



Land Value Rating

Commission on Local Tax Reform 5 May 2015

Rockford Sign Co.

"EVERYBODY WORKS BUT THE VACANT LOT"

I paid \$3600. for this lot and will hold till I get \$6000. The profit is unearned increment made possible by the presence of this community and enterprise of its people. I take the profit without earning it. For the remedy read

"HENRY GEORGE"

*Yours Truly
Fay Lewis*

Economic Rent or Unearned Income

Roads are made, streets are made, services are improved, electric light turns night into day, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labour and cost of other people and the taxpayers. To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived.

Winston Churchill, Edinburgh 1909



The Jubilee Line extension cost the taxpayer £ 3.5 billion



Land values along the route rose by between
£9.75 billion and £13.5 billion

Fig. 19 Average annual earnings of a UK building worker and the average house price for decade

Year	House Prices	Annual Earnings	HPE Ratio
1930	590	170	3.5
1938	545	175	3.1
1950	1,940	380	5.1
1960	2,530	730	3.5
1970	4,975	1,500	3.3
1980	23,596	5,900	4.0
1990	59,785	9,400	6.4
2000	109,446	20,000	5.5
2010	208,628	28,000	7.5

“The quadrupling [of land prices over the last quarter of a century] has greatly increased the cost of houses, and whereas the land component was about 10% of the total [prior to 1983], it is now often 50% of the total cost. As a result... 60% of the UK’s £6.5 trillion wealth is tied up in property [and if] half of that is the value of the land underneath houses, then it amounts to 2.5 times Gross Domestic Product (GDP).”

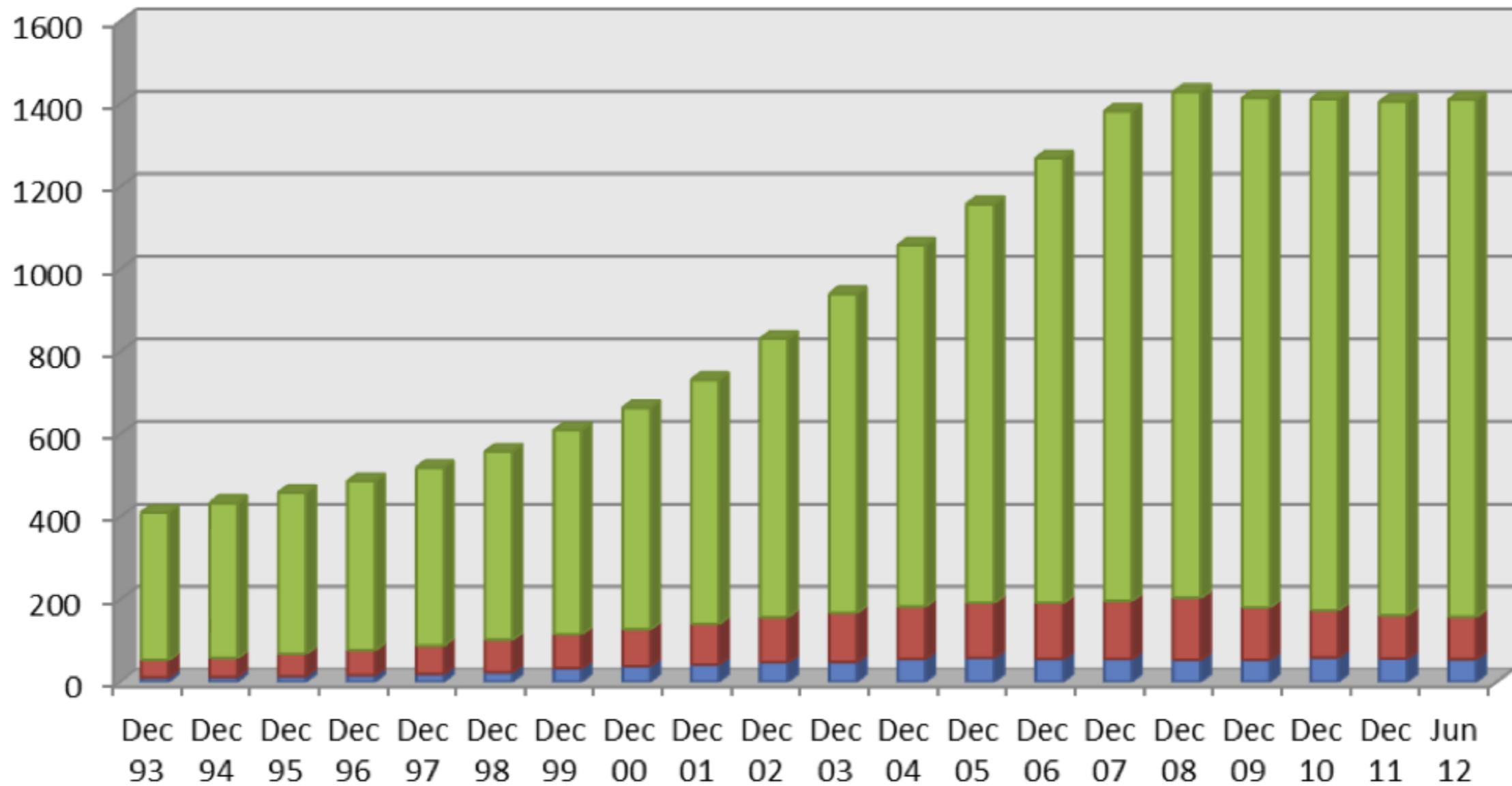
“Standard growth theory postulates that GDP is generated by combining productive capital with human capital... Investment in productive and human capital generates increase in GDP and, with improvements in technology (and possibly of institutions, or social capital more generally), is the source of growth.”

