

Re: Land tax -- appraisals, the worst tax mechanism (Re: RoyL, Lysander - LVT question.

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- *From:* royls@xxxxxxxx
 - *Date:* Thu, 20 Mar 2008 23:00:57 GMT
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On Wed, 19 Mar 2008 00:13:34 -0400, RogerDodger <none@xxxxxxxxxxxx> wrote:

On Tue, 11 Mar 2008 17:24:20 GMT, royls@xxxxxxxx wrote:

On Mon, 10 Mar 2008 21:53:01 -0500, Les Cargill <lcargill@xxxxxxxx> wrote:

Roy, has anybody done a good study of costs of administration of an LVT versus say, the IRS?

Sure, there's tons of data -- just compare today's property tax systems to other taxes: income, payroll, sales, etc.

And see how property tax comes out best.

Any appraisal-based tax system -- real estate property tax being by far the biggest -- involves an appraiser valuing each unique property separately, with the property owner having many arguments to contest the appraisal, and the right to appeal it up through a tax appeals system all the way to and through the courts.

Same as any tax. Are you perhaps unaware that income tax cases generate a huge number of audits and appeals that end up in the courts, with all the associated costs, or are you just lying again?

Very little common sense is needed to divine this is a **hugely** more costly administratively than any other tax -- payroll tax, income tax, sales tax, etc.

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Except that in fact, that is just flat false as a matter of objective fact. You are deliberately trying to deceive the readers of this newsgroup as to the cost of property tax systems by counting only the _administrative_ cost, and ignoring the _compliance_ cost, which is INCOMPARABLY greater with income tax, payroll tax, sales tax, etc. than with property tax. The reason for this is obvious, and shows why property taxes are inherently fairer and less subject to error than other taxes: property taxes are calculated by the tax authority, while those other taxes are calculated by those who remit the tax.

I have spanked you for your relentless dishonesty on this matter before.

And any Georgist who is interested in facts can verify this common sense intuition in just a couple minutes (though I never saw one who bothered).

I have verified that you are flat, outright wrong, though I concede that you are a very skilled and probably highly paid disinformation artist.

For instance:

~~quote~~

The Massachusetts Appellate Tax Board (ATB) ... hears and decides cases on appeal from any state or local taxing authority.

Ninety percent of the petitions filed at the Board are appeals of local property taxes.

The remaining cases are appeals by taxpayers regarding all state taxes, including the income tax, sales and use taxes, the bank excise tax, the corporate excise tax, and others.

[http://en.wikipedia.org/wiki/Massachusetts Appellate Tax Board](http://en.wikipedia.org/wiki/Massachusetts_Appellate_Tax_Board)

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Property taxes in Mass. produce about 28% of state and local revenue, let's say 30%.

Yet property tax appeals account for \*nine times\* the number of appeals from all other kinds of taxes combined -- 10% of appeals come from all the other taxes that produce 70+% of tax revenue.

Those capable of arithmetic can deduce from this that property taxes result in \*21 times\* as many appeals per \$1 of tax collected as all other taxes.

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So common sense and factual reality agree -- fancy that!

Except that this is just more arrant deceitfulness on your part, because you are carefully eliding the fact that property taxes are calculated by the taxation authority, while ALL the other taxes the board hears appeals on are calculated by those who pay them.

Obviously, the payers of ALL those other taxes are not going to appeal THEIR OWN tax calculations. So when there is a dispute about them, as there very often is, it almost ALWAYS takes the form of an AUDIT by the tax AUTHORITY, not an APPEAL by the tax PAYER. By the exact same "logic" you are using, property tax assessments almost never lead to an AUDIT, unlike income tax, payroll tax, sales tax, excise tax, etc.

You are destroyed.

It's very little different from running an ordinary property tax system,

Well yes -- see above. Only worse -- see below.

Without reading any further, I predict that you will be refuted and destroyed below.

but you don't have to value improvements,

Obviously false.

No, it is true, and you are just a liar.

Under the common system where the rental value of a whole improved lot is taxed, you just value the whole thing -- that's \*relatively\* simple

Nope. Wrong. Any competent real estate appraiser can tell you it is FAR simpler to value land than improvements.

-- though complex enough to result in 21X more appeals per each \$ of tax collected than all other taxes combined, of course.

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I have exposed your deceitful cherry-picking of numbers, above.

