

Land Value Taxes:

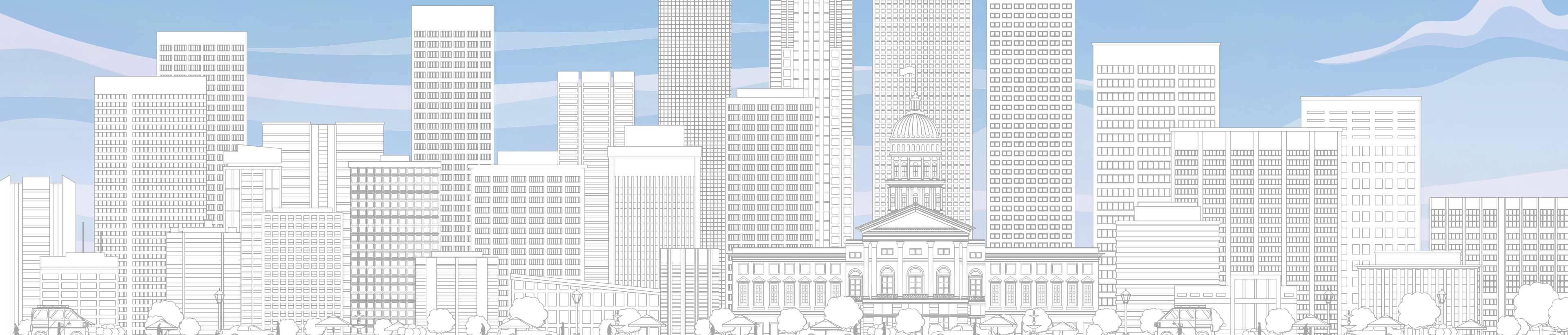
Turning Property Taxes into a Tool for Community Reinvestment

Josie Faass, Ph.D.

Executive Director
Progress and Poverty Institute

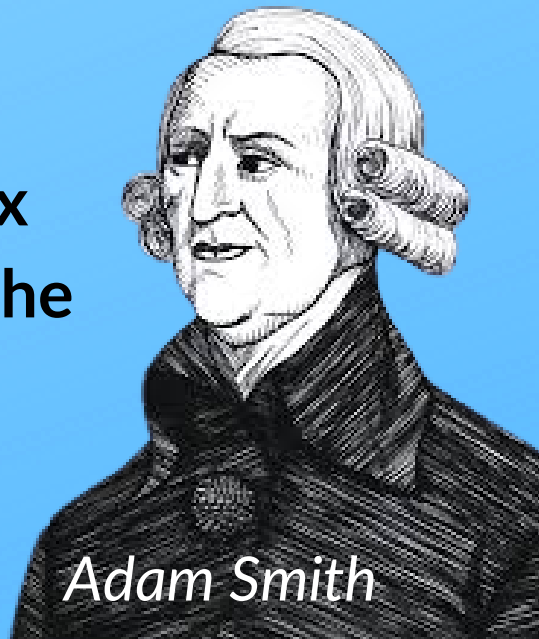
Stephen Hoskins

Director of Community Research
Progress and Poverty Institute



Economists Who ❤️ LVT

“Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground.”



Adam Smith

“In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many, many years ago”



Milton Friedman

"Not only was Henry George correct that a tax on land is nondistortionary, but in an equalitarian society ... tax on land raises just enough revenue to finance the (optimally chosen) level of government expenditure."



Joseph Stiglitz

“Believe it or not, urban economics models actually do suggest that Georgist taxation would be the right approach at least to finance city growth.”



Paul Krugman

Reasons to ❤️ LVT

LAND TAXES ARE EFFICIENT.
(I.E. THE SOLUTION TO THE "TAX
SOMETHING, GET LESS OF IT
CONUNDRUM)

LAND TAXES RETURN COMMUNITY-
MADE VALUE TO THE COMMUNITY.
(I.E. THE "LOCATION, LOCATION,
LOCATION" ARGUMENT)

LAND TAXES ALLOW PROPERTY
OWNERS TO KEEP MORE OF WHAT
THEY MAKE.
(I.E. THE FAIRNESS ARGUMENT)

LAND TAXES DISCOURAGE
SPECULATION.
(I.E. THE ANSWER TO THE "BUY LOW,
SELL HIGH" PROBLEM)

