Re: Land tax (Re: better tax code: no income tax, head tax (&| ppty t)

Source: http://sci.tech−archive.net/Archive/sci.econ/2008−03/msg00029.html

* *From*: "Andy F." <never.mind@xxxxxxxxx>
* *Date*: Wed, 5 Mar 2008 03:25:48 −0000

"RogerDodger" <none@xxxxxxxxxxxx> wrote in message
news:f6vms31pcqblq5lou0ua6cp8bsvogei7oc@xxxxxxxxxx

> On Fri, 29 Feb 2008 01:04:32 −0000, "Andy F." <never.mind@xxxxxxxxx>
> wrote:
>
> > "RogerDodger" <none@xxxxxxxxxxxx> wrote in message
> > news:iatds39esjerivimj72rg6jnpf2cpvmlk7@xxxxxxxxxx
> >
> > > On Thu, 28 Feb 2008 08:24:39 −0800 (PST), Lysander
> > > <lysander@xxxxxxxxxxx> wrote:
> > >
> > > > On Feb 28, 3:37 am, ro...@xxxxxxxxx
> > > > wrote:
> > > >
> > > > > On Wed, 27 Feb 2008
> > > > > 15:39:05 −0800 (PST),
> > > > > Lysander
> > > > >
> > > > > <lysan...@xxxxxxxxxxx>
> > > > > wrote:
> > > > >
> > > > > > On Feb 27,
> > > > > > 1:42=A0am,
> > > > > > "J.H.Boersema"
> > > > > > <jo...@xxxxxxxxx>
> > > > > > wrote:
> > > > > >
> > > > > > > Ownership
> > > > > > > (property
> > > > > > > tax)
> > > > > > > can

be
taxed,
as
that
wouldn't
impede
trade.

It can
impede
trade in land
markets,
however the
impediment
is less
than other
markets
given the
tax burden
is relieved
by selling.
You
need very
restrictive
assumptions
that are
unlikely to
hold to get
an
efficient
land tax.

Wrong. The "restrictive
assumptions" are true by
definition.

Roy refuses to understand the definition of
supply. Instead he spouts
religious dogma that the evidence is
apparent for anyone who believes.
I believe this is what supply is therefore it is
according to Roy. The
proof is obvious to all that believe.

The data on elasticity of labor supply seems to indicate payroll are as likely to be as close to efficient as land taxes.

Wrong. As I have already proved to you, none of the data you claim show elasticity of land supply in fact show any such thing.

Quite the contrary. There are few studies of the elasticity of land raw land supply. The few that exist suggest it is not 0.

Labor supply is very inelastic like land supply is.

Wrong. The supply of land is fixed. The supply of labor is not.

Even if Roy was right about land and he is not there is never a fixed supply of anything, he is still being awfully dense here. If the elasticity of supply of raw land is 0 and the elasticity of supply of labor is .00001 then they are pretty close. The labor supply curve is

very close to perfectly inelastic. When one
understands that a supply
curve is the pairing of prices and the
corresponding amount that
PEOPLE ARE WILLING TO SELL AT
THAT PRICE, it is obvious the amount of
land in existence has nothing to do with
whether or not the supply
curve is perfectly inelastic.

Of course, supply is the amount of something *brought to
market*, not
the amount of something existing in the physical universe.

Friedman himself made this point in a friendly letter to a
Georgist
web site, in respose to a question from it about why he wasn't
a
Georgist or single−taxer in light of a quote from him that
Georgists
always throw about on the potential virtues of a land tax.

The Georgist claim is that land tax is superior to taxes on
labor,
improvements, etc. because land supply is inelastic and their
supply
is not.

Friedman pointed out that labor supply certainly *is*
inelastic in the
"physical existence" sense in the near to intermediate term
−−
dropping a big tax on labor doesn't reduce the population or
number
ofr workers at all at the time −− and buildings and other
improvements to land are even more inelastic in
supply,dropping a big
rent tax on them doesn't eliminate them from existence at all
(and
they can't sell their homes and move away in the long run).

That's clearly wrong..