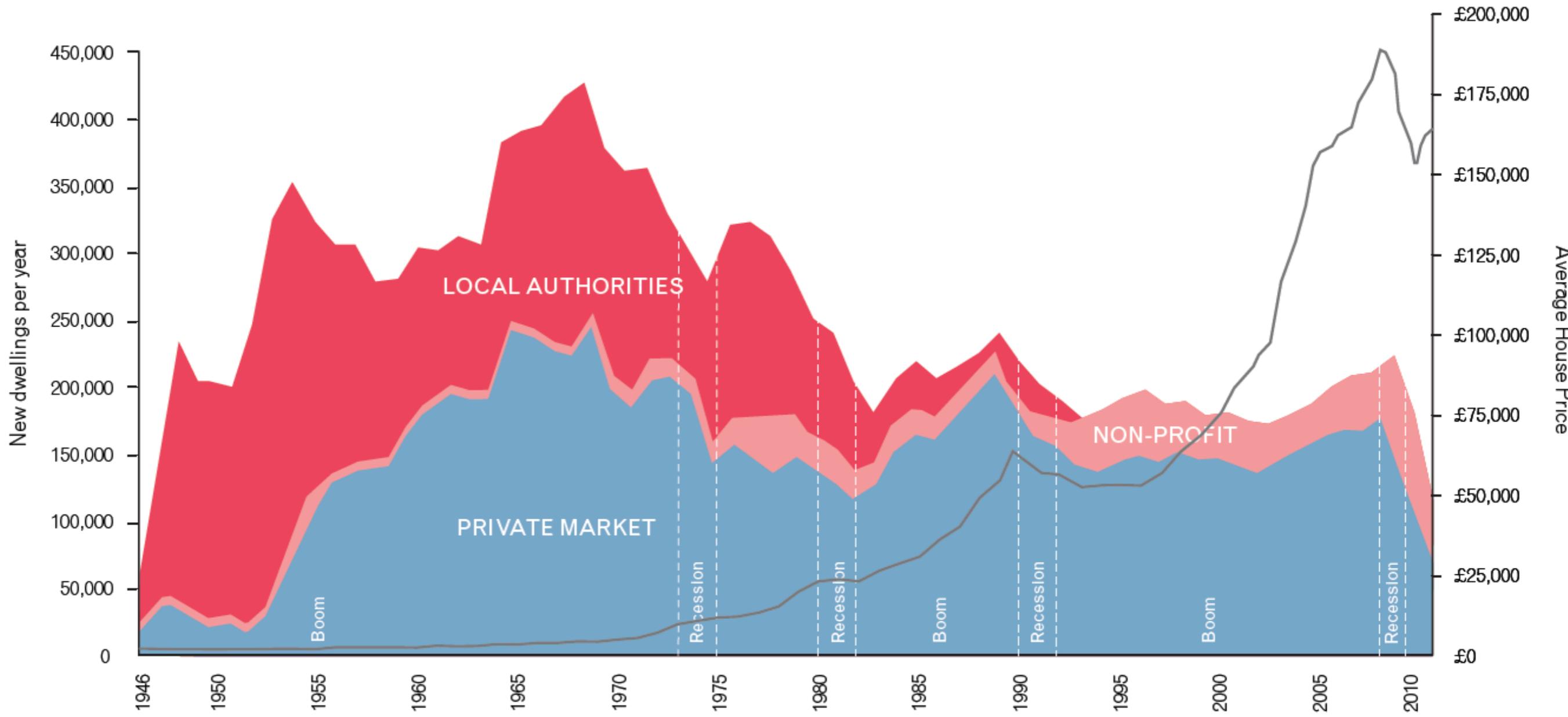
“[If] wealth is held in unproductive capital (specifically, the excess value of land caused by artificial scarcity), then productive capital will be less than it might otherwise be, and hence so will the level of GDP. In that sense, creating and increasing the artificial scarcity value of land is potentially damaging to an economy’s growth and income level.”⁹

Professor David Dewberry, Emeritus Professor of Economics, University of Cambridge
Valuing Land Workshop, 2008

TOTAL UK PERSONAL DEBT (£ BILLIONS)

■ Credit Card Debt ■ Other Consumer Credit Debt ■ Secured Debt





The full sale price of a new home is determined by the amount second-hand homes are sold for in the local housing market.



In competition, the developer who pays the most for land will usually win. This means, to achieve the full sale price as determined by the second-hand market, infrastructure provision and the build quality and size of the new homes has to be squeezed.

