

I welcome the openness with which the new Northern Ireland Executive is prepared to look at rating reform.

The purpose of this paper is respond to the Consultation on the 2007 Executive Review of rating reform that will meet the objectives as set out by the Rt Hon Peter D Robinson MP, Minister of Finance and Personnel, in his statement to the Northern Ireland Assembly on 11 June 2007.

This paper will outline the arguments for and key steps required for an orderly transition from the domestic rating system and the Non-domestic Rating System in Northern Ireland to a system of local taxation that is sustainable, transparent, equitable, fair and unavoidable through a tax on land values and other natural resources.

The main focus of this paper will be on the introduction of a Land Value Tax (LVT).

In support of these arguments for LVT this paper will suggest to the Northern Ireland Executive how to collect a proportion of land wealth through a LVT.

Why adopt an annual Land Value Tax (LVT) on all land in Northern Ireland?

This paper will attempt to demonstrate how a Land Value Tax (LVT) will offer a sustainable income for Northern Ireland, a means to maximise the best use of each site according to its optimum permitted use; provide an incentive to make better use of towns and city centres and help reduce urban sprawl, and long distance commuting by car and public transport, provide an ongoing source of public income for use in maintaining current public services, improving their quality and accessibility and for future public investment.

The Northern Ireland Opportunity

Northern Ireland has two local property taxes:

1. Domestic Rates and
2. Rates on Non-domestic properties (Business Rates).

Both these local taxes attempt to tax buildings.

However, it is a mistake to consider either one of these taxes in isolation. For tax purposes, property taxes on buildings actually divide the tax base into three categories:

1. Homes. Taxed by the Domestic Rates.
2. Business premises. Taxed by the Non-domestic rates.
3. Land with no buildings upon it. Not taxed at all.

“Property” in the context of buildings has two components

- i) The building or “improvements”
- ii) The land - (location or site).

To tax buildings is to ignore a fundamental law of economics that a surplus arises from the advantage that one location has over another. This advantage is expressed as “economic rent”.

Economic rent arises, not by the actions of the building’s owner, not by the actions of the building’s occupier nor by the actions of the landowner.

Economic Rent

Economic rent arises because of Mother Nature and the actions of the community (public and private).

If a field enjoys greater natural fertility than other fields then a farm owner can ask a tenant farmer for - and receive - a higher rent.

If a field enjoys a better view of a lake, a river or an ocean then the landowner can ask a housing developer for – and receive – a higher payment for the field.

If a site is in close proximity to excellent services such as good public transport, good roads, good schools and other public services – then the landowner can successfully demand a premium in the price of the land.

Similarly, services that are provided in the private sector can also add to land values. (Imagine the effect on land values if a town had no local, privately-run shops, pubs, hotels, taxis or other private amenities).

The incidence of natural advantage on a site and the provision of both public and private services add to land values.

Consequently, when considering a “property tax” it is more relevant to consider a “Land Value Tax” on ALL sites and not divide property into three categories.

Why is it inefficient to only tax buildings?

To only tax buildings creates unfortunate consequences.

The owner who improves their building faces a higher tax burden, as they increase the value of their building whereas the owner who allows their building to deteriorate or fall into disrepair is rewarded with a lower tax bill.

The owner of land, perhaps a city-centre speculator, is encouraged to keep their land idle or under-used in order to pay no or very little, building taxes.

For these reasons I would strongly urge the Northern Ireland Executive to consider reducing or removing its reliance on local property taxes based upon building values (whether domestic or business) and replace with a local property tax based upon land values.

I prefer to call such a tax a “Location Benefit Levy (LBL)”, however it is also commonly referred to in the UK as a “Land Value tax (LVT)” or “Site Value Rating

(SVR)". In parts of the United States of America a tax that falls on the economic rent of land is also known as "The Smart Tax" or where it falls only partially on land value with the remainder falling on building value then "The Split-Rate Tax" or "Two-tier Tax".

For the purposes of this paper I will continue by calling it "Land Value Tax" or "LVT".