However, to tax \*just the land\* one must value the whole lot, then value the improvements on them separately, and then subtract their value to get the value of the land as a residual.

Nope. Wrong. The land residual method is the same ridiculously flawed method the Fed used to calculate that the value of all the corporate owned land in the USA was NEGATIVE. The building residual method is far more accurate.

This is because in developed urban areas with the highest land prices and the great bulk of land value, land is almost \*never\* owned or sold without improvements,

That is a flat-out lie. On Manhattan Island, one of the most intensively used patches of real estate in the world, over 3% of the land area is vacant land. Not parks, not roads, not "open space," not even ground-level parking lots. VACANT.

[http://www.nyc.gov/html/dcp/pdf/landusefacts/landuse\\_tables.pdf](http://www.nyc.gov/html/dcp/pdf/landusefacts/landuse_tables.pdf)

In other cities, the vacant fraction is typically far higher.

You are destroyed.

and even more rarely than that sold without leases, cross-leases, easements etc, on it, which have the effect of improvements and change market price.

Nope. They are not improvements, and do not have the effect of improvements. Easements are considered in land value, as are lease obligations independent of improvements. You are just lying again.

Valuing just improvements entails "cost segregation analysis" which is very costly to taxpayers, hugely complex, and generally impenetrable to tax assessors.

And not needed to value the land.

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For example, the value of each \*component\* in a building, the total of which is used to determine its total value, may be determined by: cost, or depreciated cost, or replacement cost, or expected revenue allocable to it -- (which of course is extremely subjective and arguable) or obsolescence, or the depreciation category it is allocated to ... etc., etc. All of which both the appraiser and the taxpayer can argue about all the way up to and through the courts.

Nope. Flat wrong, as usual. The cost of building components is completely irrelevant to building value, which is determined by property value less land value, period.

Are we getting an idea of where that 21x appeals per revenue dollar comes from?

I exposed your deceitfulness above, lying garbage.

And that's without going through the separate step of valuing the land itself.

Which is so easy, so simple, so straightforward that even ancient societies that barely had arithmetic and a written language were able to do it.

Land values are extremely volatile -- much more so than building valuations.

Only where the land tax rate is low. The present value equation implies that as growth rate and real discount rate are usually quite close, a low land tax rate makes present value highly dependent on the expected future relationship between the growth rate and the discount rate. In the absence of any significant land tax, a 1% increase in expected growth rate can result in an ORDER OF MAGNITUDE increase in land value. Consequently, the US states with the highest property tax rates, like New Hampshire, New Jersey, and Wisconsin have much less volatile land values than the states with the lowest property tax rates, like Alabama, Arkansas and Hawaii.

With a building, once you get through all the cost, trouble and appeals of valuing it you pretty much have its value semi-permanently. So when property values are mostly attributed to buildings, reappraising only once every few years is fairly equitable. And that's the norm most everywhere.

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But land -- like any item in inelastic supply -- is highly volatile as to market price. This is because supply doesn't vary with demand (increasing to mitigate price rises, declining to mitigate price falls). Thus the \*entire\* weight of change in demand, up and down, results in change in price, up and down. Sharp and big.

As explained above, that is a naive and superficial account of land price volatility. The problem is that the variable "demand" for land is not demand for land to use but rather largely speculative demand, which will disappear when publicly created land rent is recovered for the purposes and benefit of the public that creates it. Demand for land to USE is very stable, as shown by the stable land values in places where speculation is not a significant factor in land values.

This is econ 101 and is absolutely unavoidable with items in inelastic supply. It the other side of the Georgist coin of "land is in totally inelastic supply, so..."

Refuted above.

Thus, if your tax system is focused on \*land value tax\*, you can't just appraise its value once every few years like you can buildings.

Yes, you can, once the speculative demand has been eliminated.

You have to appraise it \*every year\*, in light of land price volatility. Otherwise your tax values are bogus.

Wrong again. Once volatility is eliminated by eliminating speculative demand, individual appraisals need only be done when land changes hands, when improvements are destroyed or demolished, or when the type or intensity of land use is changed. That frequency of appraisal is quite sufficient to generate the value data needed to maintain an accurate land value map by continuous computer modeling.

And, of course, as each plot of land is unique, you can always argue about and appeal its appraisal.