Figure 3 Index of housing market costs 1983–2007²³

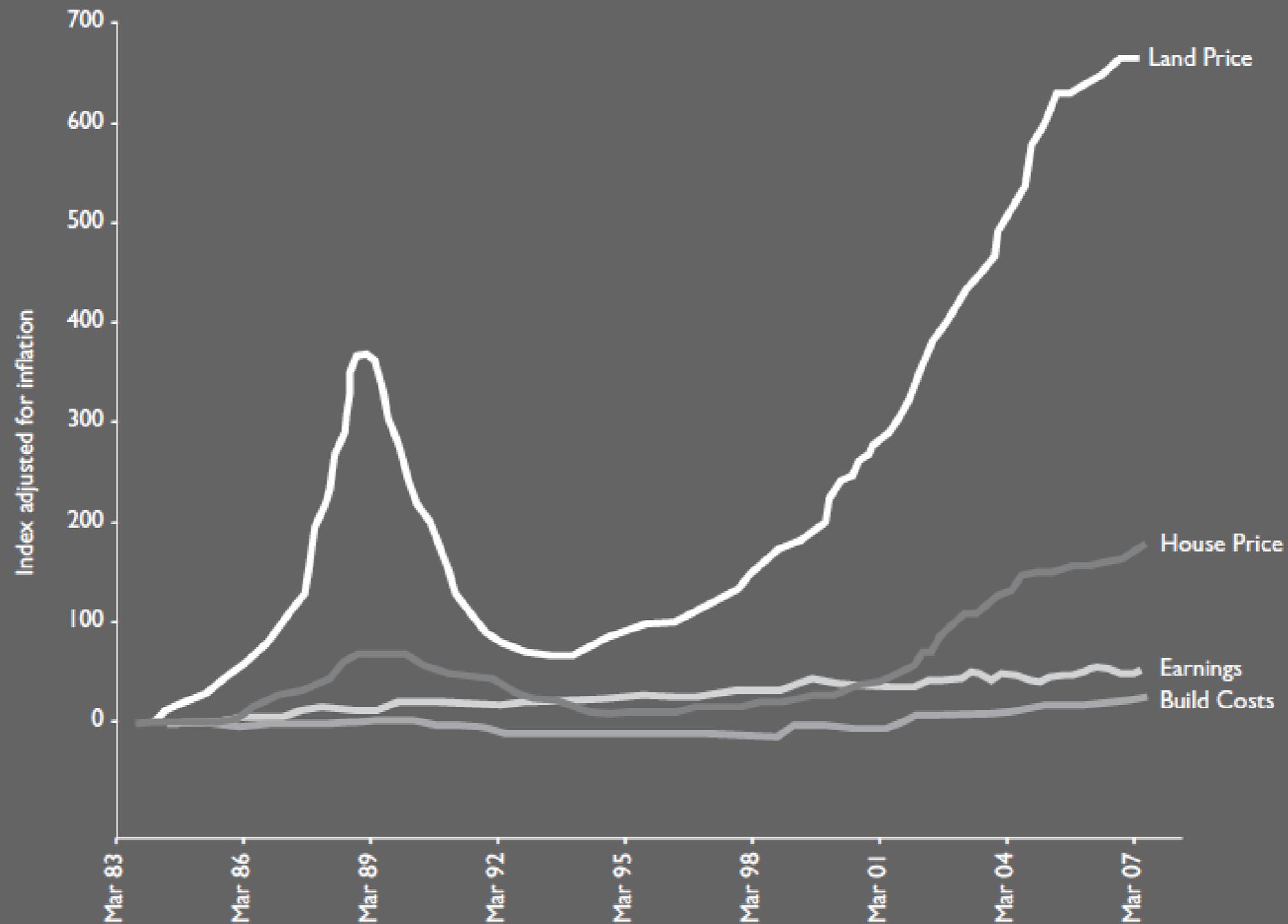


Figure 6

Largest reliefs by value

Twenty tax reliefs account for most of