Tax and the City

How our tax codes reward speculation and monopoly, while retarding productivity and innovation, and what can be done about it for the betterment of all New Yorkers.

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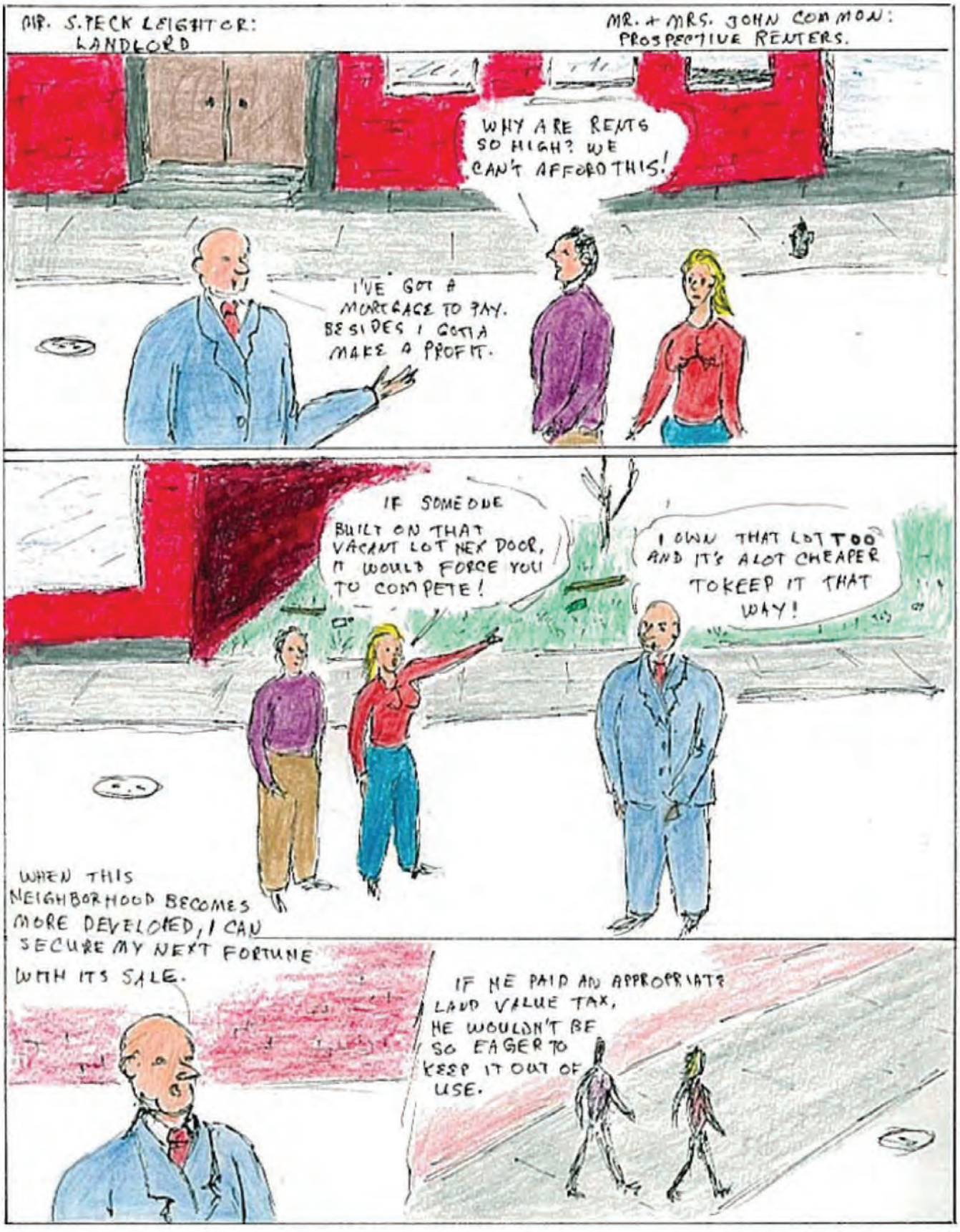
Artist: Eric Johnson

A Presentation of Common Ground – NYC


MR. S. PECK LEIGHTOR: LANDLORD
MR. & MRS. JOHN COMMON: PROSPECTIVE RENTERS.
WHY ARE RENTS SO HIGH? WE CAN'T AFFORD THIS!
I'VE GOT A MORTGAGE TO PAY. BESIDES I GOTTA MAKE A PROFIT.
IF SOMEONE BUILT ON THAT VACANT LOT NEX DOOR, IT WOULD FORCE YOU TO COMPETE!
I OWN THAT LOT TOO AND IT'S A LOT CHEAPER TO KEEP IT THAT WAY!
WHEN THIS NEIGHBORHOOD BECOMES MORE DEVELOPED, I CAN SECURE MY NEXT FORTUNE WITH ITS SALE.
IF HE PAID AN APPROPRIATE LAND VALUE TAX, HE WOULDN'T BE SO EAGER TO KEEP IT OUT OF USE.

