SOUNDING THE REVENUE POTENTIAL OF LAND:
FIFTEEN SUBMERGED ELEMENTS

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"You see, my dear Watson, but you do not observe." - Holmes

The revenue potential of land is greater than anyone thinks. This is a progress report on a study that finds, bares, and to some extent measures elements of enhanced revenue potential by using truer and more comprehensive measures of rent and land values. It should go without saying, but often does not, that the purpose of raising more land revenues is not to fatten vacatious bureaucrats. It is to replace vacatious taxes, to provide and maintain and operate needed public infrastructure and services (including a reasonable national defense), to pay off old public debts and avoid new ones, and to fund social dividends (including existing social dividends like Social Security and publicly funded schooling).

There are at least fifteen elements of land's taxable capacity that previous researchers have either slighted, or overlooked entirely.

* Items 1-3 below correct for the downward bias in standard data.
* Items 4-10 broaden the concepts of land and its rent.
* Items 11-15 show how exempting production, trade and capital uncaps potential tax rates.

Correcting for downward bias in standard data (Items 1-3)

1. Standard data sources neglect and understate real estate rents and values.

These standard sources include:

a. Assessed valuations used for property taxation.

I will only enumerate, not elaborate much on the many reasons assessed values usually fall short of the market. This in itself is a dizzying experience, and you may want to skip ahead to point "b". Scanning the bullet points below, however, gives a clue as to how landowner pressure has subverted the property tax over the years.

* Conventional use of fractional assessments in many states
* Lag of assessments behind the rise of land values, and behind the fall of building values with depreciation and obsolescence. Increasingly, this extra-legal process has been institutionalized, as in Prop. 13, California
* Use of capitalized income method for assessing business properties (other than apartments). The bias is against intensive uses in zones of transition (ecotones), at every margin between lower and higher uses.

b. Traditional preference given to acreage, regardless of location, regardless of industrial use. (Allis-Chalmers example in center of West Allis, Wisconsin. Omission of acreage from otherwise good studies by the U.S. Census of Governments under Allan Marvel.)

* Classification of land for taxation, with preferential low assessment for lower uses (rarely are assessments above the market for any use, except apartments and rentals for the poor). In California, some favored use-classes are farming, timber, and golf. Alabama has another set of low-tax classes, favoring land in forests and hunting grounds, catering to the Heston vote in league with absentee corporate owners (and, for no visible theological reason, organized fundamentalists). Lands in classified uses are assessed by capitalizing their visible money income from the official use only, thus exempting from the tax base all values from rustic manorial, recreational, and blood-sport uses, and all speculative values based on higher future uses. In vast rural and sylvan areas these other influences are the main source of market value.

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