the estimated value of tax relief 2012-13

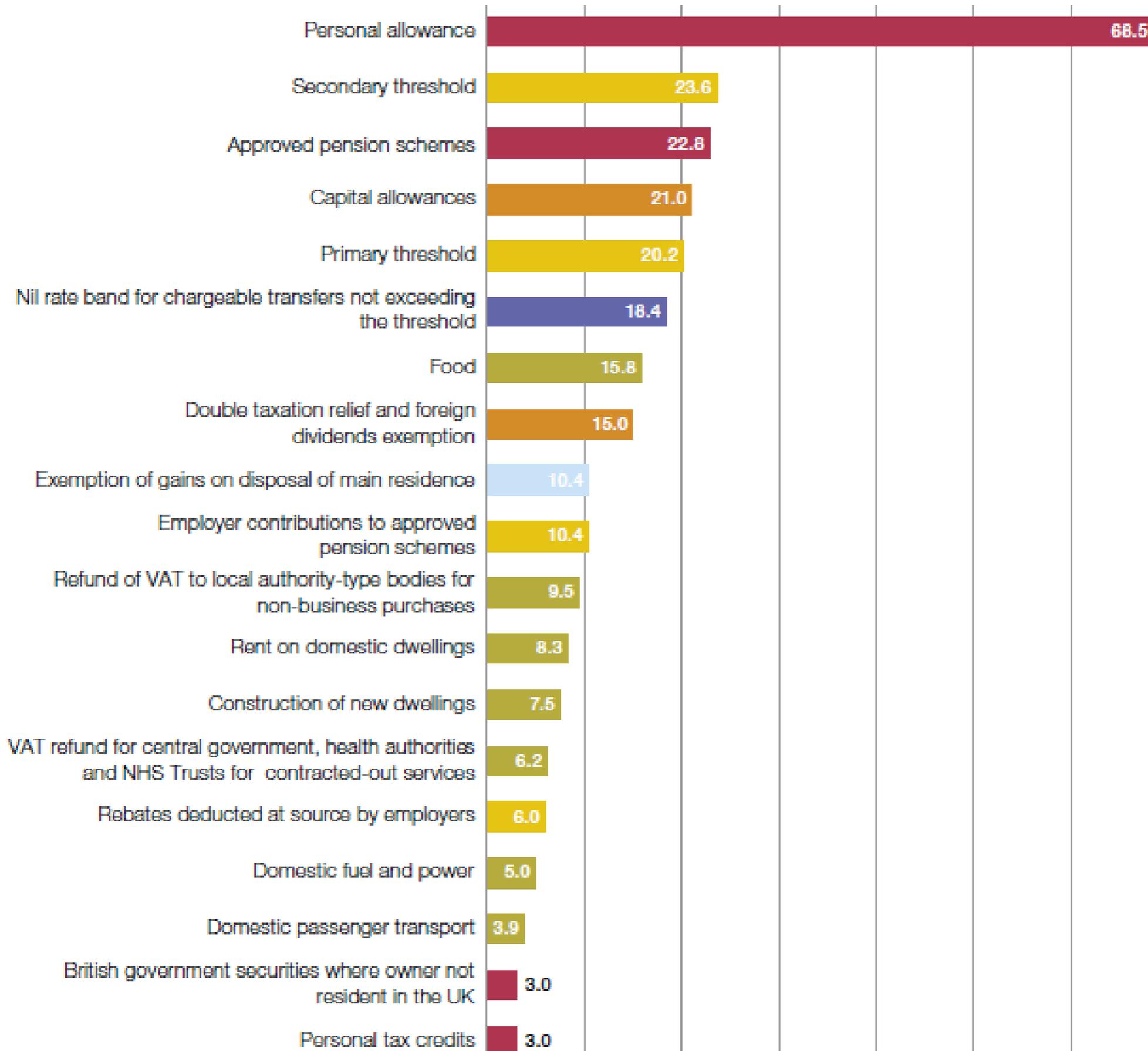
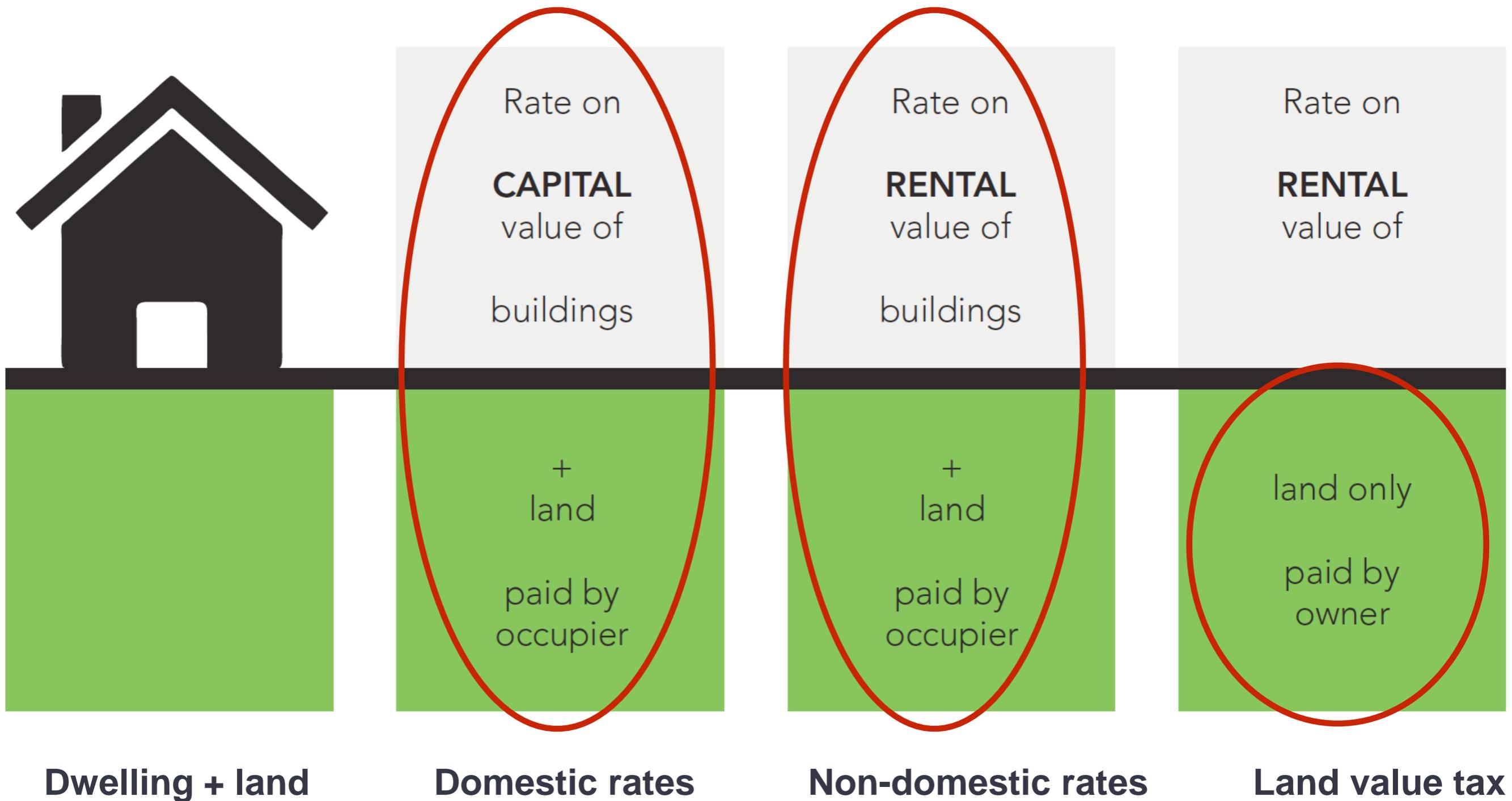
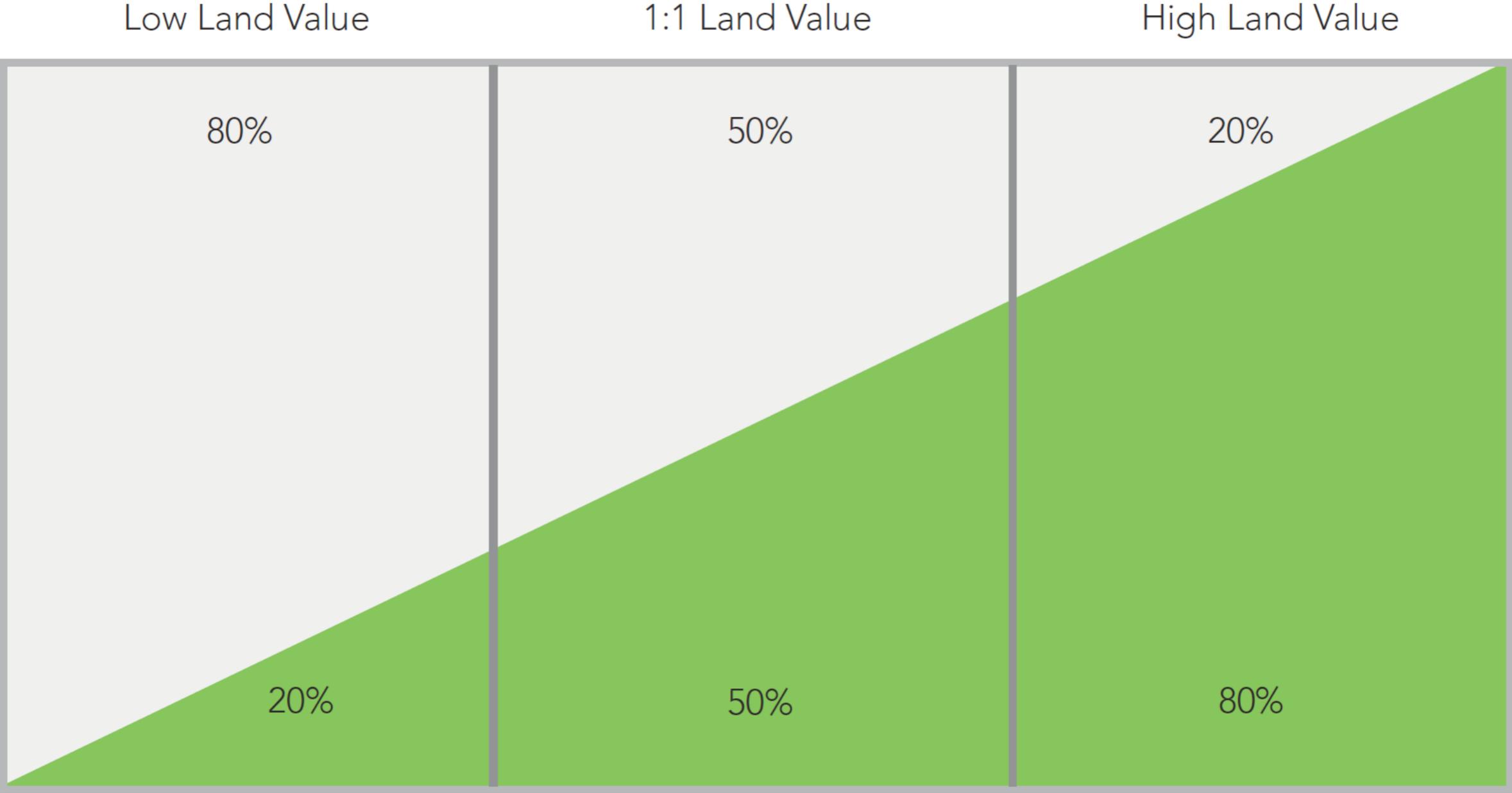