It's clearly entirely correct.

A high tax on labor would cause some people to stop
working, thus reducing the number of workers.

> Careful here: If you insist that workers pushed into part−time work, under−the−table work, and the ranks of the unemployed are no longer workers, not only will the BLS disagree with you but liberals will not like you.

By definition, people who don't work aren't workers.

> <irrelevant nonsense snipped>

..... And this is (one of the) fundamental problem(s) of

> Georgism.
>
> Georgists insist as the foundation rock of their church that if an item is in elastic supply a tax on it doesn't reduce the supply of it −− defining as "supply" the amount that physically exists in the universe.
>
> But the supply that actually matters for human welfare and productive economic activity is the amount that is *brought to the market*

That's nonsense. My houe hasn't been brought to the market for years. But it's clearly good for my welfare to have a house to live in.

−− and

> a tax on the supplier that reduces the price he receives for doing so absolutely reduces the amount supplied to the market, to be available to buyers, users.

A land value tax doesn't do that.

> It thus reduces potential mutually beneficial exchanges betwen buyers and sellers, and thus the welfare of both biuyers and sellers.
>
> E.g.: The amount of copper that physically exists on earth is totally inelastic. Putting a confiscatory tax on all copper sales will not change the "supply" of copper on earth by even one atom.
>
> Of course it will destroy the supply of copper *brought to market*, and thus deeply harm the welfare of both copper sellers and copper buyers/users.

> It is the supply of an item that is *brought to the market* that counts for welfare. And this is the same with land as with copper and every other item in inelastic physical supply in the universe.
>
> A tax that reduces the return to suppliers of supplying an item to the market reduces the supply of it *on the market*. Duh. It's called "the law of supply and demand". And that reduces welfare.

Land value tax doesn't do that.

> It's the same with land as with everything else.
>
> Hey, I said Georgists have no answer to this problem but to deny it.
>
> I've read all the answers to my original statement and none of them answered it, they all just denied it.
>
> Thank you all for making my point for me! ;−)
>
> > A high tax on buildings would reduce the amount of new buildings...
>
> Nice attempt to change the subject.

I didn't change the subject.

You said that "dropping a big rent tax on (improvements) doesn't eliminate them from existence ."

I pointed out that that isn't true.

So now you're going to pretend you never said that, and say something else that isn't true instead.

> A high tax on rentals of buildings *immediately* moves rentals on *currently existing* buildings into tax−avoiding "off−market" and black−market arrangements −− under−the−table payments ... collecting favors instead of rent ... non−cash swaps .... business deals that move income into lower−tax forms of income ... hoarding by owners since the property is now worth more for their own use than they can get after−tax by renting it ... etc. etc. −− that reduce the supply of real properties available on the open market to prospective renters.
>
> It does so before the supply of buildings changes one iota.
>
> Be honest, you know this. It doesn't help the credibility of the

Georgist case to deny reality.

A tax on rental income is called income tax. You're quite right to point out that income taxes can have bad effects.
Property taxes work differently. All the tricks you describe can help to reduce income tax liability. But they won't reduce your property taxes by one cent.

You'd know this if you were honest. But it does help your case if you deny reality.

> And, you know, buildings are even more visible to the naked eye than the land under them.
>
> So if a high tax on building rentals drives their rental arrangements off the free open market and into off−market and black−market arrangements, why wouldn't a high tax on land rental arrangements do the same thing?

Certainly. That's why Georgists don't advocate a tax on land rental arrangements.

>> and
>> increase the number of old buildings becoming derelict.

>>> Yet dropping a big tax on labor or on rent for improvements to real
>>> estate *immediately* drive supply of these items *out of the market*,
>>> harming the economy. Workers immediately start working under the
>>> table, off the books, or cease working altogether. Rent for improvements to real estate goes under the table, or is sharply
>>> reduced in back−room deals (I slash your rent, you hire my wife for a
>>> no−show job, etc.)
>>>
>>> All this is entirely well known and extremely well documented.
>>>
>>> Thus, the Georgist claim that because the physically existing

> > supply
> > of an item (such as land) is inelastic a tax on it won't disrupt
> > markets for it by reducing the amount brought to market, is
> > seen to be
> > very naive nonsense −− contradicted by their own examples.
>
> > What the Georgist needs is some explanation, some
> > mechanism, that will
> > keep rental arrangments for land from fleeing offmarket and
> > into
> > backroom deals just exactly like rental arrangements for
> > improvements
> > to land do when steep taxes are imposed on the rents.
>
> When the tax is on the value of the property, there's nothing to gain by
> hiding the rental arrangements.