MR. S. PECK LEIGHTOR:
LANDLORD
JAKE:
PROSPECTIVE SHOP OWNER
STORE
TO LET
I'D LIKE TO RENT THIS STORE. WILL MY OFFER BE ACCEPTED? IT'S MY FINAL.
SORRY. TOO LOW. I NEED MORE FOR THE MORTGAGE TO PAY THE BANK.
STORE
TO LET
AND I HAVE TAXES, AND MY OVERHEAD COSTS!
ME TOO!
IT HARDLY PAYS TO OWN A BUILDING ANY MORE. HAVE A GOOD DAY.
IF A LAND VALUE TAX WERE IN EXISTENCE, HIS COSTS WOULD BE LOWER, AND HE WOULD BE ABLE TO RENT THE STORE MORE REASONABLY, AND I'D BE ABLE TO PASS THE LOWER COSTS ON TO MY CUSTOMERS.

Vacant Land or Vacant Tax Policy?

In New York City there are, citywide, ***22.2 square miles*** of vacant land[1] or enough developable property for 24,000 units,[2] yet middle class families are being squeezed out by high prices and low vacancies (so we're told). If that vacant land were taxed *at the same rate* as built-upon land, the owner would either be forced to develop it, or sell it to someone else who *can* – fast. Speculators try to 'time the market,' often failing, and banks withhold credit from both builders and buyers during recessions, just when it is most needed. *There is no such thing as a business cycle, only a Land cycle.*[3] We have been told otherwise by self-serving economists who falsely conflate Land with Capital.

The Tax Current System: *Tax Revenue is generated from* ***Three*** *sources*

Conservatives set taxes here, leaving less to society & more to the individual.	Rent - A confusing mix of Land Values and Building Values -	Liberals set taxes here, leaving more to society & less to the individual.
	Individual Labor - Wages -	
	Business Capital - Planes, Cars, Factories, Tractors, Semiconductors, etc. -	

0%.....25%.....**Tax Load**.....75%.....100%

Note that even though Liberals & Conservatives differ on the *amount* of taxes to levy, they basically agree on the *sources* of those taxes: Rent, Labor, and Capital. Under the **Single Tax**, things are quite different:
Tax Revenue is generated from ***One*** *source, which has to be paid anyway*, but is currently pocketed by speculators and Landowners. Under the Single Tax, that revenue funds government services, and supplies a small citizen's dividend – enough to meet the basic necessities of life. No more welfare, just a portion of every citizen's birthright!

Rent[4] - From Land Values only, *not* the apartment building or store built upon the Land -
Individual Labor - Wages -
Business Capital - Buildings (now recognized as Capital), Planes, Cars, Factories, Tractors, Semiconductors, etc. -

Under the Single Tax, neither Labor nor Capital is taxed, only Land ***Values*** are taxed. This:

- Ends speculation by taxing away the profit from it. *No more boom-bust economy from Land speculation!*
- Frees up opportunity for new businesses, and new housing for residents, by lowering the *cost* of land (as rent goes *up*, costs must go *down* due to inelasticity of Land quantities).
- Eliminates urban sprawl by forcing efficient use of land. No more "warehousing" of land by greedy speculators.[5]
- Promotes Green technology by charging air/water/land polluters.[6]
- Charges fees upon the Commons. Resources created by Nature belong *to all of us* equally.
- Incentivizes individuals & Businesses to *produce*, not speculate upon, or hoard, resources.
- Reduces corruption by taxing *Resources*, based on Market Values, and eliminating loophole-hunting among all other taxes. *Resource Taxes cannot be avoided.*
- Simplifies and lowers taxes overall.
- Eliminates most poverty by providing a citizen's dividend that *naturally* increases to meet the minimum cost of living in more expensive areas (e.g. cities).
- Discourages inefficient use of remote rural areas for housing, business, etc, leaving more for Nature.

