What is land value tax? How does it work? It requires some changes in how we think about land: no individuals or entity besides the state (county/municipality) can own land — that land is owned or held in common. You buy the right to use it, no more.

What you really get when you buy land is a title, the exclusive right to use a parcel of land defined by a set of map coordinates. But the land itself belongs to everyone, like a natural resource. If you think you own land, try to move it. Or look up Eminent Domain.

Think of the nations that use Sovereign Wealth Funds that use resource extraction taxes to repay their citizens when those resources are sold. Unlike labor or crops, oil and coal are not renewable: some nations realized this and recoup money from their sale in the national interest.

Those resources — renewable, like timber, or not, like coal — belong to the people and should only be sold on their behalf. Land is a similar resource: not renewable but not consumable either. So it can only be rented, not sold.

The only reason to own land, as we do now, is to remove it from the commons and extract rents, as in feudal times or The Enclosures Acts in the UK. This creates artificial scarcity on behalf of rentiers at the expense of everyone else — working people and productive business.

In an land value tax system, you buy the title to a parcel and then pay an annual rent to use it, in lieu of property taxes. Only the land would be assessed a rent, not the improvements, like buildings.

So instead of underutilized parcels that are being held as part of an investment strategy, often at property tax rates as low as 1% of their appraised value, a land rent would be a multiple of that, enough to discourage vacant or underdeveloped lots in high value locations.

Surface parking lots, storage warehouses, big box stores — all of these are just

real estate plays, part of a portfolio, rather than investments in the local economy.

The value of a piece of land is its location. A parcel located on a highway or busy commercial highway is valuable because of its location. That is to say, its increased value, relative to a parcel out in the country, is a result of nearby development and investment by the state — roads, residential development, utilities.

It's in the interest of the local authority to make the land work, to charge a high enough rent to drive development and discourage hoarding.

For example, a parcel near me is vacant, and has been for years, valued at USD700k but is only levied about USD7k in property taxes. What if the land rent was 10% — USD70K? Would it still be vacant?

This should push the price to use that parcel down, as there is now a penalty to hold onto it as undeveloped land. A $700k parcel with 1% tax might be offered at half that if the land rental was 10% or $70k.

And it is just one of several parcels that are either vacant or have disused buildings on them. How does a local government get those parcels back into use, earning money for the city through commerce or as housing? By making them too expensive to keep vacant.

The benefits to this would be increased development, as investors/developers felt some pressure to extract *their* rents from the land, by building on it. Since the improvements aren't taxed, they are free to build whatever will make them the most money.

Rather than paying USD1 million for a parcel with a 1% tax rate, imagine paying USD100,000 with a 10% rate, payable annually. Lowering the cost to acquire land for development lowers the price of what gets build ont that land.

You would no longer need to develop expensive homes/apartments to recoup your investment in land, making it possible to build affordable housing.

And you wouldn't want to do that: you would need to sell them (and if zoning changes were put in place to allow these improvements), we should see increased construction that reflects what people want and can afford.

Increased construction/housing supply drives down rents while spurring construction/competition within a built-up metro area with underused or disused parcels. And this doesn't consider the chief beneficiary of inflated land prices: banks.

Consider the mortgage interest on a USD1 million parcel vs a USD100,000 one. The total of 360 payments (USD552 @ 5%, 5% down) is USD198,793. The bank makes about USD98,000 almost as much as the amount financed.

For USD1,000,000 the total of 360 payments (USD5,552 @ 5%, 5% down) is USD1,987,933. The bank makes about USD988,000 — again, almost as much as the property. It gets more lopsided at higher interest rates: at 10%, the bank gets twice the amount it loaned.

If you have to make those kind of payments or come up with that kind of financing, you're not building affordable housing: you're building high-end properties. And that's where many cities are stuck.

Those housing markets are full of well-appointed properties that are out of reach of working people but that make great investments/money-laundering vehicles/short-term rentals (AirBnB) for those who can afford them.

The end result is a scarcity of affordable properties for working people and reduced economic activity in the local economy, as shelter costs consume more of worker wages. When properties are held by non-local investors, those rent payments are siphoned out of the local economy.

Not to argue that banks are the cause of this, just that they are big beneficiaries of the existing system. How knows how competitive they might become if this flow of easy money dried up? Construction loans will be needed.

http://wealthandwant.com/docs/Cord_22.html lists many studies and examples where LVT has driven construction which lowers housing prices, attracts jobs/ employment which are real economic growth/wealth creation for all.

In 1997 Allentown PA became two-rate LVT: nearby Bethlehem remained one-rate. Allentown's new construction and renovation grew by 82% in dollar value in the next three years, based on a study of building-permit data on file in both city halls.

Washington and Monessen (both in SW PA) are roughly comparable in size, economy. Washington went two-rate LVT in 1985, new const'n and renovation $ increased by 33% in the 3 years after two-rate adoption while one-rate Monessen's new construction and renovation decreased 26%.

Connellsville, Pa. saw new construction/renovation jump 3.46 times in the three years after it adopted a two-rate LVT, compared to just 7% increase in nearby Uniontown during the same period though Uniontown is larger and the county seat (both are economic development plusses).

In South Africa: one-rate towns (taxing land and buildings equally) increased assessments by 486%, two-rate towns (taxing land more than buildings) increased by 561%, 46 towns with land assessments only increased by 850%. The more a town taxed land values, the faster it grew.