TAXING RENT SEEKERS
Edward J. Dodson / June 2026

Donald Trump applauds himself as a developer. And, yes, he has been responsible for the construction of some remarkable buildings. He is also a knowledgeable rent-seeker (i.e., a land speculator who benefits by societal investment in public goods and services. Yet, Donald Trump is far from the only rent-seeker even in New York City. Property law and tax law in the United States significantly favors rent-seeking over the production of goods and services.

What is now the case is that what passed for tax reform beginning with the administration of Ronald Reagan is the greatest redistribution of income and wealth from producers to rent-seekers. And now, what passes for conservative ideology is to remove what is left of the safety net that prevents those "locked out of opportunities for a very long time" (to quote Trump critic Elizabeth Wilkins) from becoming homeless or actual starvation.

The truth is that we cannot achieve equality of opportunity without dramatic restructuring of how government raises revenue to pay for public goods and services.

At the local level, governments and school districts need to greatly reduce (ideally eliminate) the taxation of buildings, which are depreciating assets, and shift the property tax to capture the economic rent (i.e., the potential annual rental value) of whatever location is owned in a community. With some provision to prevent displacement of lower income property owners, this is already being done in a small number of towns, cities, boroughs and school districts in Pennsylvania and a few other states.

At the federal level, we need real tax reform, the effect of which is to exempt wages and salaries up to some livable amount, say, $100,000. Above this level, I propose elimination of all other exemptions and deductions. Then, above $100,000, impose an increasing rate of taxation on higher ranges of income. This structure will, at the highest levels of income, capture income derived from speculation and rent-seeking privileges some enjoy under the law. So-called *capital gains* will no longer receive preferential treatment over income earned producing goods and services for the simple reason that actual capital goods (i.e., buildings, machinery, technologies) do no increase in exchange value over time; they are depreciating assets.

Another consideration is replacement of the business profits tax with a graduated tax on gross income. Small businesses (as defined by the Small Business Administration) could have the first $1 million of revenue exempt. Then, above this exemption, begin with a low rate (e.g., .5% on, say, over $1 million to $2 million, increasing up to some percent that is not confiscatory but ensures that no business escapes taxation at the federal level.