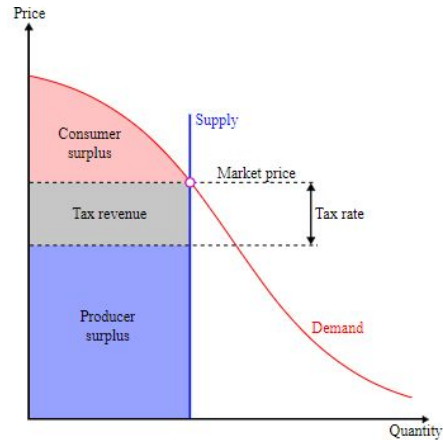


# How a land value tax could help address surface parking lots

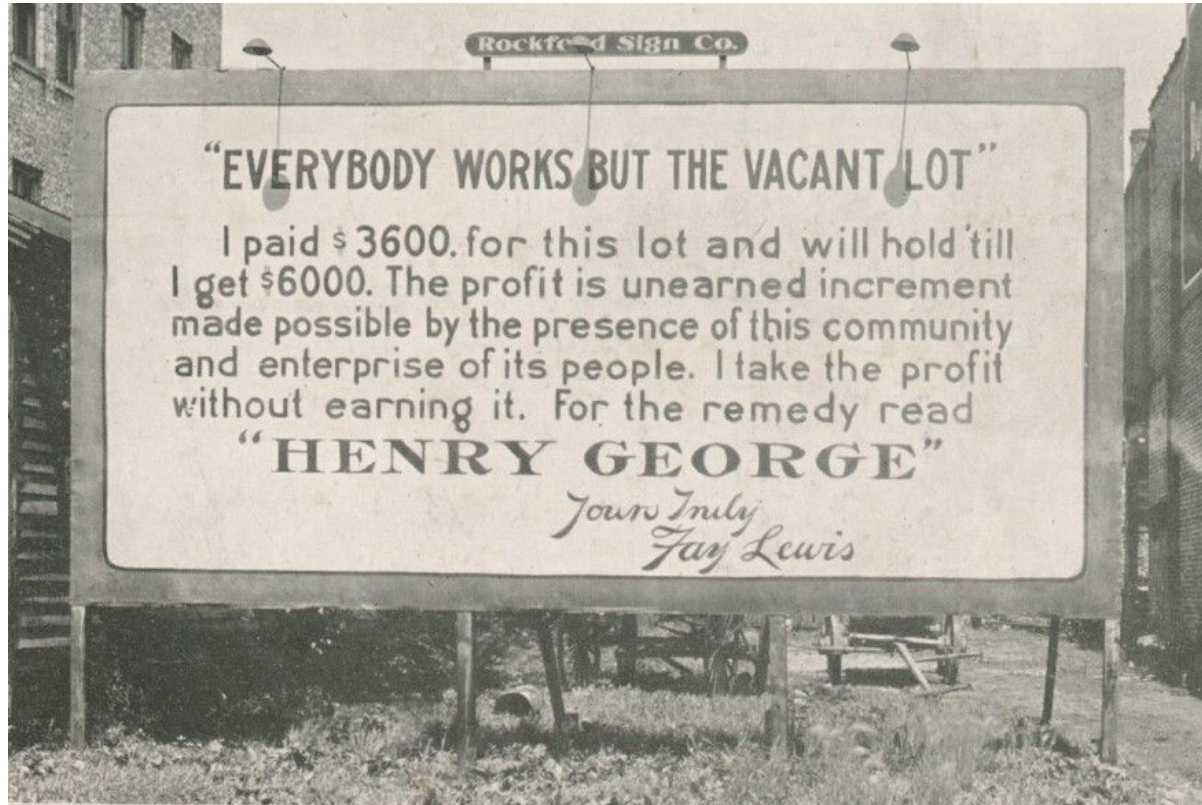
Jacob Dawang

# What is land value tax?

- Property value = land value + improvement value.
- Land value tax ignores improvement value and taxes land value directly.
- Because land supply is inelastic, land value tax is perfectly efficient.



How does this help address surface parking?



Tax inefficiently used land more!



Building improvements won't cause tax increases!



# Where has a land value tax been implemented?

## **Australia** <sup>[ edit ]</sup>

Land taxes in Australia are levied by the states. The exemption thresholds vary, as do tax rates and other rules.