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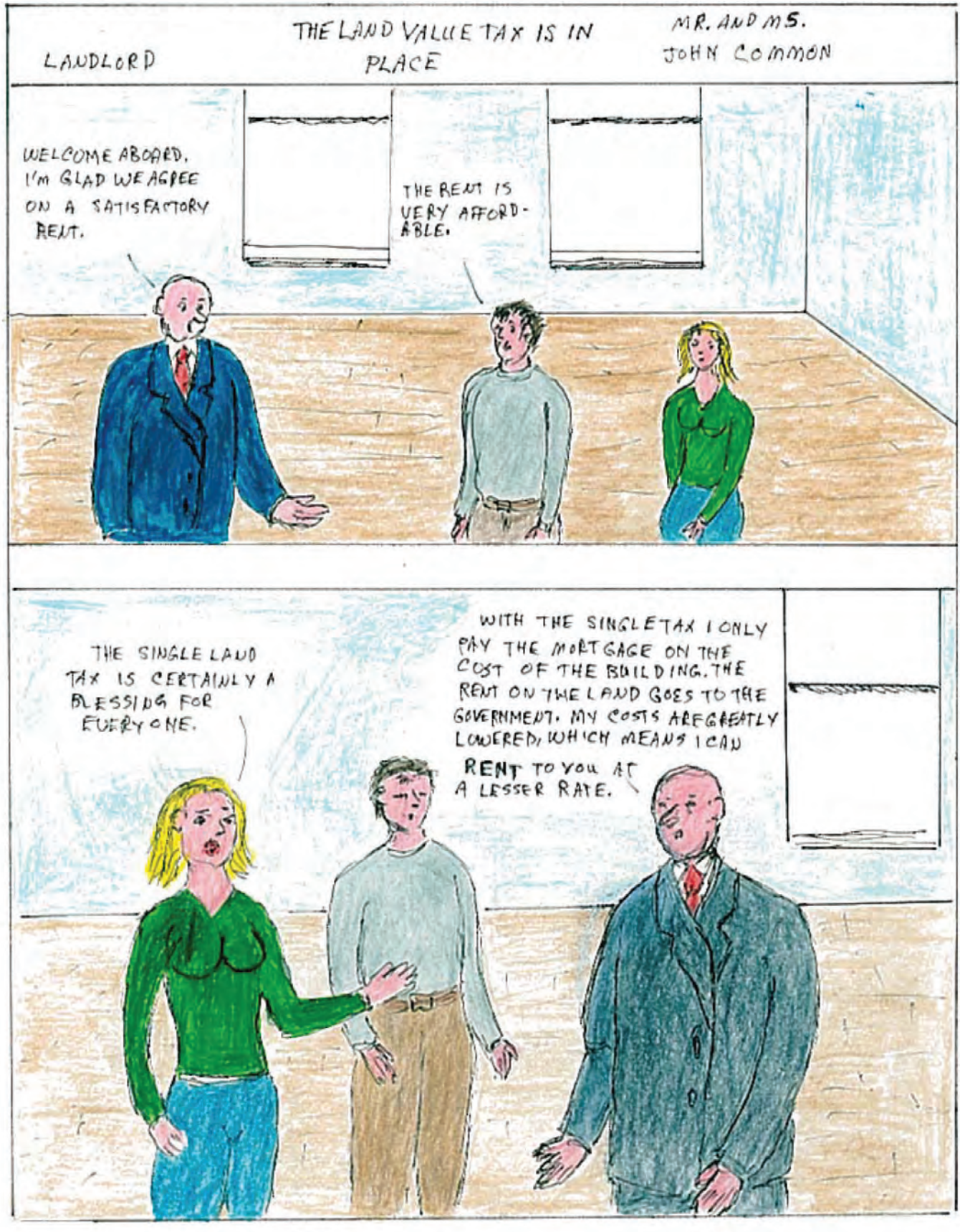
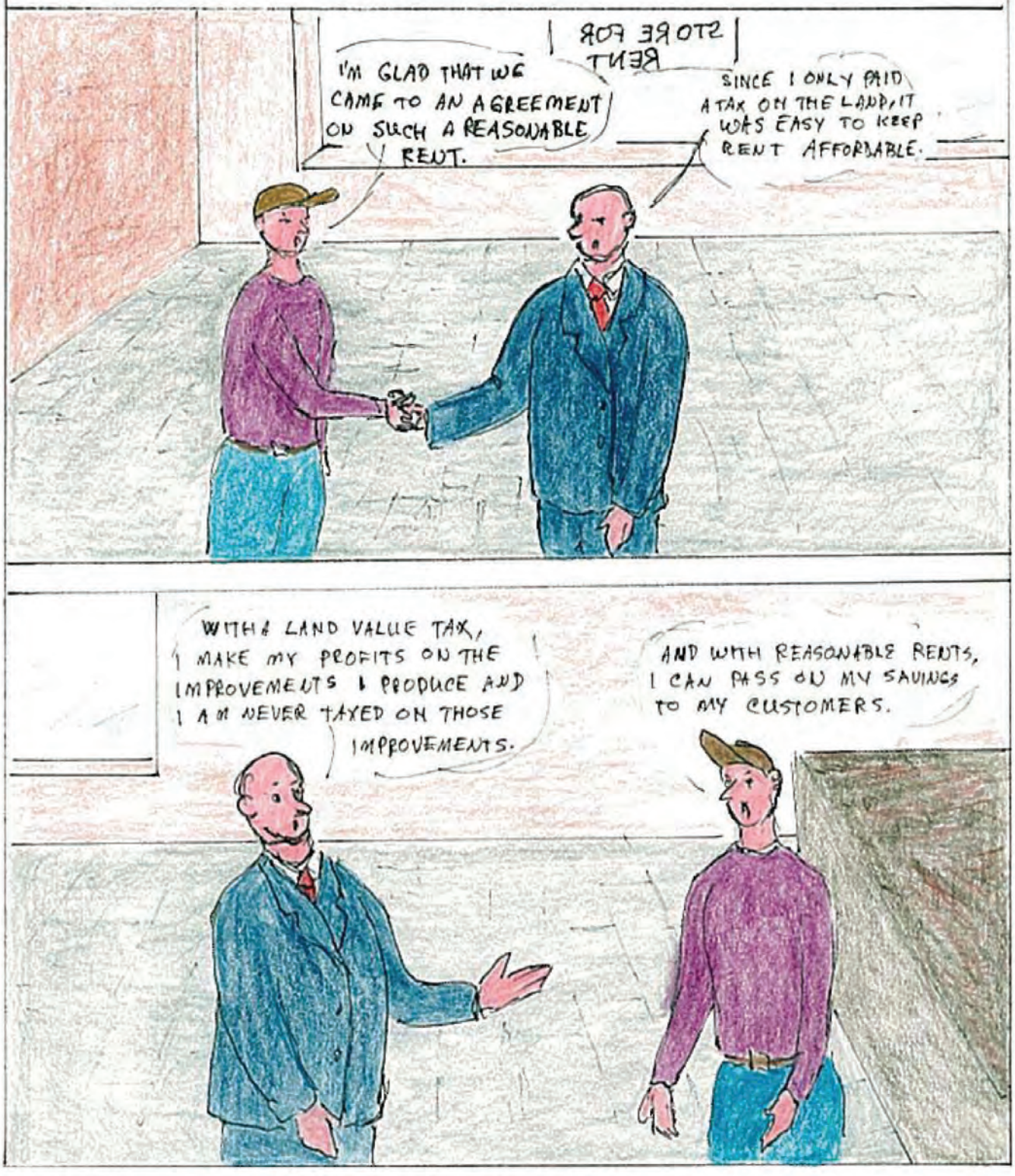
[1] http://www.commongroundnyc.org/vacant.htm
[2] mbpo.org/uploads/NO%20VACANCY.pdf
[3] Real Estate and Business Cycles: Henry George's Theory of the Trade Cycle by Fred E. Foldvary
[4] Economists estimate 22–40% of annual income comes from increases in the value of Natural Resources. **None** of this is earned; it simply increases due to population growth and inflation.
[5] http://www.change.org/petitions/view/tax_vacant_unused_land_to_return_its_value_to_the_community
[6] http://www.change.org/petitions/view/a_new_form_of_capitalism_geonomics