This is very amusing. (How did I know you were going to say it? I
anticipate the Georgist sense of humor. <g>)

Let's see: The entire Georgist agenda is to tax away the rent of land
through taxing its value.

But land owners who pay this tax won't realize they are paying tax on
their rents, and thus won't react correspondingly.

Droll. ;−)

OK, but seriously now....

> The only reason for 'backroom deals' is when
> the landlord is trying to avoid income tax.

You mean to avoid "tax", not merely income tax, right? They want to
avoid all taxes, right?

You can't be saying that they wouldn't −− and don't today −− act to
reduce the taxable *value* of their land when it reduces their total
tax bills. No?

If you think so, here's a challenge, something in today's world for
you to explain:

> Every true Georgist is fond of Michael Hudson's claim that "official" estimates of land value (such as the Fed's '94 estimate) understate it by fully 50% in very large part because owners of buidlings inflate the value of their improvements to land while reducing the value of their land itself, since this gives them greater tax deductions for depreciation of the improvements (land isn't depreciable).
>
> This is entirely sensible. You give people an incentive to shift reported value from land to buildings, pay them to do it, and they will do it. Who could argue with that?
>
> Of course the "depreciation deduction" tax incentive is rather mild -- depreciation deductions for the cost of a building are spread out over 39 years, and if the building doesn't actually lose value they are taxed back in the end, so they only amount to a tax deferral.
>
> In contrast, the incentive to shift reported value off of land and onto buildings and into other arrangements under a Georgist/Single Tax system would be *hugely larger*, being that land rent tax would be confiscatory and other income would be tax free. Incentives don't get much bigger than that!

Property tax assessments aren't based on reported values.So no such incentive would exist.

> But let's just stick with the status quo.
>
> Today's slashing of land value by half is obviously greatly hurting the tax collector right now. Consider: half or more of the land value of Manhattan, NYC, is being used to inflate building values to reduce income tax and other business taxes! Today!

As you pointed out above, it doesn't greatly hurt the tax collector.It only amoumts to a mild tax deferral.

> Now, here's your challenge -- since you claim such shifting of value away from land and onto improvements and into other "back room" arrangements won't happen under a Georgist system.
>
> Please explain:
>
> 1) How is it possible today, if it isn't possible under Georgism?

It's possibe because the IRS allows it. Under the current system, the government has little incentive to insist on accurate appraisals.

> 2) What tax appraisal system would you use under Georgism that we
> should be using *today* to stop all this current tax avoidance by
> undervaluing land?
> What techniques should the property assessors in Manhattan be
> using today to fairly, accurately and equitably perhaps double their
> valuation of land in NYC, to eliminte this current tax avoidance?
>
> Note:
> You can't say "comparable sales", because all actual comparable
> sales of buildings are at these inflated prices −− so comparable sales
> give you exactly the result you don't want.

Nonsense. Properties are sold at market prices.It's only the split between
land and improvements which is misreported.

> You can't say "discounted rents" either because rents really
> are reported through binding leases to improvements, not the land.
> They give you the result you don't want.
> And you can't include income shifted from land rent to other
> sources of tax−favored business income though complex multiparty
> (backroom) arrangments because you have no knowledge of them or what
> they amount to.
>
> OK −− so, not using comparable sales or discounted value of actual
> rents, how do you determine by how much to increase the value of each
> separate and unique plot of land in Manhattan, NYC?
>
> What is the low−cost and accurate value assessment method of the
> Georgists that today's NYC property tax assessors are missing?

Comparable sales.

.