
REPLY TO TIDEMAN

Author(s): DAVID E. MILLS

Source: *National Tax Journal*, March, 1982, Vol. 35, No. 1 (March, 1982), p. 115

Published by: National Tax Association

Stable URL: <https://www.jstor.org/stable/41862427>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



is collaborating with JSTOR to digitize, preserve and extend access to *National Tax Journal*

JSTOR

REPLY TO TIDEMAN

DAVID E. MILLS*

THE ambiguity of the term "land value" is well-known and inheres in the problem of allocating factor rent among components of the factor that, for practical technological and economic purposes, have become inseparable. T. Nicolaus Tideman (1982) is correct when he attributes the claim that a tax on land value is non-neutral to a definition of land value that "depends on how the land is used" (p. 109). He is equally correct when he claims that land value *may* be defined in such a way as to provide the basis for a neutral tax. To do so one must only appraise the likely market value of all parcels under the assumption that they exist in some uniform, hypothetical state. There is, of course, an infinite number of such states, and value in none can be identified without reference to the use to which *some* parcels are put, if not necessarily the parcel in question. (William S. Vickrey (1970) provides a full discussion of the manifold problems encountered in choosing a "standard" state for

practical appraisal purposes when tax neutrality is sought.)

It is a reasonable goal of land-tax policy to aim for neutrality. Toward that end, it is clear that the preferred tax basis is not the value of land *in* the state to which it has been irrevocably committed—the discounted value of the income stream to which the landowner is entitled—but rather its value in a (any) uniform, hypothetical state—the discounted value of some other income stream. The point of my previous note stands, however: when land value is computed (appraised) to include rent accruing to irrevocable previous commitments, the nature of induced non-neutrality is to favor land-uses with early-payoff income streams.

REFERENCES

- T. Nicolaus Tideman, "A Tax on Land Value *is* Neutral," *National Tax Journal*. XXXV, No. 1 (March, 1982).
- William S. Vickrey, "Defining Land Value for Taxation Purposes," in *The Assessment of Land Value*, Daniel M. Hollad, ed., Madison, Wisconsin (1970).

*University of Virginia