LANDLORD
THE LAND VALUE TAX IS IN PLACE
MR. AND MS. JOHN COMMON
WELCOME ABOARD. I'm GLAD WE AGREE ON A SATISFACTORY RENT.
THE RENT IS VERY AFFORD-ABLE.
THE SINGLE LAND TAX IS CERTAINLY A BLESSING FOR EVERY ONE.
WITH THE SINGLE TAX I ONLY PAY THE MORTGAGE ON THE COST OF THE BUILDING. THE RENT ON THE LAND GOES TO THE GOVERNMENT. MY COSTS ARE GREATLY LOWERED, WHICH MEANS I CAN RENT TO YOU AT A LESSER RATE.

THE LAND VALUE TAX IS IN PLACE

JAKE TILLER: SHOPKEEPER

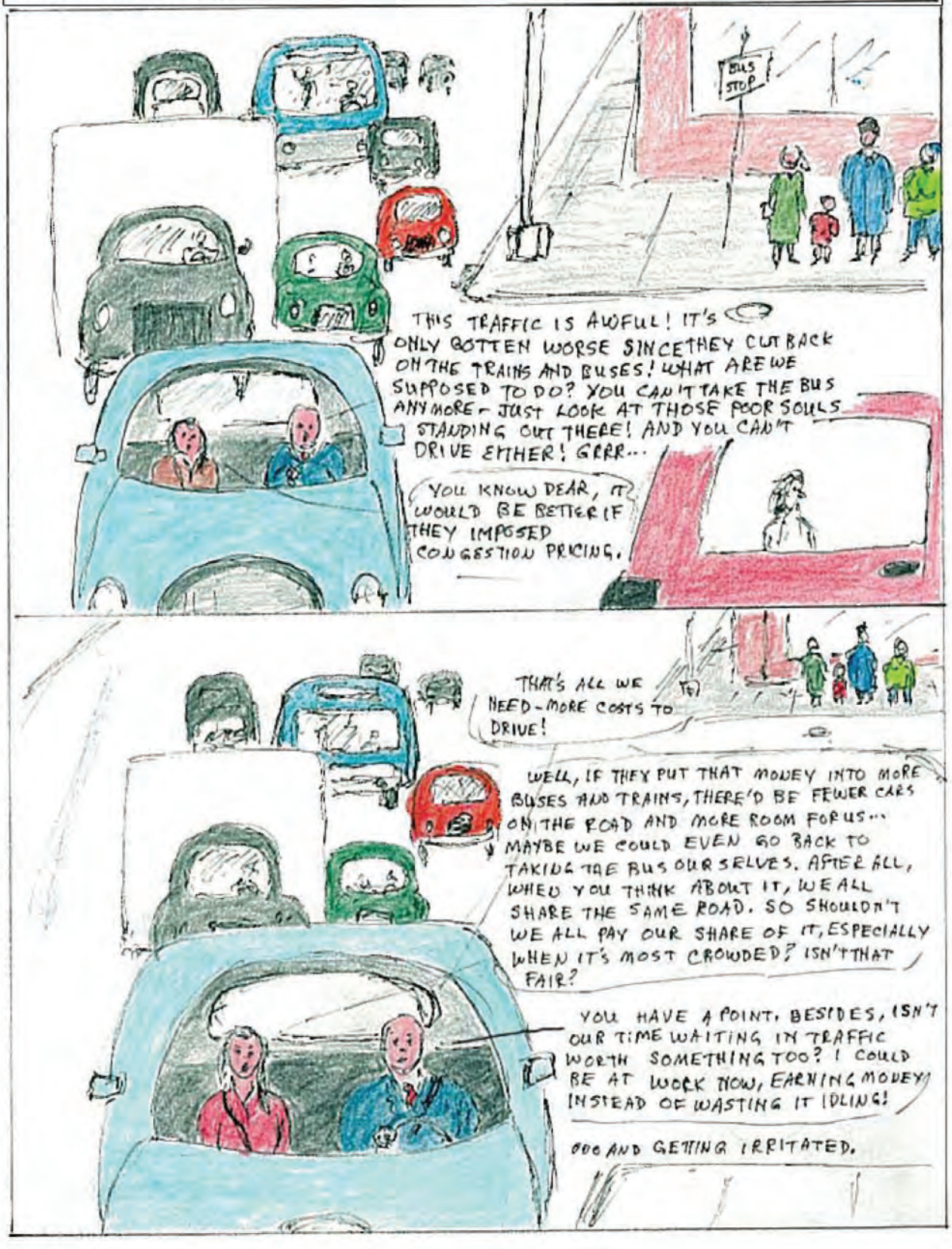
LANDLORD

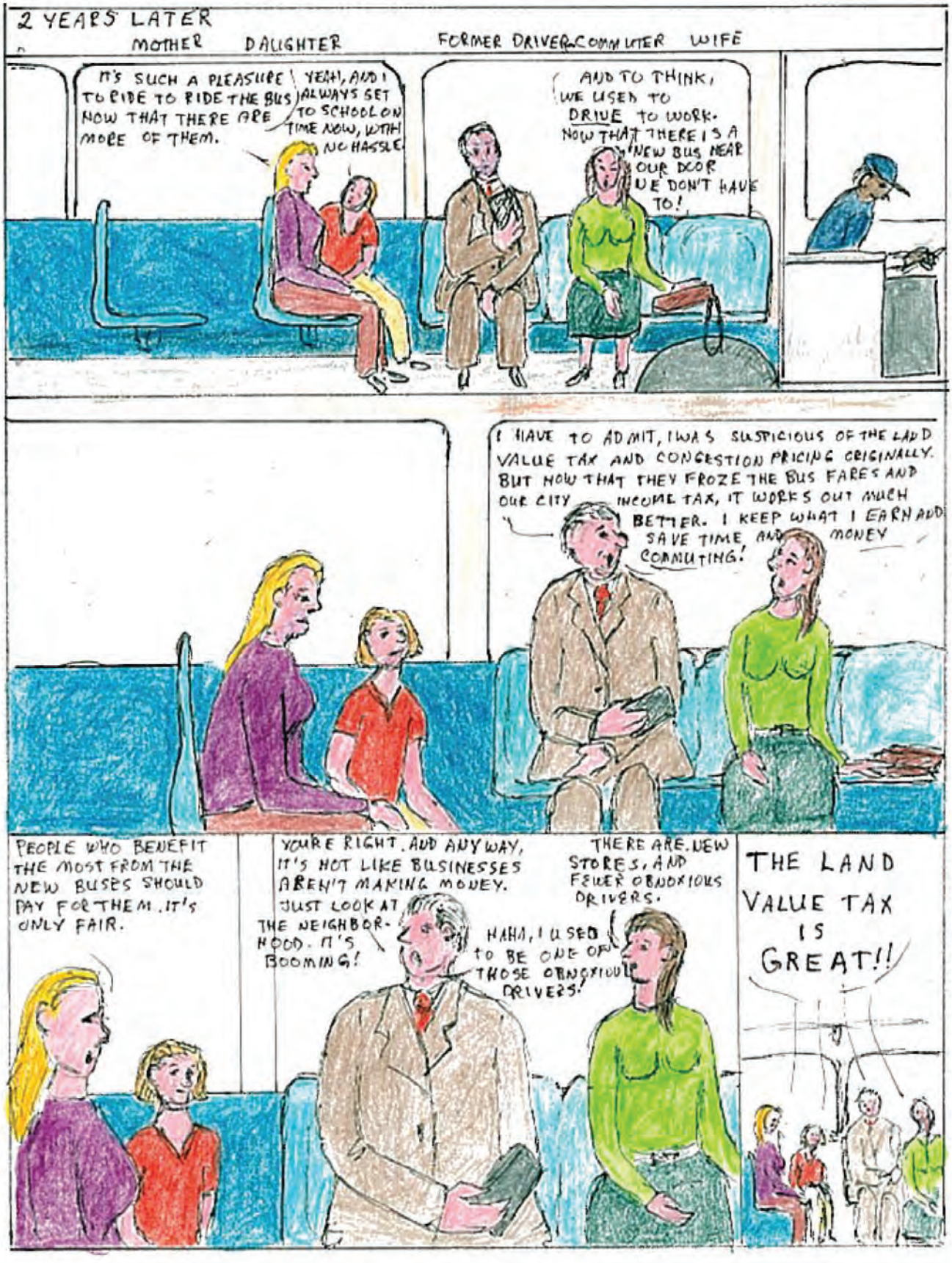


WAITING FOR THE BUS

2
IT'S NEVER ENOUGH. THE ONLY RELIABLE WAY TO PAY FOR MASS TRANSIT IS THROUGH A TAX ON THE LAND OWNERS THAT HAVE PROPERTY ALONG THE BUS LINES. AFTER ALL, THEY CERTAINLY BENEFIT A GREAT DEAL!
BUT WE PAY SO MUCH IN TAXES ALREADY!
YES, BUT IT GOES INTO GENERAL REVENUES, NOT SPECIFICALLY TOWARDS MASS TRANSIT. NEW YORK CITY ACTUALLY HAS ONE OF THE LOWEST LEVELS OF STATE MASS TRANSIT FUNDING IN THE COUNTRY.
HMM... IT SEEMS TO ME WE'D ALL BE BETTER OFF IF OUR TAXES WENT DIRECTLY FOR WHAT BENEFITS US MOST, LIKE MASS TRANSIT. BESIDES, WITH MORE BUSES, THE NEIGHBORHOOD WOULD BE A NICER PLACE TO LIVE! AND I COULD GET TO WORK ON TIME!
AND ME TO SCHOOL!

