

news cuttings

Easton weighs taxing land more than buildings

by Tracy Jordan

The Morning Call (Lehigh Valley, PA, USA)

4th May, 2004

Key proponents of the land value tax system adopted in Allentown and being considered in Philadelphia will explain the benefits to Easton property owners at a public meeting at 7 p.m. Wednesday at St. Anthony's Youth Center in Easton.

Former Allentown Councilman Benjamin Howells and Kathy Harris, president of the Greater Olney Community Council in Philadelphia, will make presentations, as will Joshua Vincent, director of the Center of [sic] the Study of Economics.

All three previously made presentations to Easton City Council at the request of Councilman Michael P. Fleck, who also organized Wednesday's meeting.

Fleck has been promoting a gradual shift from property taxes to land taxes as a way to promote development of vacant land and vacant or rundown buildings, which enjoy a lower assessment than well-maintained buildings.

Councilwoman Carole Heffley, who has researched the matter since joining council in January, also will speak in favor of the land tax Wednesday.

"I have searched high and low for anything negative about it, and I can't find anything negative," Heffley said. "The question before us is how much good can we expect it to do."

Most homeowners, especially those in row homes, are penalized under the current system because they are taxed on the value of the building but own little land.

"A lot of citizens get concerned right away when they hear tax reform," Fleck said. "This is actually a way for residents to pay less taxes, so we want everyone who owns property in the city of Easton to come to the meeting."

After the presentations, Fleck said, there will be ample time for questions, and information on the impact of the tax on specific properties will be available.

Easton Mayor Phil Mitman said he has not decided whether he would support the land value tax because his chief of staff, Stu Gallaher, is still researching it.

"I don't want to move quickly on this, and I think it's a good idea to have these informational sessions," Mitman said. "For me, it's always about hearing both sides of the story."

Mitman said some residents would like to see vacant and rundown buildings developed, but they are concerned about all the vacant land or open space being developed as well.

Fleck said he believes the owners of vacant land would be interested in developing it regardless of whether the city had a land value tax.

He said the College Hill property at 800 Mixsell St. that Alex Patullo wants to subdivide to build a second house on is an example.

But most residential properties, he said, could not support a second house without obtaining variances from the Zoning Hearing Board.

"The bottom line is, the development of land in the city of Easton is inevitable," Fleck said. "But we can control some of that development by making sure we have a system in place where we redevelop old properties as well."

The state of our nation is enough to give you the Sunday blues

by Dan Harper

Santa Cruz Sentinel (USA)

29th February, 2004

I don't know if anyone is paying attention, but this country has some pressing problems. Poverty is the wolf at the door and the predicted \$2.4 trillion deficit is the wolf's friend.

Henry George, the 19th century American economist said, "Poverty is the open-mouthed, relentless hell which yawns beneath civilized society." Poverty is diminishing our schools. Ongoing financial crises have crippled our educational program. It appears that we now expect our teachers to use their own meager salaries to buy school supplies for their students. We should be embarrassed.

Maybe we should surrender to those malcontents who criticize education and who claim that education is filled with inefficiencies and scoundrels (as if business and the military weren't).

Maybe our schools should drop all pretensions of quality and depend on bake and rummage sales and volunteers to support public education. Maybe we should give up the dream of free universal education entirely.

The irony is that we spend lavishly on our military needs as we tighten our belts everywhere else. Our preemptive war on Iraq was unfortunately based on false intelligence — history will see it someday as a terrible mistake. Six hundred young American men and women have died in this war and possibly 10,000 Iraqis. This is a sorry, misbegotten war, and I offer my condolences to those families who have suffered such terrible losses for so little.

In 1845, a U.S. senator gave a speech in which he said, "War crushes with bloody heel all

justice, all happiness, all that is God-like in man."

Everyone agrees that Saddam Hussein is a bad man, but is he any worse than dozens of dictators we support in other parts of the world? The difference is the size of the oil reserves he sits on.

It was Thomas Jefferson, in an 1807 letter who wrote, "The spirit of this country is totally adverse to a large military force."

It is? That's news to me. I wonder if our nation's leaders have read Jefferson lately.

Meanwhile, America's libraries and parks are closing. More and more of our poorest can't afford health care. And is rail travel anything but a joke in this country?

And while we're talking about failures let's not forget the collapse of medical care and the obscene rise in prescription drug prices. There's talk of shutting down access to prescription drugs in Canada. Now isn't that a novel approach to our medical crisis?

And what's happened to our parks and national recreation areas? They used to be free and well-maintained — now they're expensive, threadbare and overused.

Look almost anywhere in this country and you'll see the deterioration of our infrastructure — our bridges and roads, our transportation systems, our water and electricity systems. Nothing is working as well as it used to, or should.

Is it really any wonder that our electricity grid is a hopeless hodge-podge? Widespread blackouts are increasingly likely. It's all part of a national pattern of decay and greed.

But we can take pride in our first-class armies.

Meanwhile our young abuse drugs with increasing frequency while their parents pretend to be horrified. But they are hiding their own addictions to prescription medicines, hard drugs and alcohol and tobacco. Experts say about 22 million Americans are hooked on at least one of these drugs.

Maybe this is the beginning of the end for us. Nations rise and fall. Maybe we're becoming a third-rate economy with a first-rate military.

Our enormously complex and expensive war machine continues to grow. The cost of our war in Iraq isn't even mentioned in the president's new budget. Meanwhile, more and more Americans (about 36 million in 2002) are living below the poverty line.

We waste our time being horrified by gay weddings in San Francisco while the parade of American economic failures, business breakdowns and threatened infrastructure collapses are barely noticed.

Meanwhile, what's happening to our clean water, our national integrity, our children's education and our medical care?

