Rent is the annual payment for the use of land which exists because the nearby community is willing to pay a price to use that site for a period of time. It is the economic surplus attributable to Nature's topography, society's infrastructure and economic activities. Sites near population cost more rent than sites out in the rural areas. Rent is therefore a social value. Individual owners play no specific role in making land rent. Rent therefore in morals belongs to all the population. Governments should operate morally. Regardless of West Virginia's current property tax system, whether land is taxed it is the rent which gets collected. Today most of the rent of land goes to private persons, not public benefits.

1. Any tax system results in some sort of economic reaction. When land is taxed it's likely sale price gets reduced. The primary math formula of real estate is Income (rent) divided by an interest rate equals value.

If the income gets reduced (thru taxation) there is less net income to divide by an interest rate, so less value results. Low land taxation results in high land values. Higher land taxation results in lower land value.

Labor and capital love low land values. (easier to find job opportunities) Numerous authorities down thru the ages have spoken of the need to eliminate land as a commodity. If rent were to be fully taxed land would no longer have any sale price. Land would then be classed as “Common property” just like the sky, sunshine, air, clouds, rain, natural resources, media spectrum, etc. Early humans knew better than to sell the earth. Common property should be shared by humans, and animals, because it is essential for our life. When the common property is in a state of oligopoly some humans are denied life essentials.

95% of our land is owned by 4% of our population. The taxation of labor and capital causes wages and interest to decline, and prices to rise, which is a robbery of human effort. Examples are the taxation of income, sales, improvements, and profits. Increasing land taxes will drive economic production—because owners will be encouraged to make highest and best use of their land in order to yield sufficient rent to pay any higher land tax. You may have noticed vacant land—this usually is low taxed land. Idle or speculated land employs no one.

When we tax the land we are taxing land into use—thus driving the economy.

Some WV land is owned by people who live in other states. Obviously they play no role in creating the rent of WV land, and not having performed any service for us here in WV, do not deserve to keep any land value or rent for themselves. Several other nations and states make better use of land taxation than we: New Hampshire, Denmark, Taiwan, New Zealand, Australia, Hong Kong, Singapore, Alberta, British Columbia, 20 two-rate Pennsylvania cities, Arden, Delaware, not to mention Fairhope, Alabama, which taxes ALL of the rent of land.

Land taxation is critical to economic development. Other aspects of life, language, religion, nationality, race, culture, however important, play no role in economic development. Human access to sites and natural resources lead to successful jurisdictions. When labor and capital cannot gain access to these critical economic factors, they are out of business.

Land in the desperately poor and troubled countries is either not taxed or owned by a few families or corporations, or both. I am proposing that McDowell County be used to demonstrate the value of higher land taxation. It could be phased in over 15 years. Only a few simple reforms would be required to implement. The assessor would have to re-appraise all land parcel’s current value, then calculate it’s annual rent. Local real estate dealers could be asked to help, or if necessary hire trained appraisal help. Annual re-appraisals of every parcel should be routine. Begin the taxation reform in year one by taxing 25% of the rent. Then year two tax 31% of the rent. Each year thereafter increase land taxes by 6%. By year 14 or 15 all of the rent of land would be tax-collected and used for public benefits, instead of private gain. Formula to find the rent of land: current appraised value X Current interest rate = a value, thus the current land tax = the annual rent of land. Item 4 above points out what is commonly called labor and capital.

The other important aspect to this reform is to gradually phase out all taxation of these economic aspects. (sales, income, profits, improvements and fees) It could easily be done over 15 years. Legislatures usually fear loss of continued government services and fear reaction from voters when reformers propose reduction of taxation.

However many folks have little notion of the vast amount of funding land taxation could provide. The McDowell Co. untaxed rent probably is worth $1,000,000 per year, currently going to private owners. In the past 60 years Class 2 McDowell Co. land value has increased 10 times. Important government spending activities—education, highways, policing, administration, hospitals, and parks—could all be adequately financed by the taxation of land.

In Calhoun Co. where I live, Class 2 land values have increased 31 times during the last 60 years. It shouldn’t take a college degree to figure out why wages and interest have fallen. As is already practiced, a percent of all levies should be forwarded on to the State to finance the usual State budget. After this suggested reform all these levies will be derived from the land!

I advocate the Legislature begin this economic reform as soon as possible. Phase out all taxation of sales, incomes, buildings, profits, and fees (continued on page 15)
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over 15 years. Gradually increase land taxation over 15 years, so that all of the likely annual rent of land will be collected.

Likely benefits of this reform — unemployment, poverty, homelessness, slum housing, out-migration will go away. In as much as high land value (low taxed) is the chief cause of economic disaster, so under the full taxation of the rent of land owners will seek highest and best use — There won’t be any net rent to capitalize into sale price, so land will no longer be for sale. No matter how high the land tax land can still be used by labor and capital to produce wealth. Making jobs at good wages will be our system. West Virginians who have left this state for jobs elsewhere will not have to wait to retire and return—they can return NOW. Citizens of the other states may also consider migrating here.

When land is taxed higher owners will have two options—(1) sell while land still has a value, or (2) seek highest and best use. Business minded people will likely turn to this 2nd option, quickly offering to buy land from those folks who decide to sell out. After all when labor and capital are to be down-taxed, plus an incentive to make optimum use of well-sited land, McDowell Co. will contain THE basic factors of our free enterprise system. “Boom and Bust” will be history.

Taxing the land collects the rent of land—not wages or interest.

I am willing to counsel the Legislature in this proposal.

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