tract of land, by means of Land Value Taxation (LVT). This involves changing the way real estate is taxed so that housing and other buildings are no longer taxed, leaving only the value of land in the tax base of our cities, towns, townships, boroughs, counties and school districts.

### What is the past and present status of LVT?

Currently, Pennsylvania and Connecticut have enacted legislation to permit communities to move in the direction of LVT. Connecticut's measure is recent and is designed to test the concept as reported in *Commons Magazine*: "On June 20, 2013, Connecticut Governor Daniel Malloy signed into law an act permitting—as a pilot program—a tax reform that turns traditional taxation on

its head, as it also embraces the idea of the commons as a resource for the community to provide for the everyday public life of urbanized areas. That program is land value taxation (LVT). Initially, three communities will have the opportunity to apply for permission to use the program, with more to follow if LVT is proved successful."

Some Pennsylvania communities have been slowly moving this direction for decades. At last count, 16 Pennsylvania cities (including Harrisburg, the state capital) and two school districts tax the assessed value of land at a higher rate than is imposed on building values. This gradual approach is generally referred to as the "two-rate property tax." The results of this change in taxation are demonstrated by the Harrisburg experience as reported in *PM Magazine* in 2010: "In 1980, Harrisburg, Pennsylvania, was cited by the Department of Housing and Urban Development as one of the nation's most distressed cities. It had lost 800 businesses and a third of its population in 20 years. Mayor Stephen Reed initiated the two-rate tax in that era, reducing the tax rate on buildings to one-half the rate on land.

Reed, who continued as mayor until January 2010, credits the reform with playing a major part in reversing the city's downward slide. Most of the 5,200 stores and housing units that were closed when he took office are replaced or back in use. Since then, new construction and rehabilitation of existing structures increased the city's taxable real estate from \$212 million

to over \$1.6 billion. Businesses on the tax rolls rose from 1,908 to more than 9,100 by the start of 2009. Seeing these positive effects, Harrisburg reduced its tax rate on improvements to one-sixth the rate on land."

The Philadelphia-based Center for the Study of Economics (CSE) has over the years prepared studies for city officials interested in the adoption of LVT. *UrbanToolsConsult.org* reports that in 2011, "Altoona became the first U.S. city to impose no property tax on buildings." The website also says: "(LVT) is rational taxation of immovable property (land). LVT can be a major tool for strengthening the development market in cities, reduce taxes for productive citizens and businesses and provide a progressive, fair and equitable source of public revenue."

Economists generally agree, including William Vickrey, winner of the 1996 Nobel Prize in Economics, who said in the Federal Reserve Bank of St. Louis *Review* in 2005, "The property tax is, economically speaking, a combination of one of the worst taxes—the part that is assessed on real estate improvements... and one of the best taxes—the tax on land or site value."

### Why is this tax issue important?

As citizens, it's important that we understand that all taxes are not equal. LVT is recognized by many economists, planners and environmentalists as a powerful tool for slowing the development pressure on the open space and agricultural land that still surrounds our cities. According to a report issued in 2000 by the Institute of Government & Public Affairs, University of Illinois, "At first glance, there would appear to be no obvious link between property taxation and sprawl. However, the connection becomes clear when the lessons of the long-standing debate on land taxation and its virtues are recalled."

### How can readers get involved?

They can learn more about this important public policy issue by an online search on Land Value Taxation or Land Value Capture. I am happy to respond to any inquiries.

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