So the solution is to distract ourselves and attack a little Middle Eastern nation instead.

I know I sound grumpy and bad-tempered and

I'm sorry about that. But the noble American dream our forefathers had for this new nation has unfortunately been drained away. Now we find ourselves living in some kind of animated Walt Disney movie where we hide from reality in a make-believe world.

There are entirely too many American flags on car bumpers and not enough realists who can remind us of what our forefathers wanted us to become.

Reviving land tax would be Barker mad

by Martyn Jones
Edinburgh Evening News (UK)
8th July, 2004

There was a collective gasp of disbelief among landowners and developers earlier this year when the Barker Review, a government-commissioned report into the UK housing shortage, once again raised the possibility of a development tax on landowners.

Yet, while the review was thorough in its discussion of taxation as an instrument for influencing the production of new housing stock, it is hard to see its findings as a ringing endorsement of such a tax in today's market.

So, should we really be worried about a new land development tax, or will good sense ensure that the notion stays where it belongs - on the page?

Let there be no doubt - action must be taken on the supply of good-quality new housing. While our situation is relatively acute, the challenges faced by Edinburgh are being mirrored across the country.

Very high demand and sluggish supply are driving up house prices and making it difficult for businesses to attract skilled workers from elsewhere.

Led by Kate Barker, a member of the Bank of England's Monetary Policy Committee, the Barker Review of Housing Supply is at the forefront of government efforts to solve these challenges. As part of its detailed analysis, the review considers the resurrection of a tax on landowners, first mooted by Churchill and then put into practice between 1976 and 1985 before being abandoned.

As any such tax would apply to large landowners who are profiting from developments, it is interesting that the interim report quotes Churchill. He argued, in 1909, that installation of infrastructure services benefited the landlord and increased the value of property at the expense and through the labour of others, while the landlord "sat still". The land monopolist benefited from these improvements but did not contribute to them.

As insightful as this may or may not have been in 1909, is it a useful way for Barker

to frame today's dilemma? The subsequent introduction of capital gains tax has meant landowners now put some of their profits back into society. In addition, council tax has placed the cost of publicly-funded infrastructure directly on to the housebuyer, meaning that such amenities no longer add value to the land itself or generate revenue for the landowner.

Much of the "pro" case is based on the idea that an economic rent accrues to the landowner when planning permission is given. However, it seems that this is simply the obvious increase in land value, caused by the fact that the landowner can now put it to profitable use. In this context, why should gains from the sale of land bear a tax different from other economic gains? Surely, the same argument could be applied, for example, to relaxations in licensing hours or a change of practice to permit Sunday trading?

In all these cases, the intervention of the state and the demands of society have produced an increased profit, yet we do not propose an additional tax-hit for their gains.

But setting aside whether a land development tax would be "fair", what would be its effect on the current housing crisis? Taking into account the slow rate at which stock is being added to the market at present, it is hard to see how an extra tax will help anybody but the Treasury.

Were a land development tax to be introduced, this is where the wider financial implications for the Capital could become grave. For Edinburgh to expand, we must accept location plays an important role in homebuying decisions and concentrate on providing new family housing within reach of the city's economic centre. The availability of such property will be key in attracting skilled individuals needed by businesses. Barker's extra tax burden may be enough to sour the market for potential property investors, damaging Edinburgh's standing as a competitive venue for enterprise.

In short, it would be a grave error for policy makers to take this unnecessary and, inevitably, unpopular tax any further.

City Council turns to tax commission's proposed changes

by Michael Currie Schaffer and Angela Couloumbis
Philadelphia Inquirer (USA)
7th May, 2004

After six weeks of grueling hearings about Mayor Street's efforts to cut spending, City Council is diving into efforts to alter the other

side of the municipal ledger.

Hearings on Monday will focus on 13 bills designed to implement tax changes recommended by the city's Tax Reform Commission. The bills include measures that would accelerate reductions in the city's wage tax, assess property at 100 percent of its market value, and eliminate the business-privilege tax by 2015.

Street embraced several of the proposals in his five-year budget plan but has voiced skepticism about others, notably the change in the wage tax, which would fall to 3.25 percent for residents and nonresidents by 2014.

But in interviews this week, Council members were all over the map on the issue, with a Street ally saying he could support the entire package, a Street critic voicing doubts about the bills, and still another Street ally voicing doubts even about the tax cuts in Street's budget.

"Most of it will get passed," said Seventh District Councilman Rick Mariano, part of a group on Council that traditionally votes with the mayor.

"I would probably be against most of them with maybe one or two exceptions," said Councilman David Cohen, who often lines up on the opposite side of issues from Street. Cohen said the commission had not incorporated measures that he believed would reduce what he sees as the unfair distribution of the tax burden.

Council Majority Leader Jannie L Blackwell, long a close Street ally, expressed frustration with the administration's handling of the budget process. When asked whether she would support the tax-reform measures Street proposed, she said: "not necessarily. We still need to work out a lot of issues."

Topping that list, for Blackwell, are recreation centers. She said the administration has been sending mixed signals on which centers will be closed to help balance the budget. The city is facing a \$227 million deficit in the \$3.4 billion budget that begins July 1.

"If we don't get the rec center issue straightened out, I don't think the mayor can get this budget," she said. "It's just that upsetting."

Blackwell said she also was frustrated by the fact that every time she sits down with members of the administration to discuss alternatives, she is told that it could lead to layoffs of city employees.

"And that's not fair," Blackwell said. "And I'm not going to let anybody put me in that position or put me in that corner."

One measure that drew strong criticism from supporters and critics of the package: the proposal to phase in "land value taxation," which would increase the percentage of each