

IT'S THE LAND, NOT THE HOUSES

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By Walter Rybeck, Silver Spring, MD

The July 2 Metro article "Poll: District gentrifiers blame themselves for driving up costs" implied that gentrification is the cause of the shortage of affordable housing. People thinking that doesn't make it so.

The first error was calling it a "housing" crisis.

Similar to cars that lose value from the moment buyers drive away from the dealer, houses also decline in value over time, even when they're well taken care of. Of course, escalating prices and rents are genuine and serious. This is not because of the cost of the house but rather the cost of what the house sits on: the land. Land prices keep rising because of pressure from population growth. People also pay extra for locations that are made more desirable by improved public facilities and services.

However, a major cause of escalating prices is land speculation that creates artificial shortages of building sites. The crisis will persist until we stop fixating on housing and address ways to attain affordable housing sites.

Two hints to policymakers: Land speculation is fostered when land values are assessed and taxed too lightly. Land prices are deflated when robust land taxes are imposed. <<

LAND RENT TAXATION – A SHORT EXPLANATION

By Carl Shaw, Mount Zion, W.V.

(The following Jan. 2016 article is reprinted from Carl Shaw's property tax study, "How Jefferson County West Virginia Could Improve Its Economy by Reforming Its Property Tax System.")

1. Any land of value is worth so much RENT per year.
2. Land RENT is a social product—not attributable to ownership, but an economic surplus, created by our total economy.
3. All of the RENT of land in MORALS, should be publicly taxed to pay for our government services (starting with roads).
4. When land is taxed it is the annual RENT which gets collected.
5. When land RENT gets taxed land owners will try to develop Highest and Best use, so as to be able to pay for any increase in land taxation.
6. Of course, when land taxes are increased land owners could elect to sell their land, but forward looking owners will keep their land and attempt to economically develop it.

7. To make the economy work better, as land taxation gets increased, all taxation of labor and capital should be phased out. It is unfair to tax labor and capital (such as income, sales, building profits and fees) which increase costs, and robs labor and capital. Taxing labor and capital doesn't encourage production.

8. The Federal Government could provide incentives to encourage local government to increase land taxation, while at the same time to phase out the other taxes.

9. Taxation usually means a taking. But "Land Taxation", is a sharing—Taxing land RENT is getting us to pay for the space we occupy.

10. When wealth (goods and products) is taxed the selling price gets increased.

11. When land is taxed, the land sale price will fall—when all of the annual RENT gets taxed land will no longer have a selling price.

12. The traditional real estate formula is: $\text{Income (rent) less taxes} = \text{net rent} \div \text{interest rate} = \text{value}$.

13. Through the ages intelligent, forward looking philosophers have urged that land be treated as common property, not as a commodity.

14. When all the land RENT gets taxed we will have reached that goal.

15. The more land gets taxed the more owners will try to enact the Highest and Best use. Capitalism will result.

16. No matter how high the percent of land rent which gets taxed wages and interest will not be affected.

17. Low taxed, idle and vacant land produces NO wealth or employment. When much of the annual RENT gets taxed, ultimately unemployment, out-migration, poverty, and homelessness, and slum housing will be GONE.

18. Depressions occur when labor and capital can not afford land. (1929, 2008) Depressions are not caused by an excess of wealth.

19. For a landowner to be allowed to keep any part of the RENT of land denies the public its rightful title to its product – RENT.

20. Higher land taxation benefits the economy, and provides society with a great fund of money heretofore denied the population.

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21. For years so-called standard economists claimed that the single tax (collecting only the RENT of land) would not adequately produce sufficient funds to support government.

22. If you will do 30 minutes worth of math calculation you will discover that the un-taxed RENT is in the millions of dollars per county per year. Here is the method (land assessment is 60% of actual value), so divide the Assessed value by 60% = market value, then take assessed value X tax rate = land tax expected, then take market value X 4% = a product + the tax collected = the rent of land. Then take the rent minus the tax = un-taxed rent).

23. Vast public services (roads, schools, hospitals, salaries, libraries, concert halls, phys-ed buildings, tennis courts, swimming pools, museums, etc.) could be provided to society when all of the RENT of land gets collected. And under the single tax wages won't be touched.

24. The single tax will provide labor and capital with an increase in wages and interest, because the population will seek better quality land, and labor and capital will not be taxed.

25. Human wants are without limit.

26. The single tax will establish an economic system completely different from our current Boom & Bust.

27. Our grandchildren will ask, "Why did our grandparents struggle with an economic system which tolerated high land prices, taxes on labor and capital, unemployment, poverty, slum housing, out-migration, homelessness, and war?"

28. How much longer will governments ignore land reform, and put up with the conditions listed in number 27 above?

29. There are numerous examples of jurisdictions which tax land higher than WV – and all demonstrate economic success. Land taxation is not just a good idea, it works, but so far the land interests stand in the way of full taxation of the public's rent of land.

30. When explaining the increasing land taxation to the general public one MUST explain all of the above.

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