Land Value Tax

Land Value Tax depends upon all the land within a jurisdiction being valued for its optimum permitted use.

A Poundage is then applied annually to that value, similarly to the rates on buildings.

In this way the valuation reflects both the wishes of the community, normally expressed through planning consents, how the site may be used and also the desire of the market to maximise the use of the site within the given planning consent.

One of the effects of LVT is to bring unused and underused brownfield sites back into use.

This has a direct beneficial effect on the local community.

Empty sites deny local people the opportunity for jobs, for homes, for retail, for leisure and other services. By encouraging landowners to bring these sites into good use, LVT helps revitalise villages, towns and cities, and therefore also helping to protect the country-side from unnecessary development and helping society to avoid urban sprawl and all the associated costs it entails.

Labour, Capital and Land

Economists tell us that there are three factors for the production of man-made wealth, namely Labour, Capital and Land.

Wages are the return for Labour – which we tax with income tax.

Interest or profit is the return on Capital – which we tax with corporation tax etc.

We tax trade with vat.

We tax buildings with rates on homes and business premises.

However, most Land wealth escapes taxation.

This means that we heavily tax producers in the economy but the owners of natural wealth – land - are mostly untaxed.

A Strategy for implementing an annual land value tax (LVT) on all land in Northern Ireland

The introduction of LVT will assist the Northern Ireland Executive and people of Northern Ireland if they:

1. Wish to redress the injustice that excludes the majority of citizens from enjoying the benefits of resource rents arising from the community's activities and its need to use natural resources.
2. Wish to create more employment, make homes more affordable, reduce urban sprawl, improve transport and improve the efficiency of the economy.
3. Wish to bring idle properties into full use and to remove any economic advantage property speculators receive by keeping sites empty or underused.
4. wish to replace the domestic rating system and the non-domestic rating system with a tax that is unavoidable but which can be applied fairly and in a way that permits deferment of payment by those who are in temporary financial difficulties or who are 'income poor but asset rich'.

If the Northern Ireland Executive decides to collect a percentage of the economic rent of each land site through an annual Land Value Tax (LVT), Location Benefit Levy (LBL) or Site Value Rating (SVR) Then the following actions will be necessary:

- All sites will be valued and LVT collected. (nb sites used for public parks etc. will have a nil valuation and hence no LVT will be payable).
- The unimproved value of each site will be assessed for its optimum permitted use.
- While facilitating the greater sharing of resource rents, changes will need to be introduced in such a way that any adverse effects on landowners are minimised.
- The new system will need to be practical both in the sense of operability and also in the sense of being politically acceptable to both politicians and the electorate.
- LVT will be used to replace the existing rating systems.

The Introduction of an annual LVT – A Summary

LVT is a levy on natural resources that addresses issues of justice, fairness, economic efficiency, environmental protection and sustainability.

LVT will act as an incentive to greater economic growth in Northern Ireland and will avoid the many disadvantages of alternative taxes, such as Local Income Tax, which have adverse impacts on trade, commerce and industry. LVT is also impossible to avoid and therefore much cheaper to collect..

The Northern Ireland Executive should see LVT as a tool for the removal of rates on buildings and as a sustainable method for financing new infrastructure which adds to land values.

The initial rate must be high enough to replace all existing local property taxes.

Many governments are now interested in exploring how the introduction of LVT could help create an harmonious economic climate. LVT offers a number of advantages over existing taxes and its introduction will address issues of justice, environmental protection, economic efficiency, and sustainability.

Although the devolved government in Northern Ireland has limited powers over many parts of the economy (eg interest rates, national taxes etc), it is important to recognise that once implemented, LVT will assist efforts to tackle problems such as encouraging private investment, increasing GDP and trade, the property cycle, the business cycle, tax avoidance, tax evasion, internet trading, urban blight, unused sites, affordable housing, unemployment, poverty; redistribution of wealth; destruction of natural resources and damages to the environment; investment in public infrastructure, environmental planning and avoiding the costs of urban sprawl.