In *New South Wales*, the state land tax exempts farmland and principal residences and there is a tax threshold. Determination of land value for tax purposes is the responsibility of the Valuer-General.<sup>[81]</sup> In *Victoria*, the land tax threshold is \$300,000 on the total value of all Victorian property owned by a person on 31 December of each year and taxed at a progressive rate. The principal residence, primary production land and land used by a charity are exempt from land tax.<sup>[82]</sup> In *Tasmania* the threshold is \$25,000 and the audit date is 1 July. Between \$25,000 and \$350,000 the tax rate is 0.55% and over \$350,000 it is 1.5%.<sup>[83]</sup> In *Queensland*, the threshold for individuals is \$600,000 and \$350,000 for other entities, and the audit date is 30 June.<sup>[84]</sup> In South Australia the threshold is \$332,000 and taxed at a progressive rate, the audit date is 30 June.<sup>[85]</sup>

By revenue, property taxes represent 4.5% of total taxation in Australia.<sup>[86]</sup> A government report<sup>[87]</sup> in 1986 for *Brisbane, Queensland* advocated an LVT.

The *Henry Tax Review* of 2010 commissioned by the federal government recommended that state governments replace *stamp duty* with LVT. The review proposed multiple marginal rates and that most agricultural land would be in the lowest band with a rate of zero. The *Australian Capital Territory* moved to adopt this system and planned to reduce stamp duty by 5% and raise land tax by 5% for each of twenty years.

## **Canada** <sup>[ edit ]</sup>

LVT were common in Western Canada at the turn of the twentieth century. In Vancouver LVT became the sole form of municipal taxation in 1910 under the leadership of mayor, *Louis D. Taylor*.<sup>[88]</sup> Gary B. Nixon (2000) stated that the rate never exceeded 2% of land value, too low to prevent the speculation that led directly to the 1913 real estate crash.<sup>[89]</sup> All Canadian provinces later taxed improvements.

## **Estonia** <sup>[ edit ]</sup>

*Estonia* levies an LVT to fund municipalities. It is a state level tax, but 100% of the revenue funds Local Councils. The rate is set by the Local Council within the limits of 0.1–2.5%. It is one of the most important sources of funding for municipalities.<sup>[90]</sup> LVT is levied on the value of the land only. Few exemptions are available and even public institutions are subject to it. Church sites are exempt, but other land held by religious institutions is not.<sup>[90]</sup> The tax has contributed to a high rate (~90%)<sup>[90]</sup> of owner-occupied residences within Estonia, compared to a rate of 67.4% in the *United States*.<sup>[91]</sup>

## **Hong Kong** <sup>[ edit ]</sup>

*Government rent* in *Hong Kong*, formerly the crown rent, is levied in addition to *Rates*. Properties located in the *New Territories* (including *New Kowloon*) or located in the rest of the territory and whose land grant was recorded after 27 May 1985, pay 3% of the rateable rental value.<sup>[92][93]</sup>

## **Hungary** <sup>[ edit ]</sup>

Municipal governments in Hungary levy an LVT based on the area or the land's adjusted market value. The maximum rate is 3% of the adjusted market value.<sup>[94]</sup>

## **Kenya** <sup>[ edit ]</sup>

Kenya's LVT history dates to at least 1972, shortly after it achieved independence. Local governments must tax land value but are required to seek approval from the central government for rates that exceed 4 percent. Buildings were not taxed in Kenya as of 2000. The central government is legally required to pay municipalities for the value of land it occupies. Kelly claimed that possibly as a result of this land reform, Kenya became the only stable country in its region.<sup>[95]</sup> As of late 2014, the city of Nairobi still taxed only land values, although a tax on improvements had been proposed.<sup>[96]</sup>

## **Mexico** <sup>[ edit ]</sup>

The capital city of Baja California, *Mexicali*, has had an LVT since the 1990s when it became the first locality in Mexico to implement such a tax.<sup>[97]</sup>

# How can land value tax be practically implemented?

## The Land Value Tax Plan



*A homeowners tax relief plan that encourages growth and reduces blight.*



**It's time to lower Detroit's property taxes. Land Value Tax Plan Brochure has all the details.**

[Get the Brochure >](#)

## Our Mission

**Detroit's Land Value Tax Plan** is a way for Detroit voters to decide whether to cut homeowners' taxes by an average of 17% and pay for it by increasing taxes on abandoned buildings, parking lots, scrapyards, and other similar properties.

If the Michigan Legislature authorizes, Detroit City Council would decide by November, 2023 whether to place the issue on the ballot. Detroit voters would decide whether to adopt the Land Value Tax at the February, 2024 Presidential primary election. Homeowners would see the full tax cut in 2025.

State Representative Stephanie Young from Detroit is the sponsor of the Lansing legislation.

**Learn More with Our Land Value Tax Plan FAQs**

# Split rate taxation

- Property value = land value + improvement value.
- Tax land value and structure value at different mill rates.
- Property tax = *land value tax rate* x land value + *improvement tax rate* x improvement value.
- Detroit: **Two-Part Land Value Tax Plan**
  - ✔ Cut tax mills on buildings by 14 mills
  - ✔ More than double taxes on land.