Figure 4. Land Value Taxation Compared to Current Rating System¹⁵





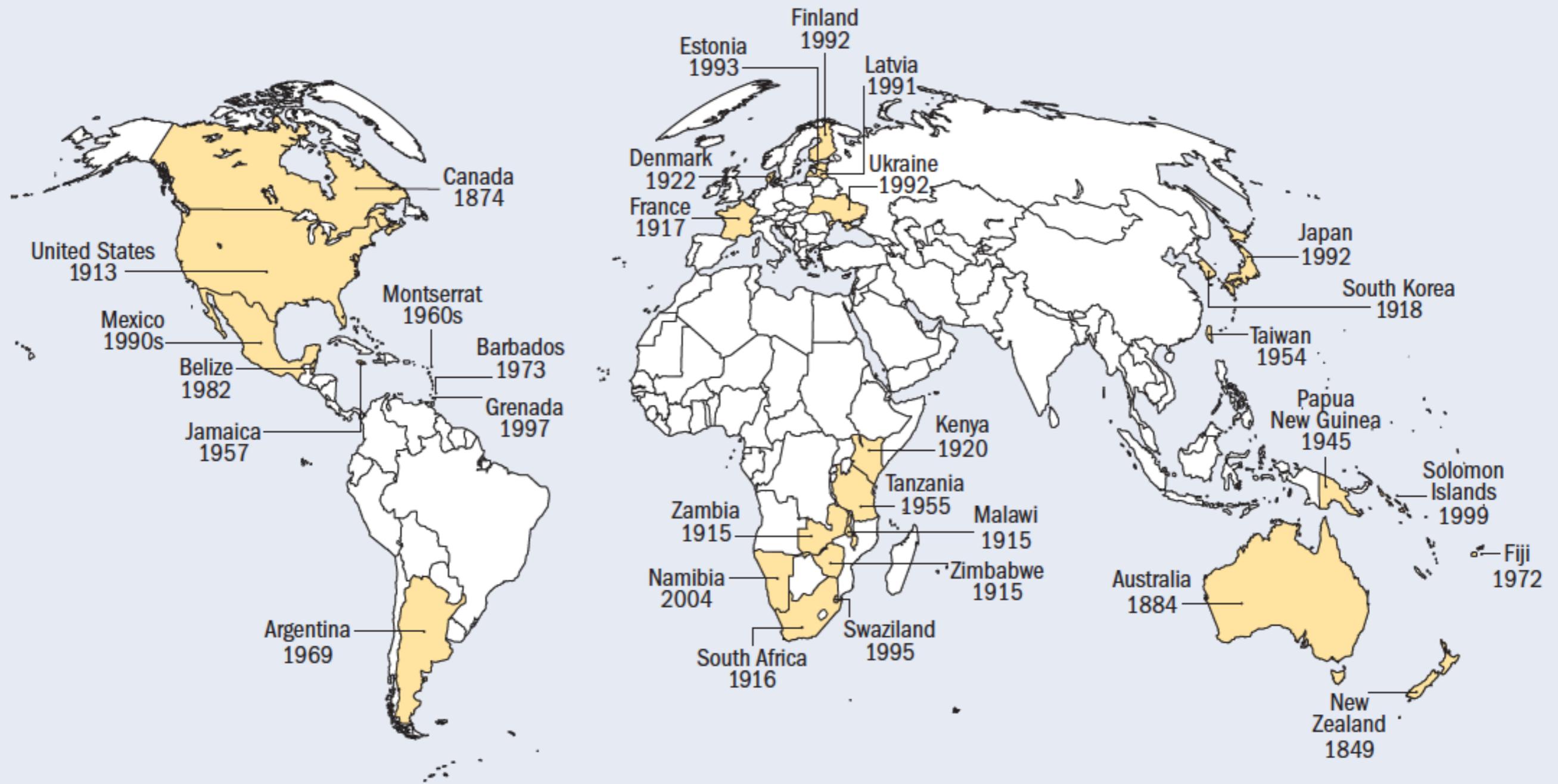
Rate @ 1p = £1,000
LVT @ 2p = £400

Rate @ 1p = £1,000
LVT @ 2p = £1,000

Rate @ 1p = £1,000
LVT @ 2p = £1,600

FIGURE 1

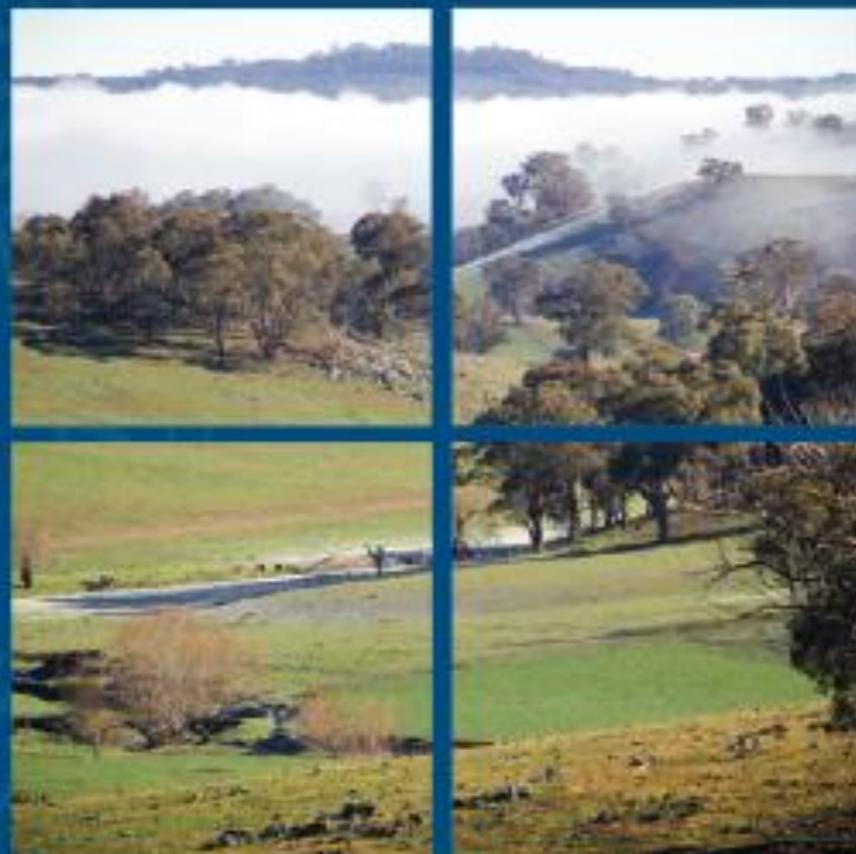
Countries with Land Value Taxation Experience by Year of Adoption



Sources: Andelson (2000); Bird and Slack (2004); Franzsen (2009); Franzsen and McCluskey (2008).



YOUR LAND VALUE REVIEW GUIDE



The economic case for taxing land itself is very strong and there is a long history of arguments in favour of it. Taxing land ownership is equivalent to taxing an economic rent—to do so does not discourage any desirable activity. Land is not a produced input; its supply is fixed and cannot be affected by the introduction of a tax. With the same amount of land available, people would not be willing to pay any more for it than before, so (the present value of) a land value tax (LVT) would be reflected one-for-one in a lower price of land: the classic example of *tax capitalization*. Owners of

“The economic case for a land value tax is simple, and almost undeniable. Why, then, do we not have one already? Why, indeed, is the possibility of such a tax barely part of the mainstream political debate, with proponents considered marginal and unconventional?”

This is such a powerful idea, and one that has been so comprehensively ignored by governments, that the case for a thorough official effort to design a workable system seems to us to be overwhelming.

Mirrlees Review 2011

LVT - In practice

- ◆ Ownership
- ◆ Site values
- ◆ (Highest and Best Use)
- ◆ Transition

Property Record Card

Tax Year 2015

[Print](#)

Summary

Primary Information

Property Category: RP **Subcategory:** Real Property
Geocode: 05-1887-26-2-16-07-0000 **Assessment Code:** 0000024855
Primary Owner:
MCQUILLAN JOHN R & JOAN A
2510 WOODWARD ST
HELENA, MT 59601-5958 **PropertyAddress:**
COS Parcel:
NOTE: See the Owner tab for all owner information

Certificate of Survey:

Subdivision: HIGHLAND PARK
Legal Description:
HIGHLAND PARK, S26, T10 N, R04 W, BLOCK 11, Lot C, AMENDED COS #3048863
Last Modified: 4/29/2015 6:23:11 PM

General Property Information

Neighborhood: 322.2 **Property Type:** VR - Vacant Land Rural
Living Units: 0 **Levy District:** 05-048908-0208
Zoning: 1 **Ownership %:** 100
Linked Property:
No linked properties exist for this property
Exemptions:
No exemptions exist for this property
Condo Ownership:
General: 0 **Limited:** 0