Because LVT is based on fixed property (land) evidence shows it is cheap to collect and impossible to avoid, unlike most other taxes (e.g. Local Income Tax.). (In the UK, Economic rent has been estimated as representing over 17% of Gross Domestic Product - a huge component of the national economy. (Ron Banks "Costing the Earth"))

However, although we may agree on the benefits of LVT, some people are concerned about the change because they have a genuine apprehension about the implications of the transitional phase necessary for the introduction of LVT and the impacts this may have on individuals, businesses and the wider community. There is no reason to assume that Northern Ireland is very different from this.

The purpose of this paper is to focus on these concerns and the issues they raise for the Northern Ireland Executive.

Definition of Land Value Tax

Land Value Tax falls only on economic rent which derives solely from the value that nature creates and/or the value a location derives from the activities of the community around it. For example, a fertile field has a higher rental value than stony scrub land of the same size; a city centre retail site has a higher value than an

identical shop in a small village or county town; a farmer's field with planning permission for housing is far more valuable than the same sized field zoned for agricultural use only.

LVT will only be paid by those who benefit from the economic rent of a site. This would normally be the landowner but where the land is sublet for less than the full economic rent (such as in long leases) then responsibility for payment will be shared between all parties who derive the benefit, in proportion to their benefits.

All sites will be included; private and public, urban and rural, used and unused. This ensures that every owner who is making decisions about the use of land takes full account of the opportunity cost of leaving land unused. Public bodies would have an incentive to use their land carefully.

LVT will encourage the better use of land. Even today those companies that sell and leaseback their property portfolios make higher profits and enjoy higher share values. This appears to be because companies holding their buildings and land freehold, without a direct payment, tend to squander and misuse their property. With the leaseback arrangement companies only hold on to the land and property essential for their business. They thus reduce their outgoings and release their surplus land for other users who can put it to better use. LVT would have a similar effect on all land users and would help the whole economy work more efficiently, for the greater good of all.

LVT is **not** a Development Land Tax (DLT) and thus will not fall exclusively on sites being developed. In the past (1947, 1967, 1976) these Development Land Taxes have tended to deter development, thus reducing the supply of land and thus causing land prices to rise generally. This resulting higher land price created higher costs for homes and business properties and acted as a brake on the economy. Kate Barker's proposals for a "Planning Gain Supplement" (PGS) will also work like DLT and be harmful to the economy. If you tax an event you tend to deter the event from happening. With Kate Barker's tax the event is obtaining planning consent. It is assumed that DLT or PGS will work if applied lightly i.e. a low rate of tax. However, even a small rate of DLT is unfair to landowners – it will reward those who have previously developed their land and penalise landowners who wish to seek planning consent to create more homes or jobs.

LVT will **not** be levied on improvements, buildings or infrastructure.

For the purposes of LVT, the value of a site will be assessed according to its optimum permitted use. This means that the valuation of each site will reflect the market value for the highest use allowed within the constraints of planning authorities or, for example, unavoidable restrictive covenants on the site.

For those sites that have remained unused because of pollution etc, the introduction of an annual LVT will act as an incentive to bring these sites into full use and any grant provided to make the site good, will be used for that purpose and can not go to the existing landowner as currently happens.

Implementing a Land Value Tax in Northern Ireland: Effects and Issues

Aim:

To replace the current rating systems in Northern Ireland with a system of LVT through the collection of a percentage of every site's economic rental value.

Actions Required in preparation for the introduction of an annual LVT:

The introduction of LVT will need to provide for the following actions:

- (i) The creation of a body that will, for every site in Northern Ireland, (a) register the owner with all property titles (b) record and describe its permitted use and (c) record all such information in a public register. For the purposes of this paper we will identify this new body as "The Land Valuation and Registration Agency" (LVRA)
- (ii) The LVRA to provide an annually updated valuation of each site shown on the public land register. The valuation to reflect the annual rental value of each site according to its optimum permitted use.
- (iii) The LVRA to publish the register of ownership and valuations as "The Public Land Register". This register to be made available for easy public inspection.
- (iv) The LVRA to consider all appeals against their valuation and to amend the Register if they consider a correction necessary. If the appellant is still dissatisfied, the appeal will be referred to the relevant appeals body.
- (v) The LVRA to collect the levy on behalf of The Northern Ireland Executive.
- (vi) The Northern Ireland Executive to use the LVT receipts to replace the domestic and non-domestic rating systems.
- (vii) The Northern Ireland Executive to create a fair and accountable scheme to allow those on low incomes to defer payment.
- (viii) The Northern Ireland Executive to create greater public awareness of the changes, the LVRA will need to undertake an information campaign similar to the Inland Revenue's annual campaign on income tax returns.
- (ix) Any land or property not registered will be declared "neighbourhood land" and ownership will be transferred to the LVRA.

- (x) The LVRA will need to establish a department responsible for the valuation of all sites on the basis of their annual rental value and for the collection of the LVT to be paid by the owner/owners named on the Public Land Register.
- (xi) In order to minimise the impact on individual households or businesses during the transition period, a package of interim arrangements could be established.
- (xii) For successful implementation it will be necessary for people to understand not only how the Land Value Tax will be applied but also why it is a desirable change to make economically, socially and environmentally. Consequently it would be advisable for the Northern Ireland Executive to conduct broad consultation and a wide publicity campaign using all available media.

Conclusion

This paper addresses many of the steps that will need to be taken to introduce Land Value Tax in Northern Ireland to replace the current rating systems. It shows that the benefits of LVT are achievable – not only with its application to domestic sites but also if it is applied to public sector and business sites.

APPENDIX 1.

Some general Questions and Answers on the benefits a LVT brings to the wider economy

Should the LVT be applied to both residential sites and commercial sites?

Why not? Freeholders and leaseholders of residential and commercial sites equally enjoy increases in their property values that result from increased demand due to increases in population, new or improved public transport, public services, parks, rivers, shops, etc. It is all of our collective social, economic and political activities and decisions that create land values and a fair and just system of taxation should reflect that fact and be based on gathering income from unearned income.

However, partial transitional reliefs could be made for those facing hardship on occupied residential land.

As the cost of local services does not vary with the value of your home, would it not be fairer if domestic rates were the same for all homes?

If domestic rates were the same for all homes then people occupying a more desirable location would benefit most and would not be contributing their fair share to society.

LVT is fundamentally different from domestic rates which is based on the value of somebody's home. LVT is not levied on the value of the bricks and mortar, it is levied on the value of the location, i.e. the land value. This location value is currently a gift from the whole of society to the landowner. LVT means that homeowners are not discouraged from improving their homes because of a higher tax bill, neither are they rewarded with lower tax bills if they allow their home to fall into a state of disrepair.

Why does the Northern Ireland Executive need to set up a Public Register?

To ensure non-avoidance of payment, fairness in application, honesty in valuing each site and for the LVT to apply to every site without favour to any, it is essential to have a publicly accessible register, detailing every site and every owner. The register must be available to the public to ensure openness, fairness and accountability in administering LVT. Attempts to have ownership or site details withheld from public view, for whatever reason, must be resisted.

Would Government Departments, Charities, schools, public buildings and public land be exempt?

In order to avoid wasteful holding of land and buildings by public authorities such as Government Departments, Local Authorities or nationalised industries, it is possible that they pay LVT.

No one individual or institution or body should be exempted from any part of the scheme. Charities, religious bodies schools, etc. should all pay full LVT and the Northern Ireland Executive or local authority should give grants if they wish to subsidise charitable, religious or educational activities.

How can every site be valued?

These valuations can be made using the knowledge and skills applied today by professional valuers who currently determine the value of a site when assessing its rental or selling price including any existing buildings. When applying LVT, only the value of the site is relevant in calculating the economic rent of a site, rather than the site and building value combined.

