Common Ground OR-WA

Evidence of the Effectiveness of Land Value Taxation

Land taxation policies have been used in some parts of the USA, Australia, Denmark, Estonia, and Spain with the intention of stimulating development and increasing the intensity of urban land use. The changing of tax rates to a higher level on the land portion of real estate has also been used in Western Canada, New Zealand, South Africa and Jamaica to promote development. In Hong Kong and Singapore, the local government retains ownership of the underlying land on developed sites, effectively limiting the rise in price when real estate is resold on the open market.

Thus far, no US public entity has taxed solely the value of land – the "single tax." In all instances where the split-rate form of LVT has been adopted, land values are taxed at a higher rate than building values. Since 1913, Pennsylvania has allowed cities to tax land at a higher rate than buildings. Nearly 20 local jurisdictions have adopted a land-weighted property tax.

Places that have adopted LVT have experienced significant in-fill and redevelopment effects, along with other benefits. Harrisburg, once one of the most distressed cities in the nation, adopted this approach in 1975. Subsequently, 5,200 vacant properties were redeveloped, and over 5,000 housing units have been newly constructed or rehabilitated. Taxable businesses rose from 1,908 to 8,864, and the unemployment rate fell by 19 percent.

Since Harrisburg introduced the annual land value tax on all taxable land their city has jumped from the bottom to the top group of American liveable cities.

The city of Allentown adopted LVT in 1996, establishing dual tax rates of 5.038 percent on land value and 1.072 perce=nt on building value. The land tax rate is nearly five times greater than the building rate. Within five years following adoption, the number of building permits had increased by 32 percent.

A widely cited study of LVT use in Pittsburgh showed that building construction there leapt ahead of other Rust Belt cities. Taxing land at a rate five times higher than on buildings compelled the owners of vacant sites to construct buildings and to move up the timing of construction.

One revenue-neutral model of the overall US economy finds that raising the tax rate on land by five percent, and reducing taxes on capital by 28 percent and labor 10 percent, would increase economic output by 15 percent and social welfare by 3.4 percent.

Australia has operated under various forms of land value taxation for nearly a century. Many studies have estimated the improved rates of construction, housing, rise in wages, and even expanded agricultural lands under LVT. Two cities fully exempt buildings. Canberra, like Singapore, exists on public land and leases lots. Sydney taxes land, not buildings. The State Taxation Acts and Other Acts Amendment Act 2023 came into force in the state of Victoria on January 1, 2024. Much like other land value tax acts around the world, one of its primary goals is to reward the development of unused land—or nudge its owners to sell the land to those who will. In this case, the law will apply a "vacant residential land tax" to residential land in Victoria if that land is left vacant for more than six months. The tax rate will increase by one percent according to the number of years that the land is liable. This tax reform represents one more major effort to replace the long-hated Stamp Duty, a one-off fee the buyer must pay when ownership of a property is transferred to them.

According to available information, raising land tax rates in Australia does seem to have resulted in a decrease in land speculation, as a higher land tax discourages investors from holding large amounts of land purely for future price appreciation, thereby mitigating speculative buying practices in the real estate market.

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