No, you can't, because the value would be generated by a computer model, not an individual appraisal, and the only plausible grounds for appeal would be an unsuccessful attempt to sell. And that is easily

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taken care of by just making all the appraisals 95% of market value.  
Appeals would be effectively non-existent.

I'll skip the cost to the government of lost revenue in years when land prices sharply fall -- when land prices are rising, you have to assess them on every lot every year. Costwise, this multiplies both assessment costs themselves \*and\* appeals from assessments.

Stupid garbage conclusively refuted above.

Consider the meltdown of the land tax assessment system in Pittsburgh, the only decent-sized US city that's ever tried it.

In 2001 its land assessors raised the assessed value of land by 80% from what it was in 2000. Well, land value is volatile, and that was a boom economy year -- land value went up a lot!

No, you are just lying about what they did. The assessments had not been done for many years, and land values had not only risen greatly in the interim, but unevenly. A new Republican-dominated county government went in and FIRED 85 trained assessors, replacing them with a private contractor that horrendously botched the assessments. The assessments were so bad, so uneven, so inequitable that there is little doubt the private contractor was TOLD to do whatever it took to destroy Pittsburgh's split-rate property tax system. And that is what they did.

The result was over 170,000 appealed assessments on the city's 500,000 properties. Of course that was \*impossible\* to manage.

Indeed, and it was obviously done deliberately, to MAKE it impossible to manage.

Many politicians said the assessors had to be systematically wrong.

Which they unquestionably were, because the whole thing was deliberately sabotaged.

There were law suits. The courts ordered studies, which took time, halting tax collection. The studies said the assessment methods were systematically correct,

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That is a flat-out lie. The assessments were systematically falsified, and obviously so, and this was established beyond any question by four (4) separate investigations:

"The office of the Pittsburgh City Controller, Tom Flaherty, first saw the Sabre valuation figures and recognized that it had resulted in systematic overassessment of homes in low and moderate income neighborhoods and underassessment in more affluent neighborhoods. [Gee, I wonder why that would be? -- RL] Sabre's computer model leaned too heavily toward replacement cost and away from market values. The Controller's office brought this to the attention of others. Four subsequent independent reviews essentially said the same thing. One was by the County Controller's office, a second one was by a consultant hired by the County Comptroller's office to evaluate their review, a third was by the Pittsburgh Post Gazette, and another independent review was commissioned by the County Council."

You are just a liar.

land values had gone up like that -- \*but\* of course, the assessors could be and were wrong in many individual cases, so all the 170,000+ individual appeals had to continue to be processed. More than four years later, tens of thousands of them had not been resolved yet, remaining in litigation.

This fiasco made the Massachusetts property tax assessment appeal cost of 21x that of all other taxes look like \*a free lunch\*!

Now of course, that is obviously just another bald lie on your part.

You know very well that the NUMBER of appeals is not the same as the COST of appeals. You have provided no evidence whatever that the average COST of a property tax appeal case is the same as that of an income tax, payroll tax, sales tax, excise tax, etc. case, nor have you provided any evidence that the total cost of property tax appeals per revenue dollar is 21 times the cost of appeals of all other taxes.

And I predict that you will never provide any such evidence.

It was impossible. Pittsburgh repealed its land tax.

<sigh> What you carefully do not mention is that if the same sort of deliberate sabotage had been arranged for an ordinary property tax system with no split rate, the result would have been the same. The only difference is that wealthy Republican landowners don't have the same financial incentive to arrange for the destruction of an ordinary

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property tax system.

Oh, yeah, there's nothing simpler or less expensive than imposing a  
big land tax! ;–)

Of course, no one has said that, evil, lying garbage.

than half as much per property to administer, or roughly 1/10 as much  
per revenue dollar...

Some people create their own worlds to live in. Let's hope they enjoy  
residing there. ;–)

I have proved, above, that you are a liar; and in my professional  
opinion, you are a highly skilled and probably well paid anti-geoist  
disinformation artist -- a liar for hire.

if you recover all the rent.

Remember, it costs  
the same amount to value a land parcel whether the tax rate on that  
value is 0.01% or 100%.

Although the higher the tax, the more often you have to assess and the  
higher the appeals rate. ;–)

No, lying garbage, the exact opposite is the case, as proved above.

