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A 'Golden Key' to Urban Renewal and City Growth

FOR SEVERAL DECADES Dr. Steven B. Cord, president of the Center for the Study of Economics in Columbia, Maryland, has been studying the effects of differential taxation of land and buildings in the Pennsylvania municipalities (now grown to seven) and in the cities elsewhere in the world where this form of land value taxation has been introduced.

He reports on his findings in a monograph entitled *The Evidence for Land Value Taxation* just published by the center.¹ The work is subtitled "A Compilation of Studies Presenting Hard Objective Evidence on Whether a Building-to-Land Shift in Property Tax Rates Produces an Increase in New Construction."

"Shifting the property tax off buildings onto land values," Dr. Cord points out, "has been called a 'golden key' to urban renewal, to the automatic regeneration of the city—and not at public expense." The monograph, he adds, presents hard evidence that such a shift has, in fact, been followed by new construction.

He notes that one of the Pennsylvania cities, McKeesport, now has a 10 percent rate on land, 2½ percent on buildings and new construction was given a three-year abatement of the tax on buildings. This increased total tax revenues by almost 50 percent and new construction in the three year period averaged 38 percent higher than in the previous three years.

Dr. Cord reports that it was Allan Hutchinson, a city councilman in the state of Victoria, Australia, who conceived the method of comparing building permits before and after a building-to-land tax switch, as well as comparing the experience of the switching locality with that of comparable localities.

He first reported the results of these studies in the bulletin, *Incentive Taxation*, which he edits. The studies were made by the Center for the Study of Economics; the Center for Local Tax Research in New York; the Advisory Commission on Intergovernmental Relations, and the Land Values Research Group, Melbourne, and several magazines.

"The theory is simple enough," Dr. Cord writes. "Decrease the property tax rate on buildings and we make new construction and rehabilitation more profitable. And if we increase the land tax rate, we encourage landholders to put their sites to an efficient use in order to get enough income to pay the increased land tax plus a profit on the improvement."

W.L.

1. Center for the Study of Economics, 2000 Century Plaza, Suite 238, Columbia, MD 21044, US\$3.00, postpaid, in the U.S.; US\$4, postpaid, elsewhere.