Owners

Appraisals

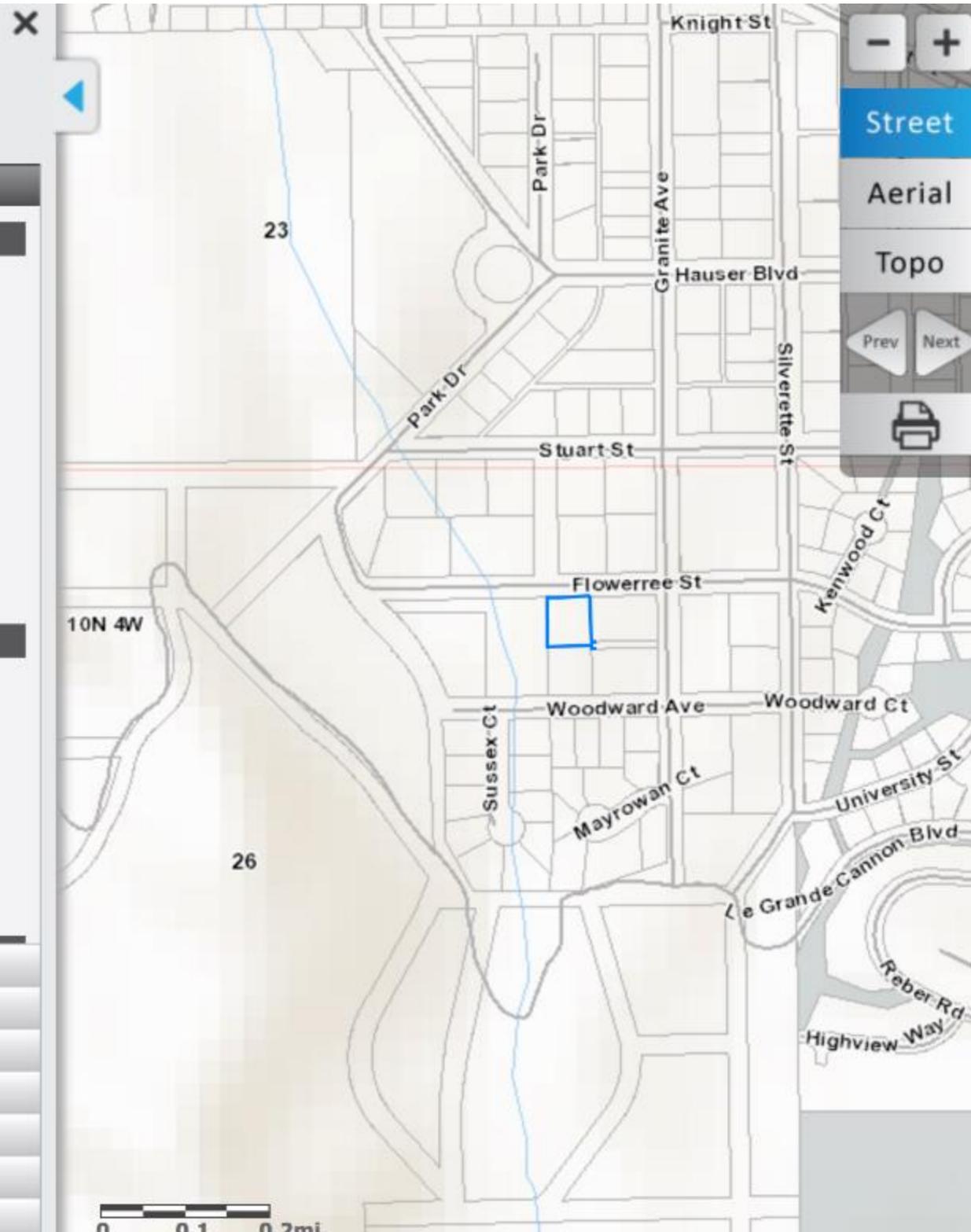
Market Land Info

Dwellings

Other Buildings/Improvements

Commercial

Ag/Forest Land





Granton

MHWS

A901

26

Wardie

Sch

A903

Sch

28

EDINBURGH

Pilton



Coll

Wks

34

Sch



FIRST WARD

HAMILTON

SPECIALLY ENLARGED FROM 2500 SCALE PLANS FOR THE
LAND VALUATION DEPARTMENT, INLAND REVENUE.

Links 100 0 5 10 15 20
Feet 100 0 500 1000

Scale 1/250
25 Chains SOUTH
1600 Feet

Copyright 1918. Revised in 1928.

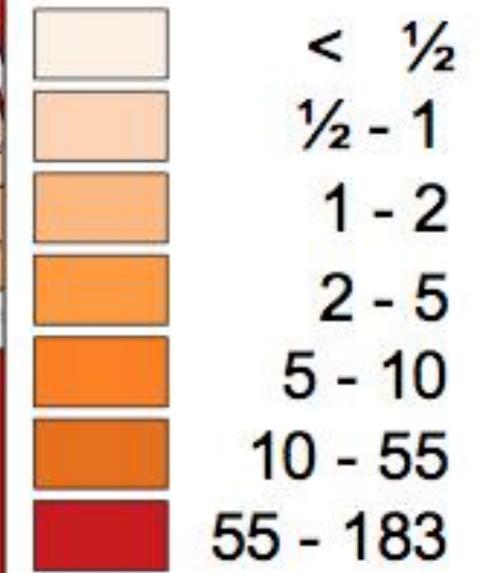
All rights of reproduction reserved.

Printed and Published by the Director-General of the Survey of Canada, Ottawa, 1918.

Property Value



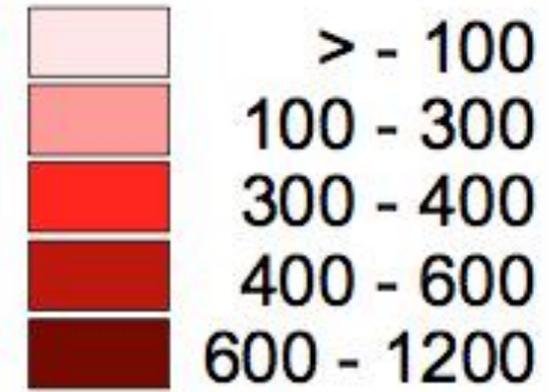
Property Value in million DDK



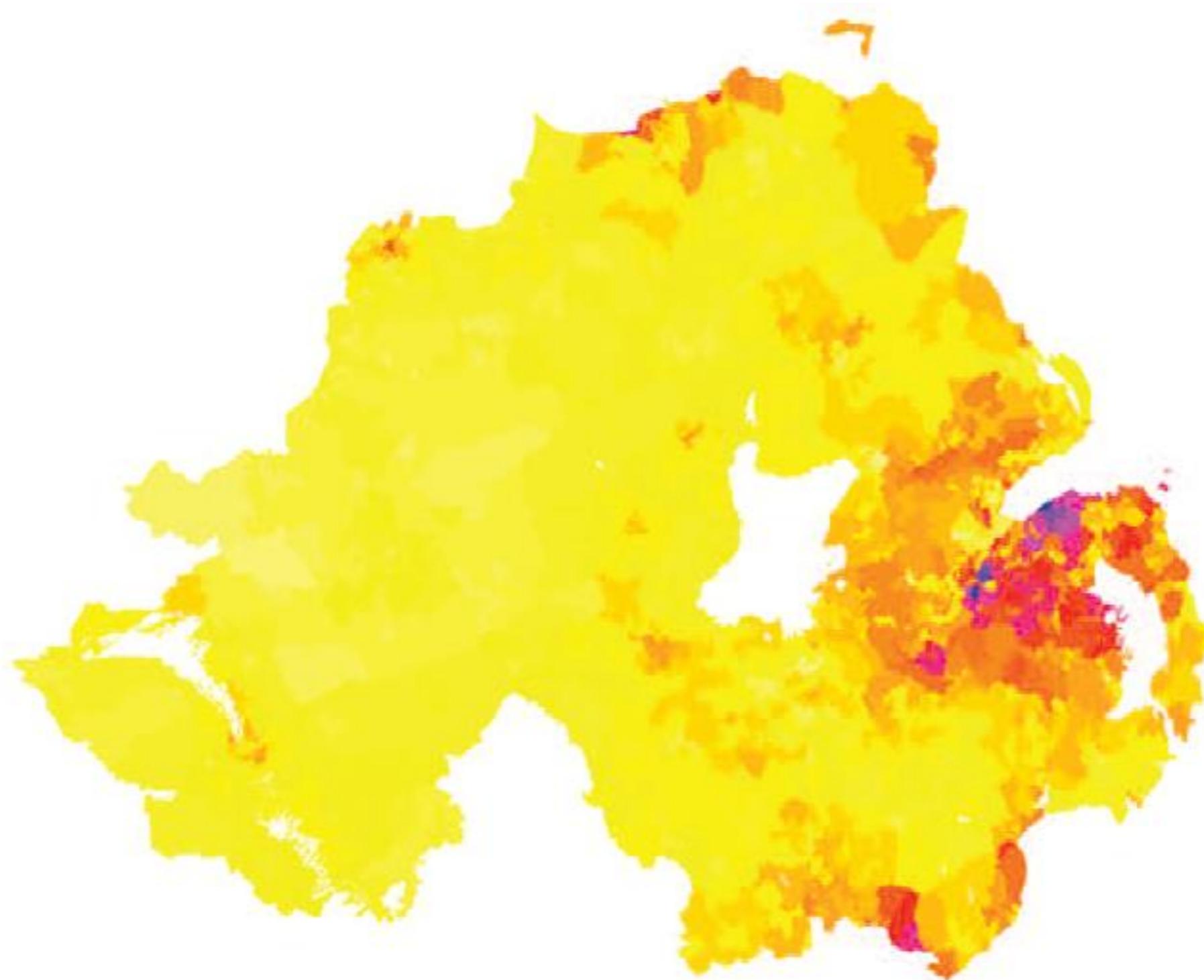
Land Value per sq.m.