Traditional Property Tax Calculation

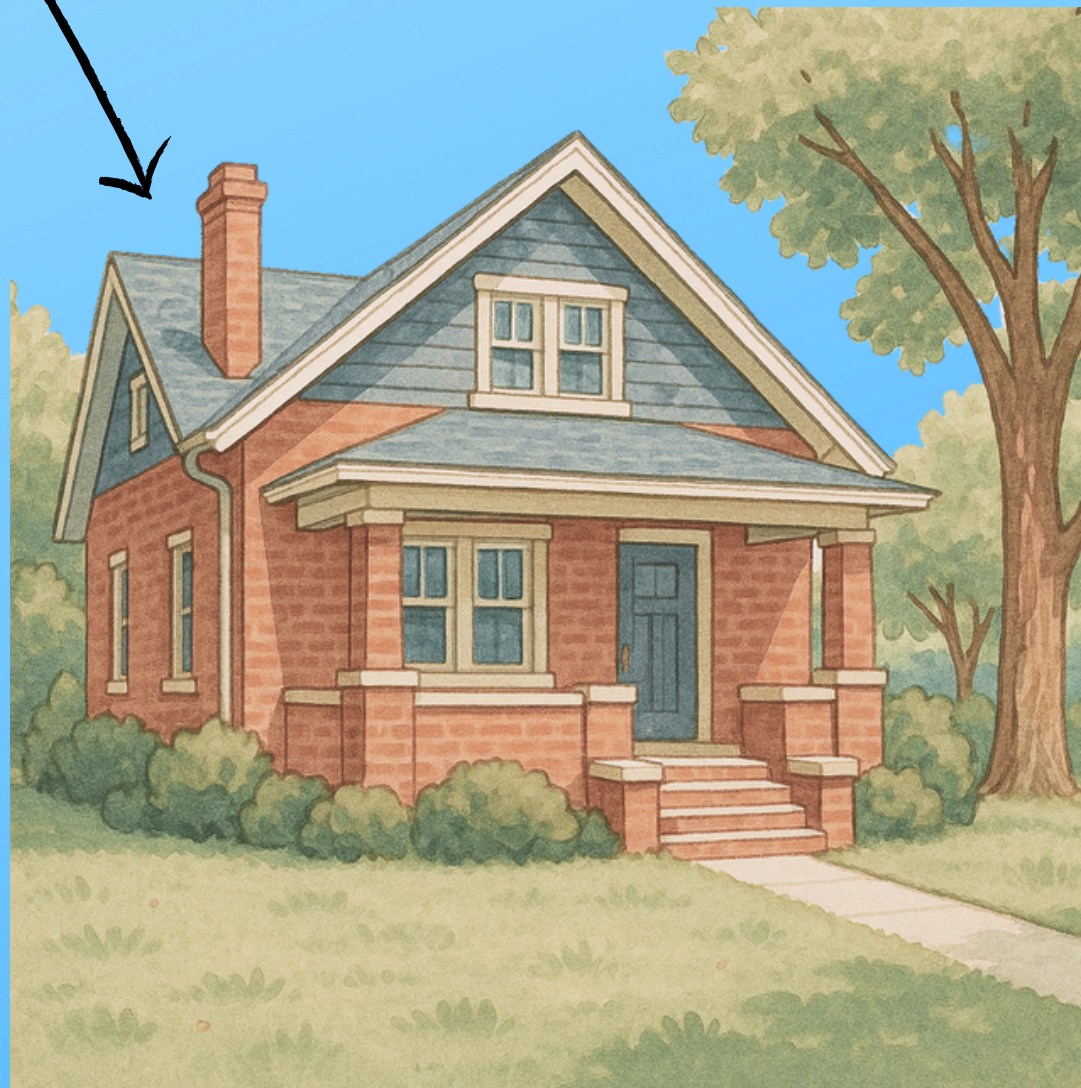
Assessed Value of
"Improvements"

+

Assessed Value of
Land

×

Tax Rate
(2.5%)



TAX

PAID

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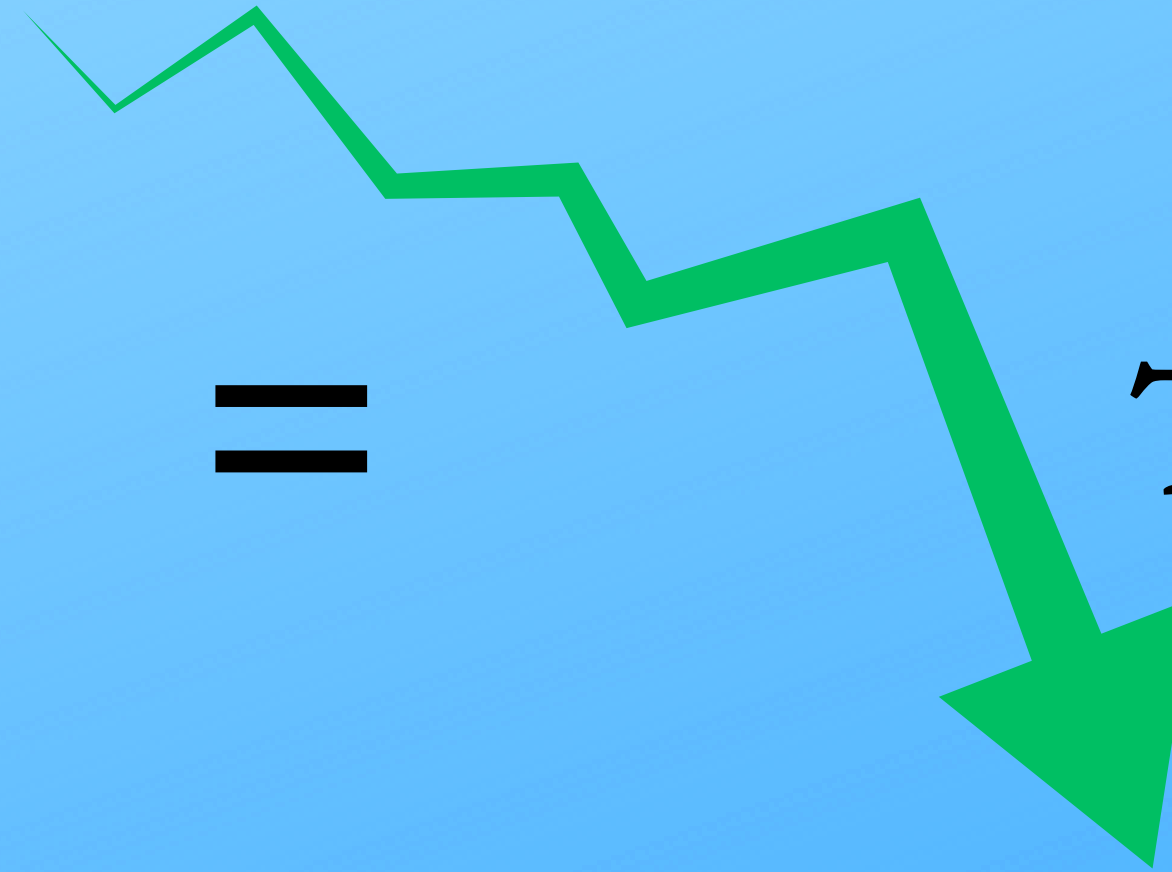
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Tax Bill