The skills and information required to determine the economic rental value of a site exist today and are regularly used. This is not always recognised, and some UK professional valuers themselves claim they cannot differentiate between the value of a site without the building value being included. However, where a site has a derelict building to be demolished the value of the land is determined today without any problem. The same approach is required for determining the site value alone where the buildings will continue to be used. Such valuations take place today in countries and cities that collect some part of the economic rent of land

A form of land value taxation exists, and therefore land-only valuations are conducted, in many countries including Denmark, Taiwan, Hong Kong and parts of Australia, New Zealand, Canada and the United States. Even the City of London and many local authorities in the UK offer good examples of how land can be valued and managed.

Obviously, Northern Ireland chartered surveyors will need to recognise and maybe call upon the current international skills and knowledge used for land value assessments. The Professional Land Reform Group can help with this exercise.

Will LVT still have to be paid if the land goes down in value?

One of the advantages of LVT is that in areas of lower land values the tax payable is less, thus encouraging businesses and homes into those areas.

In addition if a site is reduced in value then less LVT will be levied. For example, if a new rail line or road is built adjacent to a residential site, but miles from a station or interchange, it is possible that (because of the noise, vibration and visual intrusion)

the land will fall in value. In this case the LVT payable will also be reduced. This form of automatic compensation without having to appeal and fill in complicated forms is one of the reasons why some people describe LVT as “The Smart Tax”.

How can an owner of a commercial site pay their LVT if there is no income being generated from the site?

LVT is due whether or not the site is used for its optimum permitted use. If a landowner chooses not to use their land they are denying the jobs, homes, services and leisure uses that that land has the potential to accommodate. (If society wants to retain the site as freely accessible public open space then that will be expressed in the planning consent for the site and no payment of LVT will be due.)

Investors, Pension Funds, insurance endowment policies and other speculative investments, based on rising property prices, will be worth less as LVT is introduced.

Even today, without LVT, such investments fluctuate up and down as they are affected by changes in stock exchange prices, interest rate policies, mis-selling, and the business cycle, where sudden falls in property prices have led to negative mortgages, lost homes, lost businesses and lost investments. The greater the proportion of each site’s economic rental value that is collected through LVT, the less opportunity or desire there is to speculate in land prices. This will cause investments to move from the land price bubble to worthwhile investments into new factories, offices, computers and machinery. This will enable the labour force to become more productive. The obligation on owners to pay LVT will encourage the release of unused sites for immediate occupation, for new housing or to firms wishing to expand or create new businesses. The increased supply of available land will reduce property costs and will encourage changes from which many people will benefit, with new homes, new jobs and a growing economy. The environment will be better protected by LVT, with empty, neglected, or under-utilised sites being brought into use rather than lying idle as eyesores that invite vandalism. This dereliction itself has a negative effect on neighbouring properties – domestic and commercial.

What about the long established freehold or leasehold business person who does not have the income flow to pay the LVT?

LVT is charged on the rental value of the land only, not the buildings. Consequently, where sites are being used efficiently and for the optimum permitted use, but the income is low, the valuation and hence the LVT liability is low. (This is unlike existing taxes that fall on businesses where, for example, the employer’s National Insurance rate is the same for each employee irrespective of the income of the business and unlike VAT, which applies irrespective of the profitability of the business).

However, LVT could become a problem when an owner or lessee is not using the site to its full potential. Examples of this might be an owner-occupier who only opens their shop two days a week, or a factory with a low income located in the heart of the

City which, if changed to offices, residential or retail, could generate much greater income. In both these cases, the owner could be cushioned by the gradual implementation of LVT during the transitional phase. Ultimately, however, they might want to change either their business practices or their location. The wider community would benefit from these changes as sites were put to more productive use, and the community is able to access services, jobs or homes which they were previously denied.

Will urban sprawl be encouraged by LVT?

No, on the contrary, as brownfield sites in towns and cities are developed the pressure on green belts and the countryside will be diminished.

Will LVT create an unavoidable pressure for all green sites in towns and cities to be built on and will environmental planning become obsolete?

No, on the contrary with more brownfield sites being developed, the pressure on rural areas would fall and architects and planners would be given greater independence to incorporate water features and green areas into new developments.

