

Re: Land, Labour and Capital Taxation....

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On Mon, 13 Dec 2004 11:49:23 GMT, Igor <jjweatherby@houston.rr.com> wrote:

>Even

>George stated that if you tax 100% of rents then the land market would
>cease to exist.

Either provide a verbatim, in-context quote where George says that, or admit you are a liar.

>George advocates letting owners keep a small percentage
>of rents.

Mainly to avoid scaring the horses' asses.

>If you set the LVT to high it is no longer efficient and will
>start to affect decisions of land owners.

It affects decisions of landowners at any level: the higher the tax, the more it makes them decide in favor of productive use over idle speculation.

>George advocated 5% of rents
>which of course is a number pulled out of a hat.

No, it's approximately the discount rate.

>THE PROBLEM STILL

>REMAINS HOW DO YOU CALCULATE RENT SO YOU FIND A TAX RATE THAT WILL NOT

>TAKE AWAY ALL RENTS OR MAKE RENTS NEGATIVE? Empirically this is tough

>because George nor Ricardo have a good idea of what a baseline land is.

Gibberish.

>If Ricardo is right and different land has different productive
>value, which is likely, this means an LVT would not BE UNIFORM.

Stupidity.

> *More*

>*productive mines, for instance, could obtain MORE rent than a slightly*

>*less productive mine. To tax that rent at the same rate as the rent of*

>*the slightly next productive mine is taxed MEANS A HIGHER TAX RATE ON*

>*THE PROPERTY VALUE.*

The same rate is a higher rate??? Do tell...

>*Yes the lost lowest productivite land would have the*

>*lowest value BUT WOULD ALSO OBTAIN ZERO RENT and therefore should not be*

>*taxed.*

Only land that more than one person is willing to pay to use yields rent.

>*LVT as described by George would be an administrative night mare.*

Lie.

>*The*

>*sheer cost of implementing the tax would be extermely high.*

Lie. Even ancient societies used land rent recovery. The rent of public lands constituted a significant fraction of the public revenues of the Roman republic.

Now, granted, the ancient Romans understood all this business far better than Igor does, which is why he considers the problems that they solved impossible for modern economists and real estate appraisers to solve.

>*Once the*

>*cost of calculating rent and possibly setting a different tax rate FOR*

>*EACH landowner is factored in there would little money left over for the*

>*government to spend. The majority would go into paying the cost of*

>*setting the tax and administering the tax.*

Property taxes in fact have lower administration and compliance costs per dollar of revenue than any other commonly used tax.

As usual, the truth is the diametric opposite of whatever Igor claims.

>*Now if you are advocating something slightly different from George. That*

>*is just a land tax and not a land tax that preserves something like 5%*

>*of rents for owners that is a bit differnt. In the end though this is*

>*the same effect as a corporate profit tax.*

False, absurd and ridiculous.

>*It is a fixed cost that most*

>*be paid and will not effect production decisions. Both profit and land*

>taxes do this. This is the static analysis only.

A tax on profits is of course not a fixed cost.

As usual, the truth is the diametric opposite of whatever Igor claims.

>What is different between land and profit taxes is that profits are not sold on a market.

That's about 1% of the difference.

>The problem becomes if land is the only tax.

Igor means the problem for idle landowners.

>There is no federal land taxes but States and localities do tax land.

They tax property value, consisting of land value and improvement value. It is worth noting that the states that have the highest property tax rates — like New Hampshire, Connecticut, Wisconsin and Oregon — tend to have the best economies, the highest incomes, the lowest welfare utilization rates, the least homelessness, the most affordable housing, etc., etc., while the states with the lowest property tax rates — like Alabama, Arkansas and Wyoming — tend to have the worst economies, the lowest incomes, the lowest literacy and education levels, the highest unemployment and lowest incomes, etc., etc.

Of course, Igor refuses to know this fact, or what it implies.

>So some LVT are in place now.

Only a handful of local jurisdictions in the USA recover land rent but do not tax improvements.

>There have been arguments about state land taxes instead of local and redistribution between localities because the land tax means local systems are unequally funded.

No. That is of course a flat, outright lie. The inequality results primarily from the fact that total property value is taxed, not land value. Land value per resident is less than linearly related to income, while improvement value per resident is more than linearly related to income.

Of course, Igor also refuses to know this fact, or what it implies.

>Localities with higher property values and lower population, such as some industrial localities, receive more money per student than say a inner city area with low property values and high population. The local tax system has

- >led to a big inequality in the quality of schools in Texas. It is not*
- >unheard for people to get a P.O. Box in a town close to where they live*
- >so their children can enroll in the better funded school district.*

The explanation for this is given above. Igor refuses to know the relevant facts.

- >Land*
- >taxes do have to be purely local but if Federally implemented states*
- >plenty of opposition of states with higher land values who have to pay a*
- >higher percentage of taxes than say a state like South Dakota with low*
- >valued land.*

Another total mishmash of misconceptions.

- >At this point state and local land taxes are no where close to stopping*
- >speculation much less shutting down the land market.*

They are property taxes, not land taxes.

- >The problem is if*
- >ALL other taxes were eliminated would the increase in land taxes do*
- >this? I do not think we have a political climate where governments would*
- >cut spending due to lower revenues from land taxes. At some point the*
- >revenues would drop as land prices lowered, if you by value you mean*
- >market value.*

No, land tax revenue increases monotonically with rate.

- >So the government may need another tax. That taxes would*
- >be better as a profit tax. Which does not distort static decisions.*

Static analysis in economics is like describing the function of a bicycle whose wheels do not turn.

- >That being said. A land or a profit tax can have dynamic implications.*
- >It does lead to less profits for the firm. Retained profits are*
- >important in future capital accumulation and expanding the firm. These*
- >are added to credit lines to finance expansion. So these taxes could*
- >lower future investment and possibly get slower job growth in the future.*

Except that that is the record of profits taxes, while land taxes have always done the exact opposite...

- >This has been a big argument the last couple of years in the Houston*
- >area. Management of the Houston Astros has contending, and it seems*
- >rightfully so, that they have an advantage in the free agent market*
- >because Texas has no state income tax. So if they offer someone like*
- >Carlos Beltran less money than the New York Yankees do, Beltran may*
- >actually get more take home pay because New York has a state income tax.*
- >So if the NY income tax is 10% then every dollar paid in Texas is equal*

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>to \$(1/.9) or \$1.11 offered in New York. That is because every \$1.1
>earned in New York means the guy actually takes home roughly \$1. It is
>not exact here due to rounding. So a \$15 million dollar contract in New
>York would yield Carlos Beltran the same amount of take home pay as a
>\$13.64 million contract in Houston.

Production can move to avoid taxation, and it can hide. Land can't.

-- Roy L