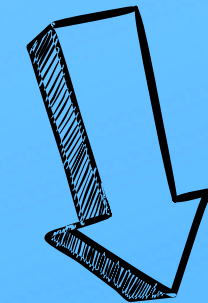
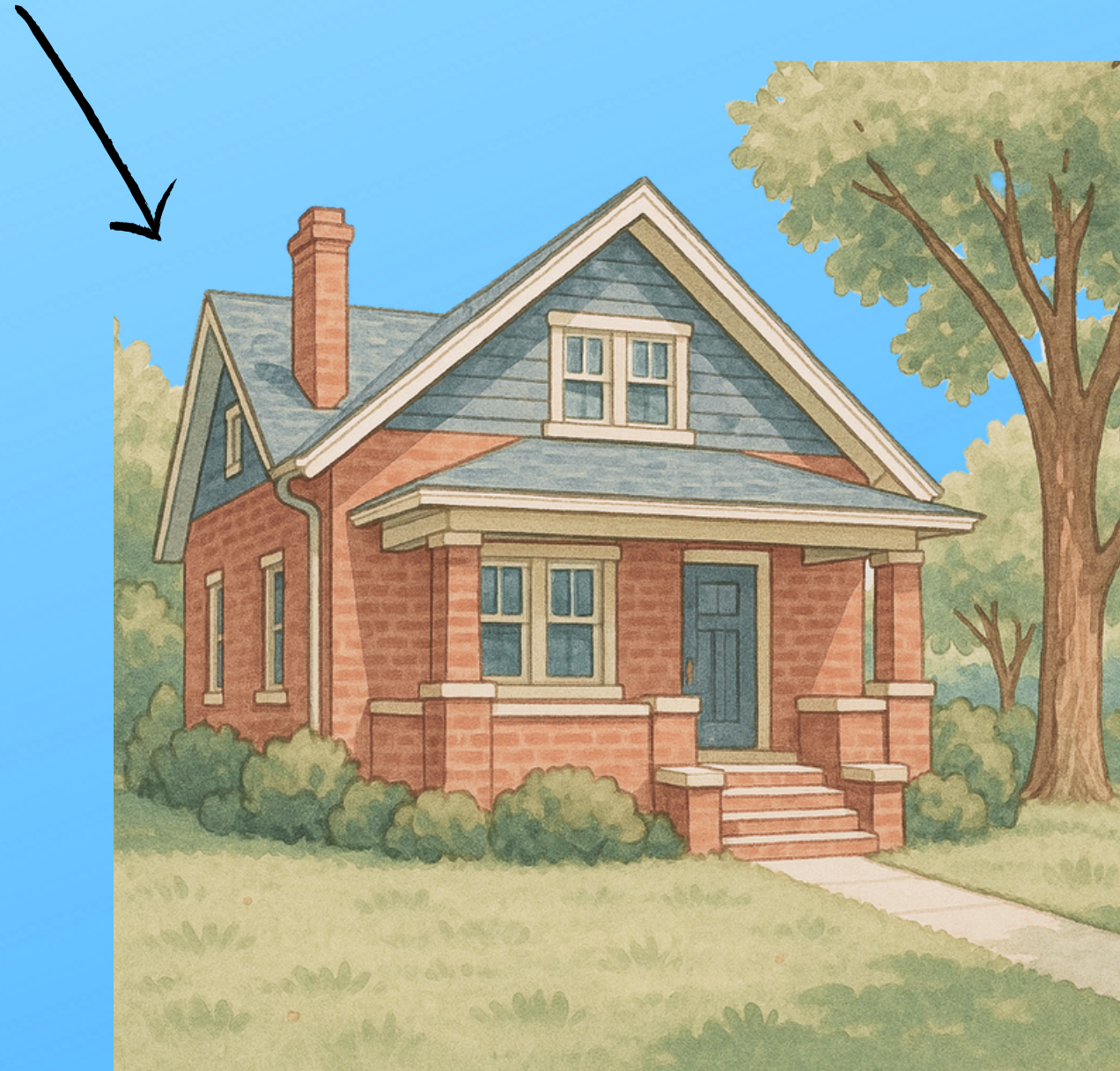
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Tax Bill

Land Value Tax Calculation

$$\left(\text{Assessed Value of "Improvements"} \times \text{Lower Tax Rate} \right) + \left(\text{Assessed Value of Land} \times \text{Higher Tax Rate} \right)$$


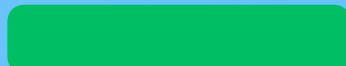
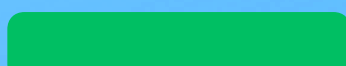


TAX

PAID

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=  OR   Tax Bill !

(smaller or zero increase,
depending on rate
structure)

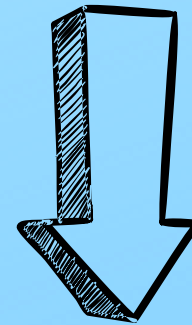


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Tax Bill

LVT Adoption



Demonstrated Land Use & Economic Benefits



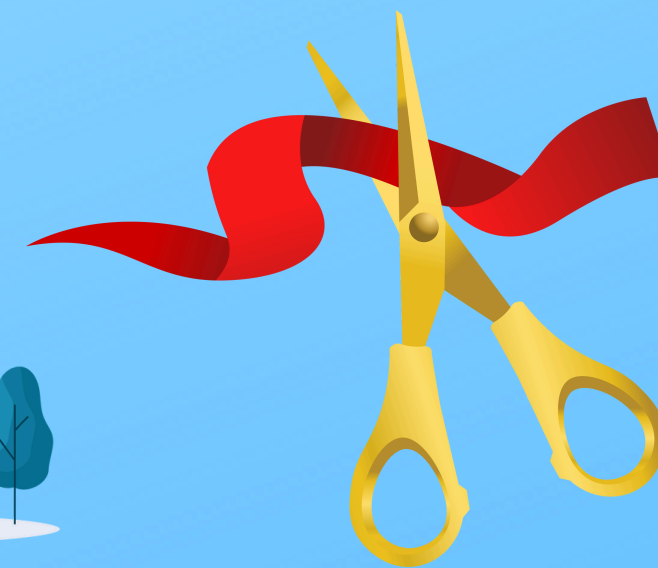
Infill Development



Reduced Sprawl



More Renovations



**More New
Business Starts**



**Decrease
in Tax Arrears**

What do you need for implementation?