In addition, local authorities would have a financial incentive to purchase land and create new parks and green spaces. We know that green spaces and water features add to the value of other sites in the locality, so that the local authority would increase its income from the higher levels of LVT arising from sites adjacent to parks etc but used for offices, residential, etc.

Evidence shows it is probable that town and country planning would enjoy a renaissance under LVT, as communities realised that they could now afford to enjoy a positive engagement in deciding the future of their local environment.

Will LVT prevent sites being assembled to create much larger redevelopment schemes?

No. The current problem is that it can take many years, or even decades, for large schemes to be implemented. With no property taxes on vacant sites and uninhabited buildings there is no incentive for developers to expedite matters or put the sites they have acquired to some use, thus creating urban blight. However, with LVT liability on the owner, there would be a financial incentive to encourage the existing or similar use of a site until the moment that the bulldozers arrive to commence demolition. In this way the local community continues to enjoy the homes, jobs and/or services supplied from these sites and avoids the desolation, broken windows, fly tipping, decay, drugs and criminal behaviour which often arises from empty buildings and vacant sites.

If LVT is so beneficial – why has it not been introduced previously?

There are limited examples of Land Value Taxation worldwide but it is true to say that no country or township have recognised the full potential of LVT. In the UK the landowners have always opposed LVT in every way possible. In 1931, Philip Snowden introduced LVT in his UK budget, which successfully passed through Parliament but the new National Government (which he and Ramsay MacDonald, the Labour Prime Minister, joined), stopped the valuation so that it was impossible to collect the tax. A subsequent Conservative Government rescinded the legislation. Since the Second World War three Labour Governments have attempted to collect land values by introducing Development Land Taxes on development sites only. Not only were landowners able to avoid the tax by not developing their sites, the impact of this tax was to reduce homes and jobs, increase land prices and was generally harmful to the economy.

Of course, where would progress be today if all new worthwhile initiatives were opposed because previous generations had not recognised their value?

If LVT is based on “optimum permitted use” – then will this encourage over-development?

Certainly not.

For example, a local authority may give permission for a site to be used for the erection of a 20 storey office building. If the market requires such an office building in this location then the site will achieve a certain value.

However if the market has no requirement for any offices in that location, then the permission will not effect the land value.

On the other hand, the market may want a 40 storey office building in a City centre, but if the permission is only for a 20 storey building then the potential land value is depressed by the permission granted.

If a developer only builds five stories then the effect of the Land Value Tax (which in this case applies to the land value of a 20 storey building) will be to give the landowner an incentive to develop to the maximum within the permitted use.

If a local authority only requires say, an urban farm on the site – then the LVT will be much lower on this site, but the value of surrounding sites will probably increase.

APPENDIX 2. WANTED – A SENSIBLE LAND POLICY

1. Labour creates all economic wealth – but requires access to land and natural resources. Land is a free gift of nature.
2. All of us, through our labour, our social and our economic activities create land values, but these only benefit landowners.
3. Transport is just one example of how investment in infrastructure and services can increase land values. e.g. the London Jubilee Line Extension (JLE), with eleven new stations, opened in December 1999, cost £3.5bn to build, paid for by general taxpayers. It is now estimated that the JLE caused land values to rise around the new stations by £13bn. A gift from people on modest and even low salaries to the very rich.
4. A levy on land values will return some of this unearned wealth to the community and allow the income to reduce or replace property taxes.
5. To achieve this –
 - i) all land would need to be valued for its optimum, permitted use.
 - ii) a complete register of land ownership would need to be compiled.
6. A Land Value Tax (LVT) would be applied annually to all sites, including idle land, and charged to the landowner. This is a powerful incentive to bring valuable empty sites into use.
7. Many sites are kept idle because the income they can generate is not enough to meet the cost of labour, capital AND taxes. If some of these taxes were replaced by LVT then the total tax rate on these low valued sites would be much reduced so that it would become profitable to bring them into use.
8. With more land in use, more jobs would be created, more affordable homes built and more goods and services supplied at reasonable prices.
9. Because LVT encourages the efficient use of land in towns and cities it encourages conglomeration and relieves pressure for inefficient urban sprawl into the countryside.
10. LVT is simple, transparent and impossible to avoid. It is therefore cheap to collect. (Land can not be taken away to a tax haven or hidden in the shadow economy). Solicitors, accountants and tax experts would not be employed in the private sector (at the cost of the consumer and the economy) in order to evade or avoid paying LVT. Similarly, the Government would not need to pay the costs of an army of tax inspectors to collect LVT.
11. LVT is fair. It charges landowners for a benefit they receive from all in society. It would therefore help tackle the growing inequality of wealth.