DRIVING TO WORK



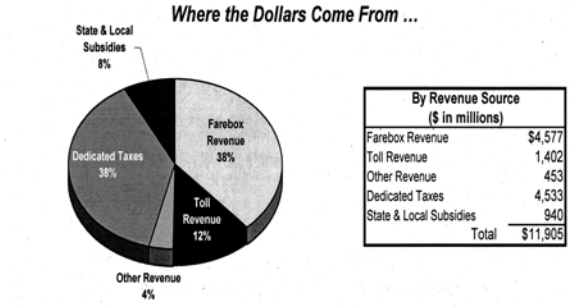

2 YEARS LATER
MOTHER
DAUGHTER
FORMER DRIVER-COMMUTER
WIFE
IT'S SUCH A PLEASURE TO RIDE TO RIDE THE BUS NOW THAT THERE ARE MORE OF THEM.
YEAH, AND I ALWAYS GET TO SCHOOL ON TIME NOW, WITH NO HASSLE.
AND TO THINK, WE USED TO DRIVE TO WORK. NOW THAT THERE IS A NEW BUS NEAR OUR DOOR WE DON'T HAVE TO!
I HAVE TO ADMIT, I WAS SUSPICIOUS OF THE LAND VALUE TAX AND CONGESTION PRICING ORIGINALLY. BUT NOW THAT THEY FROZE THE BUS FARES AND OUR CITY INCOME TAX, IT WORKS OUT MUCH BETTER. I KEEP WHAT I EARN AND SAVE TIME, AND MONEY COMMUTING!
PEOPLE WHO BENEFIT THE MOST FROM THE NEW BUSES SHOULD PAY FOR THEM. IT'S ONLY FAIR.
YOU'RE RIGHT. AND ANYWAY, IT'S NOT LIKE BUSINESSES AREN'T MAKING MONEY. JUST LOOK AT THE NEIGHBORHOOD. IT'S BOOMING!
THERE ARE. NEW STORES, AND FEWER OBNOXIOUS DRIVERS.
HAHA, I USED TO BE ONE OF THOSE OBNOXIOUS DRIVERS!
THE LAND VALUE TAX IS GREAT!!

Public Transportation is a Land Value Issue too![1]

Transportation improvements benefit three groups of people:

- The general public, which benefits from broad economic and social returns.
- Transportation users, who benefit from reduced travel times and enhanced safety.
- Property owners and developers, who benefit from increased property values in general by transportation improvements. Such benefits create a rationale for the use of **Land Value Taxes (LVT).**

For these beneficiaries, value gains are mostly realized upon the completion of transportation projects and, therefore, a LVT would rise, naturally, to meet the additional costs. A tax on land would be preferable to a tax on capital, such as buildings or vehicles, as the former would result in less economic distortion due the fixed supply of land.



By Revenue Source ($ in millions)	
Farebox Revenue	$4,577
Toll Revenue	1,402
Other Revenue	453
Dedicated Taxes	4,533
State & Local Subsidies	940
Total	$11,905

Fares and tolls have never been enough historically to pay for public transportation; indeed, as former head of the MTA and current Lt. Governor Richard Ravitch put it in a recent symposium at NY University, "You would have to charge over $10 a ride to cover the costs of running the trains." This is clearly unfeasible, and goes a long way toward explaining why all private attempts at public transportation have ultimately failed and been taken over by Governments, which can impose taxes.

But general revenues are not the answer either; they are usually too little, siphoned off to other needs, and subject to the whim of politicians who reside outside the area served (e.g. Albany). Hong Kong's rail transit system receives no subsidy; instead, all costs, including interest on bond indebtedness, are paid from **land rents** derived from development in station areas. Surplus land values have been used to fund Washington D.C.'s Metro, and the London tube extension as well.[2]

The funding of public transportation is a complicated and shifting financial undertaking, and no one should oversimplify it. However, of the one half of revenues that come from taxes and subsidies, and not from tolls or fares, the contribution from Real Estate Activity is particularly volatile. In the November 2009 MTA Budget[3] the unreliability of Urban Tax Receipts – which are accrued from Real Property Transfer Taxes and Mortgage Recording Taxes - is highlighted:

> From a peak level of $884 million in 2007…spurred by low interest rates and strong demand for commercial investment properties, Urban Tax receipts…are projected to decline (83.3%) in 2009 to $148 million.

Imagine that! A significant source of the $11.8 billion MTA budget declined 83.3% in just 2 years!