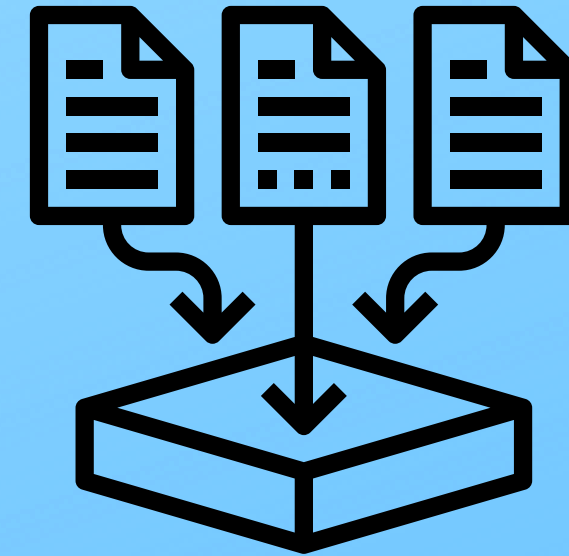
Political Will



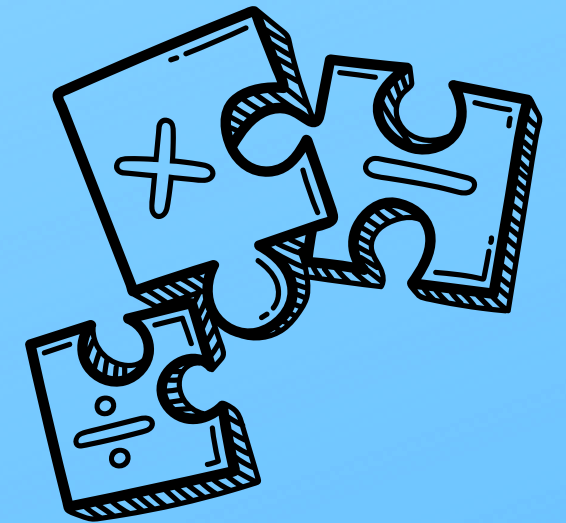
Constitutionality



Public Outreach/Education

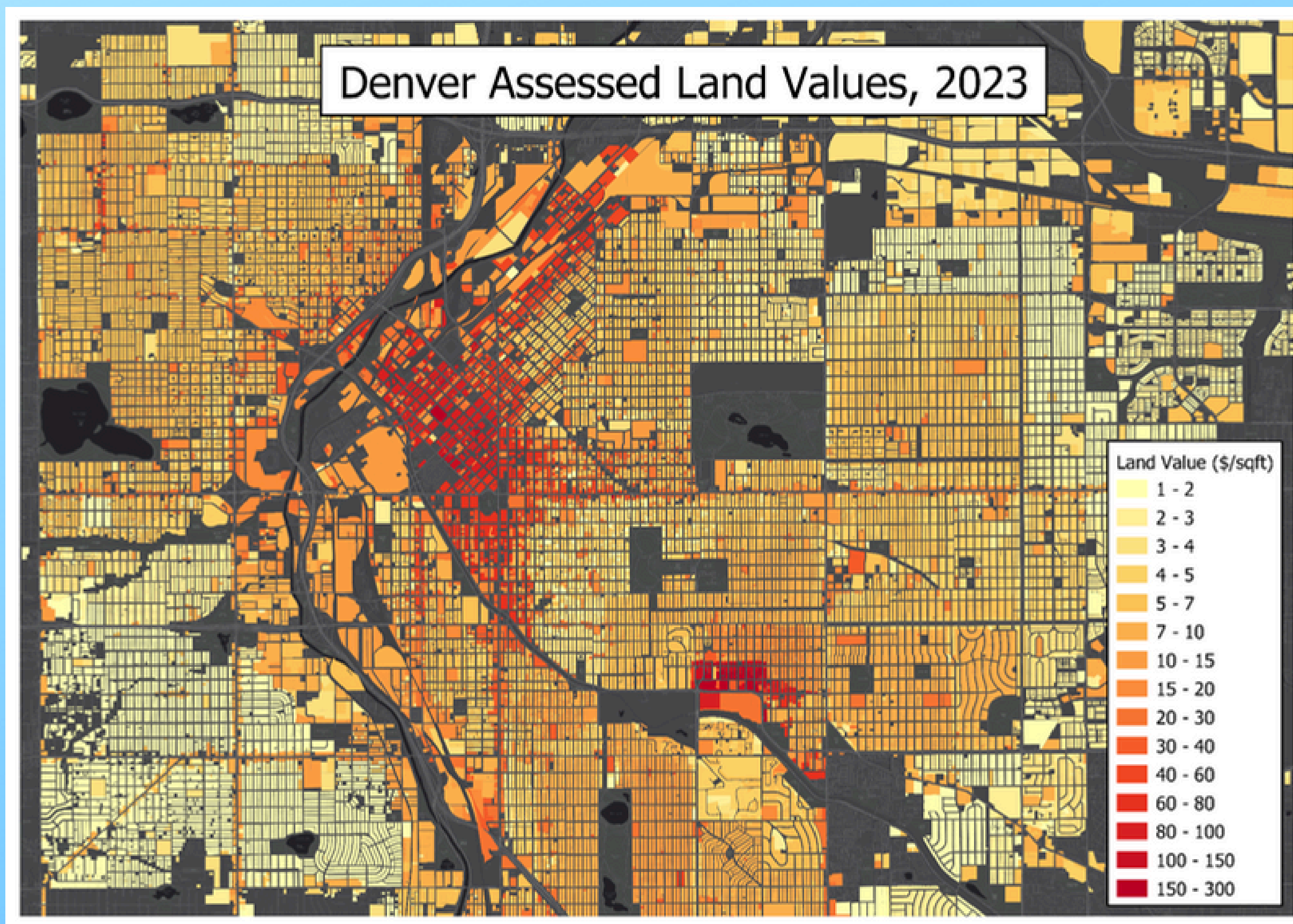


Good Assessment Data



Shift Analysis

Where is the Land Value?