Land Value in
DKK per sq.m.



In NI, a home of 100sqm varies £50k to >£300k



Valuation List Entry

12 Dunclug Gardens
Dunclug
Ballymena BT43 6NN

[Help With This Page](#)

LPS Property Reference: 479978

Address details

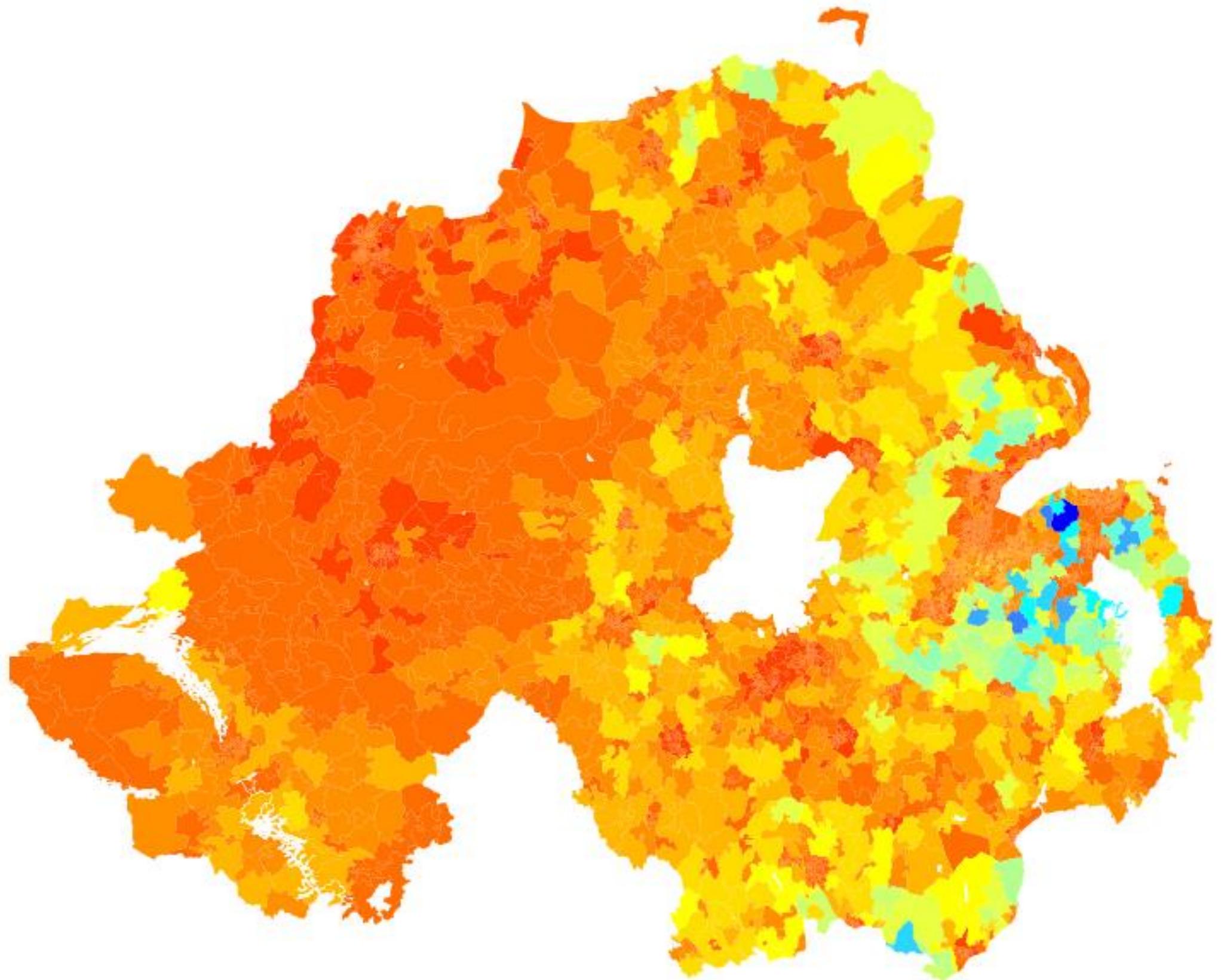
Sub-building Name :	
Building Name :	
Building Number :	12
Primary Street :	Dunclug Gardens
Primary Locality :	
Townland :	Dunclug
Town :	Ballymena
Post Town :	Ballymena
County :	ANTRIM
Postcode :	BT43 6NN
UPRN :	185451531

Property Details

Description :	House Outbuilding Garden
Capital Value Non-Exempt :	£54,000.00
Capital Value Exempt :	£0.00
Property Size :	97.00 Square Metres
Central Heating :	Yes
Garage :	No

LVT would shift the burden of property tax

Changes in Property Tax Bills under LVT per Dwelling (£)



Large scale Generalised Land Use Database maps based on OS Master Map(r)





foto: inhabitat.com

STATUTORY RULES OF NORTHERN IRELAND

2010 No. 63

RATES

The Rates (Deferment) Regulations (Northern Ireland) 2010

Laid before the Assembly in draft

Made - - - -

4th March 2010

Coming into operation -

1st April 2010

The Department of Finance and Personnel makes the following Regulations in exercise of the powers conferred by Article 29A of the Rates (Northern Ireland) Order 1977(a).

Rates Deferment Scheme for Owner Occupier Pensioners

Rates deferment is a new scheme which came into effect on 1 April 2010.

It aims to provide owner occupier pensioners with a payment choice for their rates. They may postpone paying their rates until their death or their property is sold or transferred, provided that the terms of the agreement are maintained.