Appendix 3.

Harrisburg, USA

Living proof that even a “modest” Land Value Tax works!

"Harrisburg, the capital of Pennsylvania, with 50,000 population sits in the “Rust Belt” of the USA where many towns have lost traditional heavy industry and face economic decline.

Harrisburg was listed as the second most distressed city in the nation twenty years ago. It had sustained precipitous decline over nearly three decades --- a decline far greater in proportion than what has ever been experienced by any urban community in the State of Pennsylvania or, for that matter, every other state with the exception of one.

Since Harrisburg introduced their “Split Rate Tax” (reducing the tax on buildings and replacing with a tax on land) their city has jumped from bottom to the top group of American cities.

Mayor Reed says: “Without, hesitation we can commend the importance and benefit of the land value tax policy. It has worked in Harrisburg and in other communities where it has existed.”

Since the mid-1970s Harrisburg has had a Split Rate Tax on property where land is valued separately to “improvements” (buildings). A levy is then applied to the two values with the land poundage six times higher than on the buildings.

The Split Rate Tax (land and buildings) is a modest form of Land Value Tax and the land element only represents 14.5% of City tax revenues.

The City budget excludes the Harrisburg schools expenditure (the School District does not operate LVT and levies the same rate on both land and improvements). In addition the levy only falls on about half the land in Harrisburg as Government, charity, education and health premises are excluded by Pennsylvania State law.

However - What are the results of this modest Land Value Tax?

The facts speak for themselves:

- Empty sites and buildings have been redeveloped and the number of vacant properties cut by 85%
- The number of businesses on the tax roll has grown from 1,908 to 8,864
- Over 5,000 housing units have been newly constructed or rehabilitated
- Taxable real estate has grown from \$212m to over \$1.6 bn
- Unemployment has fallen by 19%

- Crime has dropped by 58%
- Fires have dropped by 76%
- Stephen Reed, Mayor of Harrisburg PA, gives credit to his town's land tax for sparing its suburban farmland from development. A more compact city shortens trip distances and lets residents walk or ride bikes or buses, all of which reduces fuel consumption, smog, and emission of gases altering the Earth's climate.

Mayor Reed was first elected in 1982 and is still The Mayor today!

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From Jeff Smith in Portland Oregon,

some background re Harrisburg's financial position:

Harrisburg suffered in succession race riots, floods, near meltdown at nearby Three Mile Island, federal aid that paid residents to move out, and local government collusion with speculators who aimed to drive values to rock bottom then buy everyone out. One department store was left in this state capital; city had filled out the papers for bankruptcy but not yet filed them when Steven Reed was elected in 81. Stretched apart the PT ratio from 3:1 to 4:1 in 82. Made it 5:1 in 98, 6:1 in 2002, and in 2003 7:1. Over those two decades, abandoned and burned out buildings went from 5,200 to under 200. Whereas before they couldn't bribe businesses to move in, now they're turning down projects.

Other cities have tried a land-based tax system, which places a value on the land without regard to the building. In the simplest example, this places each house on a street on a level tax field. Harrisburg, Pa. adopted this "graded tax plan" in 1982 when it was listed as the second most distressed city in the country, by federal distressed criterion. Since that time, it has been named an All-American City three times. The city estimates that \$1.2 billion has been invested during this period. The total value of real estate in the city in 1982 was calculated at \$212 million while today it is valued at \$884 million. The tax plan is credited with helping to turn Harrisburg around.

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