What would an 'LVT shift' mean for Denver?

Current Property Tax Calculation

~236k taxable parcels
\$649m Revenue

Mill Levy = 2.52%

Tax on Land = 47% of tax revenues

Land Value Tax Calculation

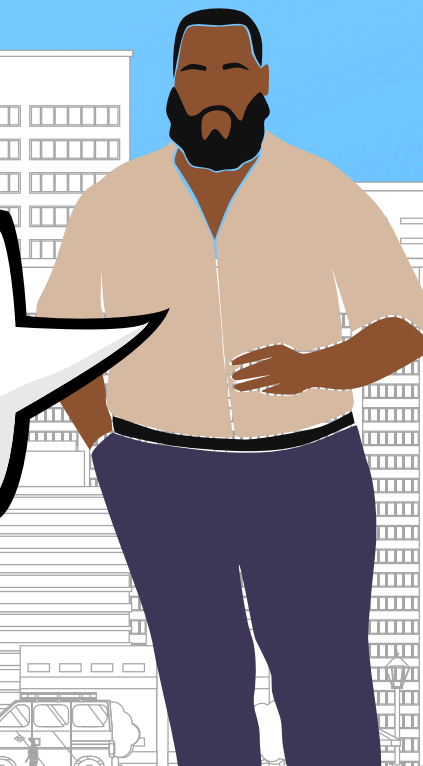
~236k taxable parcels
\$649m Revenue

Land Value Tax Rate = 4.15%

Improvement Tax Rate = 1.22%

Tax on Land = 75% of tax revenues

MAKE IT REVENUE
NEUTRAL!



