A MESSAGE TO STATE GOVERNMENTS IN FISCAL CRISIS: ADOPT A SURTAX ON LAND VALUES

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State and local governments across the United States are once again in fiscal crisis. A slowed economy has combined with rising costs of health care and other social services to create huge budget shortfalls. This is occurring at a time when the U.S. Government is also operating with enormous deficits and has chosen to reduce the revenue obtained by taxation of the nation's highest earning individuals with the largest personal fortunes.

One estimate puts the total projected budget deficits of state governments at $70 billion, with California's problem the largest in terms of dollar shortfall, at $8.5 billion. Businesses and individual taxpayers are also voicing strong opposition to increased taxes, forcing the states to cut many programs from their budgets. State funding to schools is being reduced at the same time opposition to increased property taxes has grown in local communities.

As proponents of the exemption of property improvements from taxation, there is no better time to present to our communities the wisdom of relying on land values for public revenue. I am reminded of the testimony by Phil Finkelstein (at the time the director of the Henry George School and the Center for Local Tax Research in New York City) before the Philadelphia City Council. Phil put the economics of taxation succinctly to the attending Council members. "Tax employers too heavily and the result is the loss of businesses and jobs," he told them. "Tax buildings and homes too heavily and the result is fewer buildings and homes constructed or renovated. But, tax land more heavily and the result is more land released by owners for development." We believe that had the elected officials of cities and towns across the United States moved in the direction we have been advocating, many of the nation's current economic and fiscal problems would be far less severe than they are.

On the one hand, I have a difficult time offering government a means to raise additional revenue when there is so much waste and corruption associated with how government spends the revenue it does receive. Accountability is a serious issue, and voters need to exert pressure on elected officials to pass and enforce laws against subsidies to wealthy political campaign contributors. Real accounting systems and effective management and financial auditing of government agencies is also tragically lacking. However, to the extent state governments must raise revenue, one way of doing so is a surtax on the assessed value of land. This measure could be made progressive by exempting, say, the first $15,000—$20,000 of land value. I caution against a higher level of exemption because in many states land value assessments tend to be much lower than full market value (particularly for vacant parcels or tracts of land).

GroundSwell readers who agree with the above proposal are encouraged to send a letter or e-mail to your state governor or legislator. An e-mail to your area newspaper might also be a good idea. Chances are your idea of how to balance the state budget will be very different from any others under consideration. If anyone has any thoughts of how to strengthen this proposal, or if you think this is a bad idea, the editor (and this writer) would be interested to have your perspective.

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