If Pittsburgh's land tax rate was higher, it surely could have had a  
good deal more than 170,000 appeals.

The number of appeals had nothing whatever to do with the land tax  
rate, lying garbage, and you know it very well. It was purely the  
inaccurate ASSESSMENTS, which were DELIBERATELY FALSIFIED in order to  
DESTROY Pittsburgh's split-rate tax system.

Another thing that goes up with the tax rate, of course, is land tax  
\*evasion\* by shifting value from land to the buildings on it (and into

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other backroom deals, etc.)

Can't be done when land value is derived from a computer-generated land value map.

Remember all that cost segregation analysis.

Remember that I have proved it is completely spurious.

Sticking to pro-land tax authorities, Michael Hudson says 50% of land value is eliminated this way now. Mason Gaffney says more, a huge amount.

Because the assessors are colluding with landowners to shift senior governments' tax loads elsewhere. If they were not appraising buildings, both their motive and their opportunity to do this would vanish.

The head of the land tax assessment system in Pittsburgh, George Donatello, claimed that a big part of the problem leading to all the assessment appeals was "People in the past kept land values low, artificially low, because of the way the tax rate was structured.?"

George Donatello was a senior executive with Sabre Systems, the PRIVATE CONTRACTOR that replaced the 85 trained property tax assessors the Republicans had fired with their own untrained and totally unqualified staff. He was HIRED specifically to botch and falsify the assessments, and he did so. He was not, repeat, NOT an official of the Pittsburgh or Allegheny County tax office. The whole sad tale of how Donatello's company deliberately sabotaged and destroyed Pittsburgh's split-rate property tax system, presumably on the orders of big, rich landowners, is described here:

<http://www.progress.org/cg/sabre01.htm>

"Kevin Forsythe, an attorney in the City Controller's office, demonstrated the lack of consistency of Sabre's land assessments with a map of properties in three blocks of Walnut Street in the prominent Shadyside business district. Each rectangle on the map is a lot, and the land [value] per square foot in the business district of Shadyside should be roughly the same from one property to another. In the second block, bounded by Copeland and Bellefont St., two lots are the exact same size and adjacent to each other, but one is at \$67.51 per sq. ft., and it is right next to one at \$110.47 per sq. ft. In the next

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block bounded by Bellefont and Filbert Sts., of the first two properties, one is \$191 per sq. ft., and the lot next to it is \$14.71 per sq. ft."

Clearly, such bizarrely inconsistent valuations can only be the result of deliberate falsification.

This all is with only a modest tax penalty on land -- not confiscation.

No, it is with a deliberately sabotaged and falsified assessment, as PROVED above.

How many times have I asked here for the Georgists to say how *\*their\** appraisal system is going to keep the Hudson/Gaffney/Donatello shift of land value to other assets from happening??

Well, I've asked several times -- no answers yet that aren't mere denial and dreamin'.

You are a liar. I have explained it clearly. Working from a computer-generated land value map, there is no need to appraise buildings at all, and all the allegedly insuperable problems you harp on just vanish.

I just keep reading how the Georgist system will be "very little different from running an ordinary property tax system" today -- except that the result will be *\*entirely\** different! ;-)

Yep. Just as adding a spoonful of vanilla to a milkshake is very little different from adding a spoonful of vinegar, but the result is ENTIRELY different.

So an appraisal-based tax system, summed up:

\* The worst administrative expense per dollar of revenue, *\*by far\**.

That is a bald lie, for which you have provided, and will continue to provide, zero (0) evidence.

\* The worst for evasion and value shifting -- nobody pretends that income tax, payroll tax, etc. are underassessed by anything like the

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Hudson/Gaffney 50%+

Again, that is a bald lie. If buildings are not even appraised, there will be no way to shift land value onto them.

\* When combined with volatile land tax is \*even much worse yet\* -- see the self-immolation of the Pittsburgh land tax.

Another lie. It was not volatility of the land tax or land value that destroyed Pittsburgh's system, it was deliberately falsified assessments, as proved above.

As evidenced by all the data, examples and experience of the real world.

Lie. Inevitably.

Georgists who are unimpressed by same are of course free to continue living in their own.

Anyone who remains convinced by your now-conclusively-refuted anti-georgist disinformation campaign is of course free to sacrifice their integrity and their minds on the altar of landowner greed, as you have done.

-- Roy L

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