LVT Shift Rule of Thumb for Denver

Tax Bills Decrease

Building Value > 53% of Total Property Value

Tax Bills Increase

Building Value < 53% of Total Property Value

Map of Results



Most Single Family Homes get a Tax Cut

~135K parcels

Median Current Tax Bill: ~\$1,030

Median LVT Tax Bill: ~\$860

Median Tax Cut: -22%

% Who Get a Tax Cut: 77%



Case Study: Typical Single Family Home

6934 E Harvard Ave

3 bed, 2 bath

2700 sqft house on quarter-acre parcel

Assessed Market Value = \$660,000

Improvements = 65%

Current Tax Bill = \$1,050

LVT Bill = \$910

Decrease of -13%



Most Multifamily also get a Tax Cut

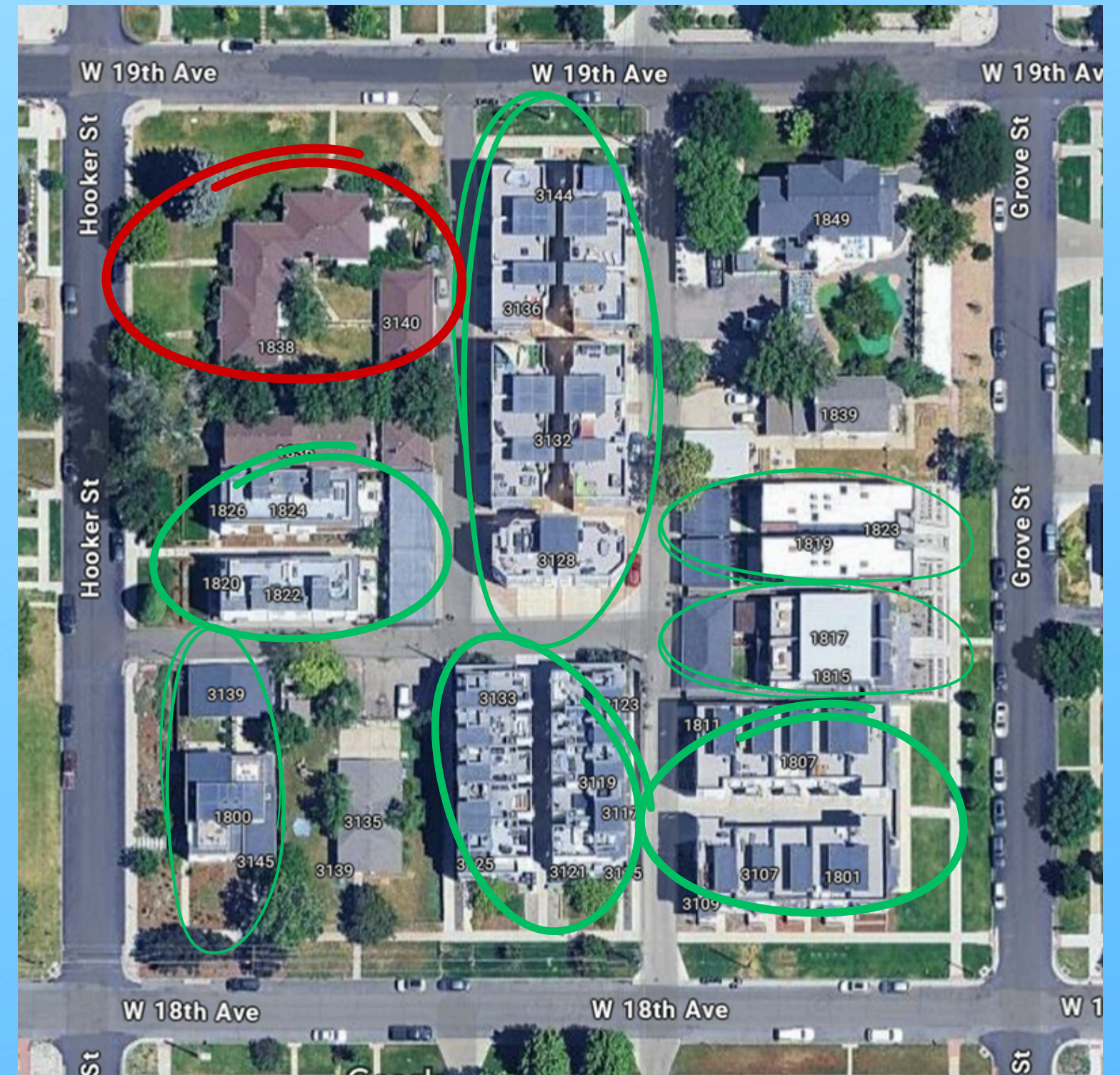
~79k parcels

Median Current Tax Bill: ~\$710

LVT Tax Bill: ~\$410

Median Tax Cut: -42%

% Who Get a Tax Cut: 93%



Case Study: Sunnyside Apartment

2900 W 44th Ave #201