Key Findings

- Take up of rates for deferment (in terms of numbers of applicants and also those entering into a deferment agreement) has been much lower than anticipated at 0.09% compared to an anticipated 'low' take up of 2%.
- With 116 applications over the last two years this has resulted in only 21 deferment agreements being entered into; 18 have been refused due to not meeting the requirements of the scheme in terms of equity, ownership or pensionable age requirements.
- The administrative costs of the scheme per participant are considerable, relative to the sums of rates deferred, largely due to the small numbers involved.

2012 No. 147

RATES

**The Rates (Deferment) (Revocation and Savings) Regulations
(Northern Ireland) 2012**

Laid before the Assembly in draft

Made - - - -

27th March 2012

Coming into operation -

1st April 2012

The Department of Finance and Personnel makes the following Regulations in exercise of the powers conferred by Article 29A of the Rates (Northern Ireland) Order 1977(a).

Adam Smith's 4 maxims of taxation

Equity

The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

Certainty

The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.

Convenience

Every tax ought to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it.

Economy

Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the publick treasure of the state.



Who pays to put out the fire?



Scenario 1

Replacing Council Tax & UBR

	Council Tax	LVT @ 3.16p	+/-
A	£766	£513	-32.9%
B	£894	£636	-28.8%
C	£1021	£820	-20%
D	£1149	£1056	-8.1%
E	£1404	£1415	+0.9%
F	£1660	£1908	+15.1%
G	£1915	£3261	+69.7%
H	£2298	£6153	+165.6%

Council Tax vs LVT



- Brings under-used and vacant land into use
- Penalises land banking
- Stabilises the price of land at its economic use value
- Progressive and fair
- Promotes choice and transparency
- Encourages investment in improvements



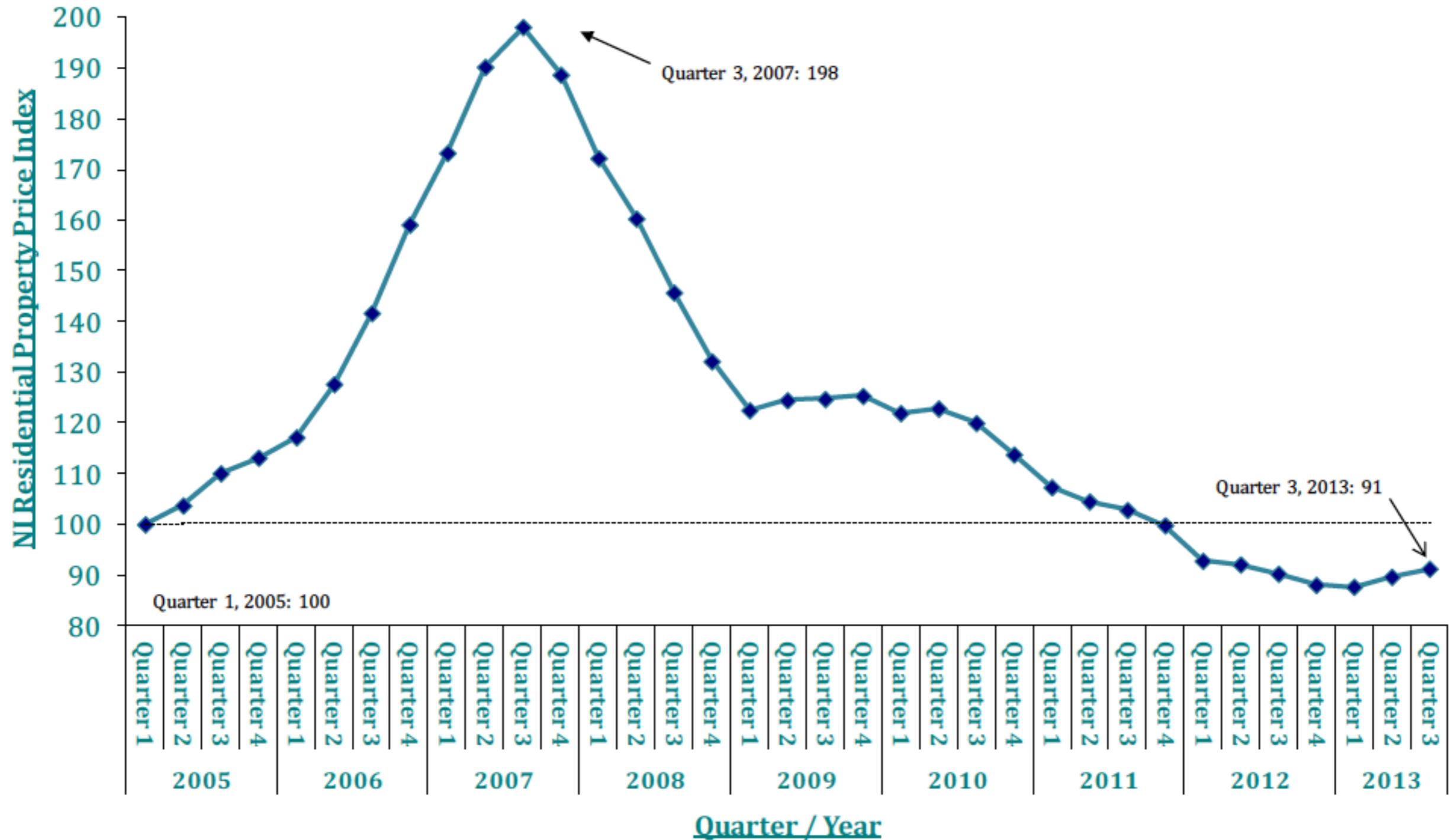
SUMMARY

- 75% of households better off
- business makes substantial saving (50% - 75%)
- end land debt-fuelled property speculation
- houses become more affordable
- a fair and sustainable source of local finance
- a fair source of finance for infrastructure

Instead what lies behind the UK's chronically expensive housing is a straightforward matter of **supply and demand**. The biggest problem is supply. Britain's newly built houses are the smallest in western Europe. A growing proportion are crowded with six or more people. Yet fiscal policy is far more effective in supporting house prices than building houses. Landlords can write off mortgage interest as a taxable cost, and there is nothing to pay on primary residences that soar in value. Billions of pounds of housing benefit help prop up private sector rents.

The politics of building more houses is as tortuous as the economics is clear. But the current state of affairs cannot be allowed to continue. What Britain needs is a government brave enough to trumpet the virtue of falling house prices, and to make it happen.

Figure 1: Northern Ireland Residential Property Price Index (Q1 2005 – Q3 2013)



far more courage. Now that capital and labour are deregulated to a sensible degree, the challenge that remains is the dysfunctional market for land. Here, artificial scarcity acts as a tax on all enterprise, and drives up the price of a home (which indirectly raises wages). It also slows down the delivery of better infrastructure.

To address this, measures would be needed: land value taxation, the greenbelt policy revisited, even more compulsory purchase of land. Delivering these would prove just as fraught as when David Lloyd George and Winston Churchill tried to take on landed interests a century ago.

But decades of stagnant growth are a much worse prospect.

Financial Times Leader 21 April 2015

Routemap

- Universal Valuation (updated & split)
- Cadastral Survey (ownership & occupation)
- A national rate
- Allow local authorities to apply a split rate

