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Testimony in favor of Bills 379 and 392 Acts Authorizing Municipalities to Adopt Land Value Taxation

I am Albert Hartheimer, Vice-president of the Center for the Study of Economics (CSE). I live at 42 Greylock Estates Road, Lanesborough, MA 01237.

CSE has advocated Land Value Taxation (LVT) in Connecticut for many years. In 1994 a study of LVT in Hartford was done. The then Blue Ribbon Panel on Tax Reform recommended the adoption of LVT in Hartford but nothing was done. In 2003 I testified before this committee in favor of Bill No. 5903 An Act Concerning Land Value Taxation. In 2004, at the request of Mayor Perez, we reviewed the tax situation and again recommended the adoption of LVT for Hartford. This recommendation was endorsed by the Interfaith Coalition for Equity and Justice. Mayor Perez decided against pushing for adoption.

Now, in 2009, CSE is testifying in favor of Bills 379 and 392. These are hard times. Municipalities need all the tools they can get to maintain their communities and to lower homeowner taxes. Land Value Taxation is such a tool. The bill is permissive, it mandates nothing. Municipalities that want to consider using LVT will debate its use thoroughly before adopting it.

The legislation provides for two tax rates, a lower rate on buildings and a higher rate on land instead of the same rate on both. CSE advises a gradual shift of tax off buildings onto land over a period of years until there is no tax on buildings.

Twenty taxing jurisdictions in Pennsylvania use this system. It works. Most homeowners pay less tax in a shift. Vacant land owners and underused land owners pay more tax. It is revenue neutral.

There are many advantages:

Most homeowners pay less. The money they save will be spent or saved. Either way, it will help the economy.

Vacant land owners and underused land owners will pay more. Most valuable land is owned by wealthy people or corporations. They are better able to pay the tax than homeowners, who are usually the poor or middle class. In some municipalities, there is now no market for land. With LVT the demand for land will increase. Since the supply of land is fixed, the increased demand will raise the value. Even though landowners pay more, they will be better off with LVT. LVT is the only tax, which with its use, increases its own base.

It costs nothing to adopt LVT. All that is required to put it into effect is a computer software change. All taxable land is already assessed.

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Presently, many homeowners do not improve their properties because they know that their taxes will go up if they do. When LVT is adopted and homeowners know they will not be penalized with a tax increase, they will improve their homes with remodeling or additions. Home additions and remodeling are the first things to occur after adoption of LVT.

Most municipalities have many vacant buildable lots. In many cases presently there is no market for these lots. With LVT, over time, houses and other buildings will be built on these lots. This is usually the next thing to occur after the adoption of LVT.

With LVT the clean and green countryside will remain clean and green. That is the record in Pennsylvania. In many cases the increase in tax paid by vacant land is modest and is absorbed by the owner.

LVT attracts people to cities. This helps to reduce urban sprawl and lowers the incentive to build in the clean and green countryside. With increased population businesses are more likely to stay in the cities and new businesses are more likely to open in the cities. As population increases the tax base will increase. That will make the cities more sustainable.

Improvements are often made inside buildings to try to avoid a tax increase. When there is no tax on buildings that will be unnecessary. Land cannot be hidden. A land tax cannot be avoided.

If you decide to build a building, first you buy land with money that has already been taxed once. Then you buy the materials with more tax-paid money and pay a second tax, the sales tax. Finally when the building is complete the assessor will visit and tell you the penalty you must pay, every year, for improving the community. That's really regressive! But, if you let your building go to wrack and ruin, you can go to the same assessor and plead "My building isn't worth what it is assessed for. Please reduce my assessment!" In many cases, he will. Presently, we penalize people who improve our communities and reward those who ruin them. That's exactly backwards. LVT will reverse that.

Low land taxes subsidize and encourage land speculation which is the root cause of recession and depression. LVT will discourage land speculation.

If you presently pay a 3% tax on your home and are lucky enough to own it for thirty years, you will pay for it *twice*, once to the bank and once to the municipality. LVT will reverse that.

Please pass these bills and give the people of Connecticut a tool to help maintain and improve their communities. It's time we stopped taxing people's homes.

Respectfully submitted,

Albert S. Hartheimer

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