**2-bed, 2-bath apartment
in 12-unit Sunnyside condo on 0.36 acres**

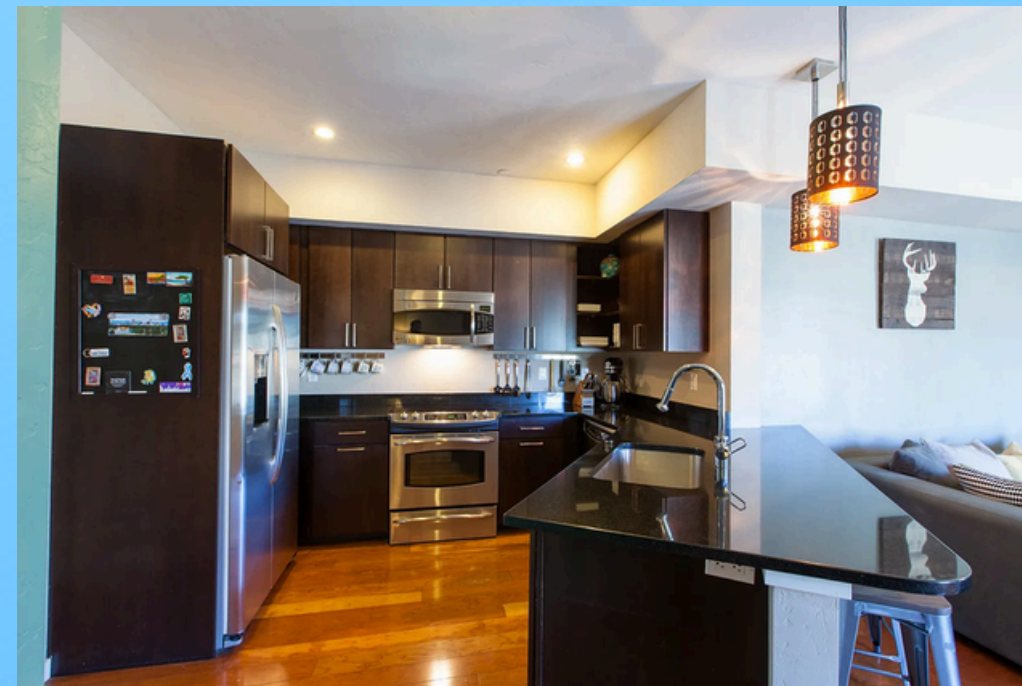
Assessed Market Value = \$500,000

Improvements = 80%

Current Tax Bill = \$775

LVT Bill = \$450

Decrease of -42%



50-50 for Commercial & Industrial

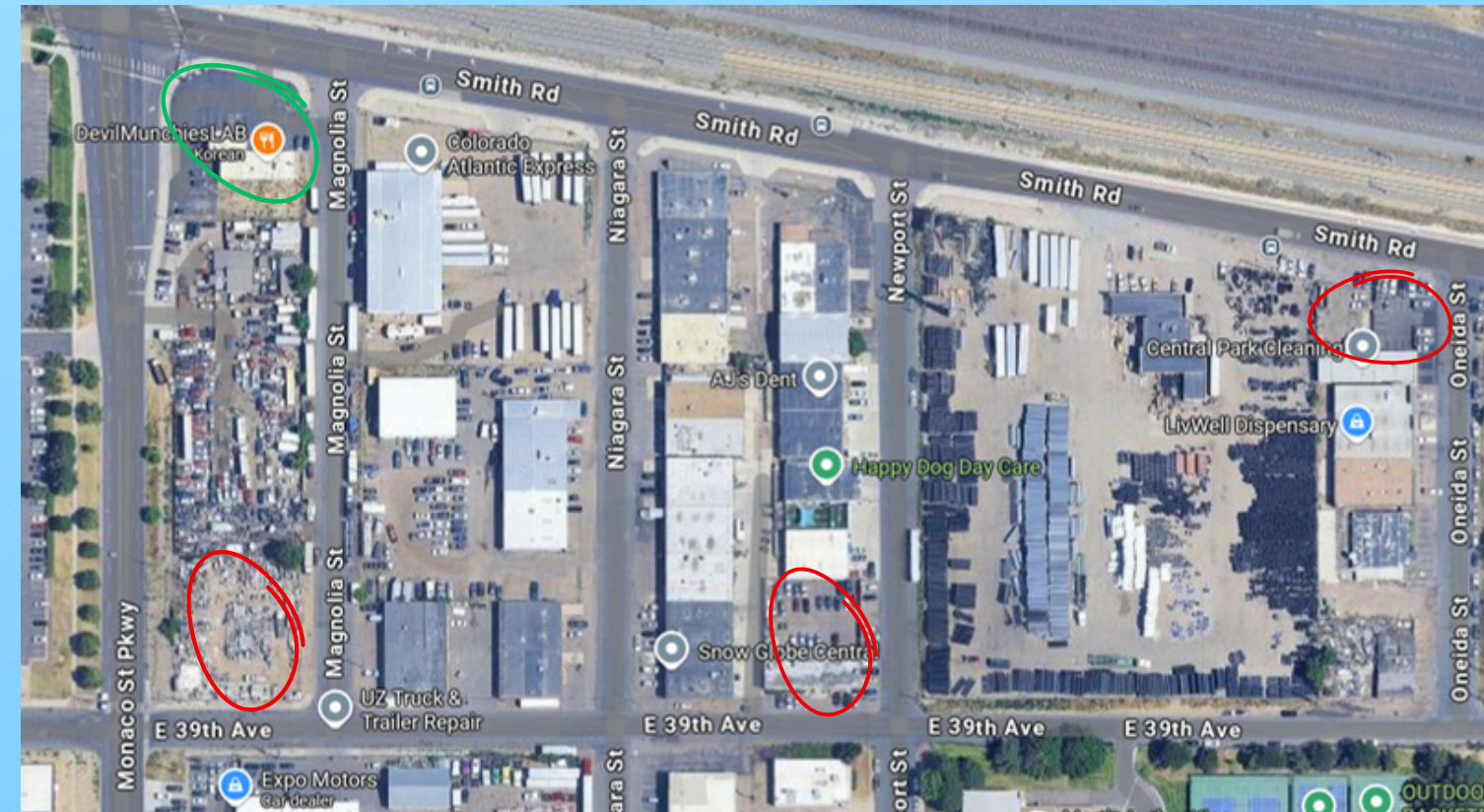
8k commercial parcels

Median Current Tax Bill: ~\$7,760

Median LVT Tax Bill: ~\$8,710

Median Tax Increase: +5%

% Who Get a Tax Increase: 54%



3k industrial parcels

Median Current Tax Bill: ~\$12,460

Median LVT Tax Bill: ~\$13,350

Median Tax Increase: 0%

% Who Get a Tax Increase: 50%

All Vacant Parcels see their Taxes Rise

9k parcels

Median Current Tax Bill: ~\$240

LVT Tax Bill: ~\$380

Median Tax Increase: +61%

% Who Get a Tax Increase: 100%



Case Study: Surface Parking Lot

1914 N Broadway

2.5 acres downtown

Owned by 'JA Feel LLC'

Zoned Downtown Commercial

Land Value = \$26.5m

Improvements = \$2,000

Current Tax Bill = \$191,000

LVT Bill = \$306,000

Increase of +61%



All Golf Courses see their Taxes Rise

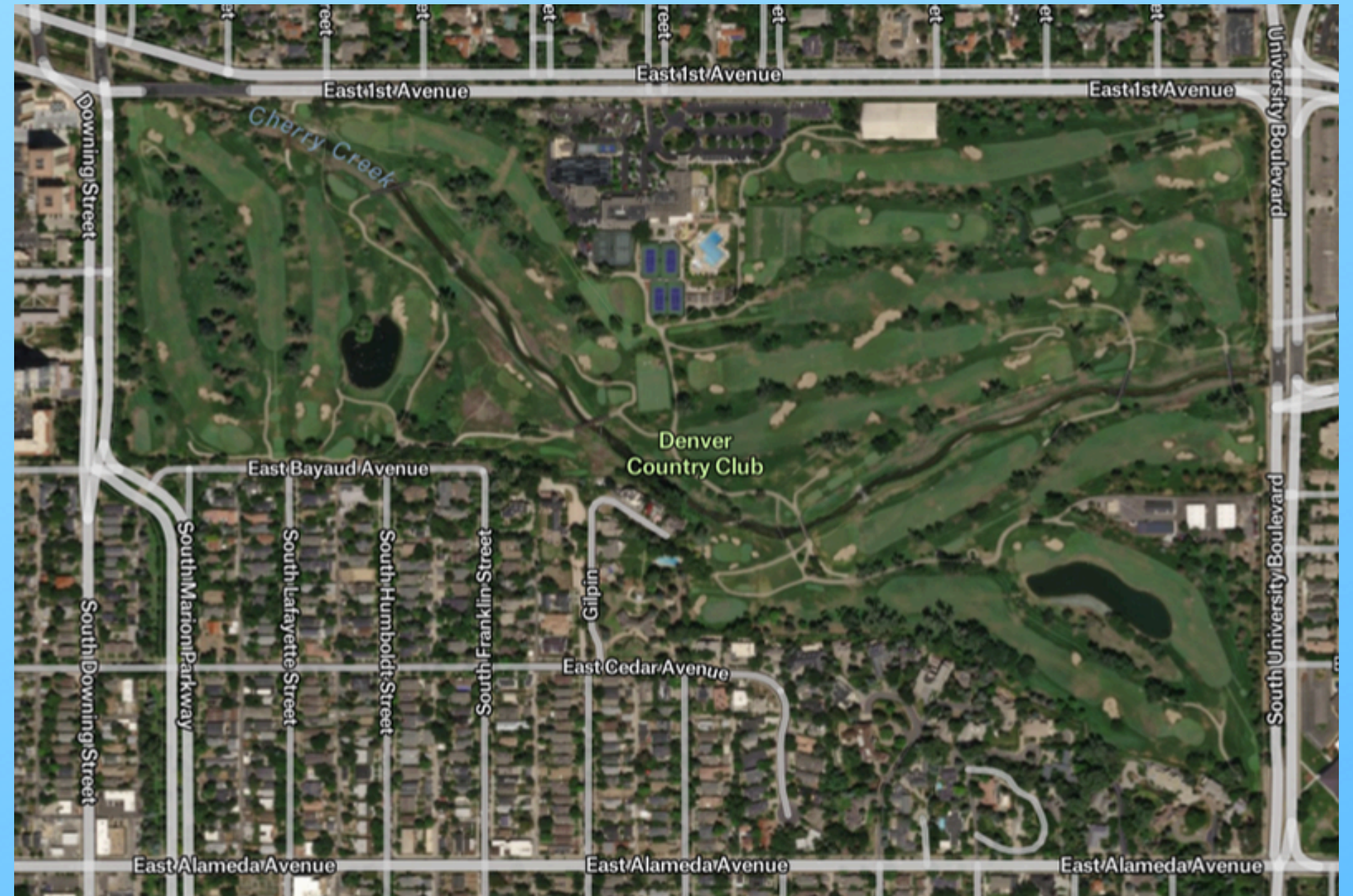
58 parcels

Median Current Tax Bill: ~\$1,460

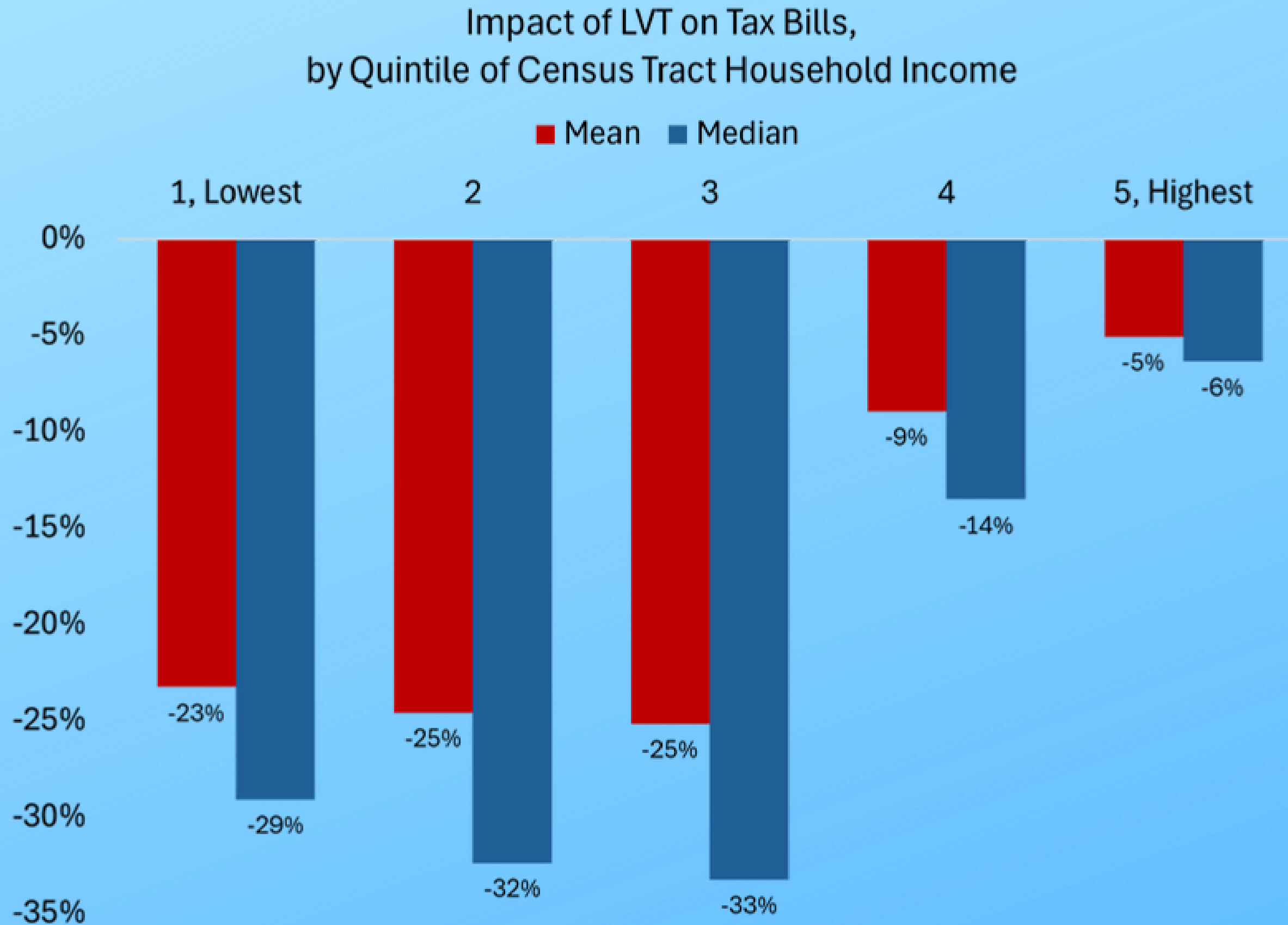
LVT Tax Bill: ~\$2,340

Median Tax Increase: +61%

% Who Get a Tax Increase: 100%



An LVT Shift is Progressive in Denver



Questions?

Ways to do an LVT in CO

- **Split-Rate LVT:** split property classes into land & improvements; raise assessment rates (ARs) for land, reduce for improvements.
- **Progressive LVT/UBI:** LVT with exemption/tax credit
- **Universal Building Exemption:** create a tax exemption for all future construction & renovation
- **Improvement Districts:** public improvements funded from land values
- **Vacancy Taxes:** new class for vacant land, high assessment rate. Recommended by Property Tax Commission