On top of that, the MTA has *actual* Real Estate that has plummeted in value during the bust.[4] Former Brooklyn City Councilman David Yassky, who estimates that the MTA owns some **14,000 buildings** worth more than **$1 billion**, has repeatedly asked for an accounting of the value and use of these properties. The MTA refuses - even though it has the data.[5] The MTA still expects $1 billion for the Atlantic Yards land even as the real estate development deal falls apart.[6]

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[1] Numerous studies showing the ability of capturing land values to fund transportation can be found here: http://www.urbantools.org/search?SearchableText=value+capture and in Fred Harrison's book, "Wheels of Fortune"
[2] http://www.bing.com/search?q=+www.vtpi.org%2Fsmith.pdf&form=OSDSRC
[3] http://www.mta.info/mta/budget/nov2009.htm - Vol. 2
[4] http://secondavenuesagas.com/2008/12/19/the-mtas-real-estate-quandary/
[5] http://www.nydailynews.com/opinions/2008/12/10/2008-12-10_mta_asks_for_shared_sacrifice__but_squan.html
[6] http://secondavenuesagas.com/2008/12/19/the-mtas-real-estate-quandary/

Why is the MTA in the Real Estate business at all? Don't they have enough challenges running the trains and buses?

Meanwhile, unproductive Land speculation claims yet another victim – this time the MTA.

A **Land Value Tax**, imposed on those who benefit the most by owning property along the bus and train lines, as well as the drivers who benefit when other potential drivers ride the buses and trains instead - would be more stable, and could fund the half of the budget not currently funded by tolls and fares. Parking fees and congestion pricing could be directed to mass transit, and are a form of Land Value Taxation too – one that can be adjusted to meet the shifting value of the land (road) hour by hour.

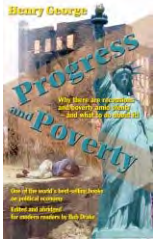
A Top Ten list of great Geoist links

The following list is by no means exhaustive, but serves as a sampling of the diverse number of organizations now recognizing that the Fruits of the Earth belong to *all* of us, while we *each* deserve to profit from our individual productive activities – just as Common Ground believes.

- http://www.youtube.com/profile?user=ourcommonwealth#g/u

- Here are three great videos showing the problems with taxing vacant lots less than built-upon lots in Philadelphia, narrated by Josh Vincent, Executive Director of the Henry George Foundation of America - http://ourcommonwealth.org/.

- http://www.progress.org/geonomy/geono05.php - WHERE A TAX REFORM *HAS* WORKED: 28 Case studies. An historical review.
- http://www.schalkenbach.org/ - The publication house for all writings on and by Henry George, including his best-selling economics book of all time, "Progress and Poverty", and works on Geoism, and Earth Rights.



- http://www.henrygeorge.org/ - As the site says, you *can* understand economics (and it doesn't have to be dull, either).
- http://www.cgocouncil.org/showcgo.php - Council of Georgist Organizations Directory

- http://www.labourland.org/ - The Labour Land Campaign advocates a more equitable distribution of the Land Values that are created by the whole community (England).

- http://www.prospercalifornia.com/ - A California ballot initiative to replace nearly all taxes with a single tax on 75% of Ground Values, that would raise as much money as current methods, and untax productive activity while discouraging hoarding land for speculation.

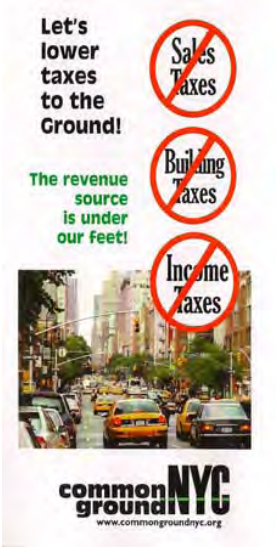
- http://masongaffney.org/ - Professor Mason Gaffney's site, arguably the greatest living authority on Georgism and Land Value analysis.
- http://www.mbpo.org/free_details.asp?id=52 - Several timely and well-researched papers on LVT from Scott Stringer, Manhattan's Borough President
- http://www.opednews.com/articles/Creating-a-Geonomic-Politi-by-Scott-Baker-091208-229.html - Is it finally time for a Geoist Party in New York State? Here's how it might work.

Common Ground – NYC

415 East 52nd Street, New York City, NY 10022

http://www.commongroundnyc.org/
http://groups.google.com/group/common-ground-nyc

Concerned about High Taxes?



Rights to the Products of Earth for All, and Rights to the Products of Labor for Each.

Common Ground NYC is dedicated to the principle that all persons have equal and common rights to the Earth and its resources, and that each individual has an exclusive right to the income from his or her own labor and capital investment. Therefore, we are committed to reducing and replacing taxes on labor, capital, and wealth, and to using the value of land and other natural resources to pay for essential governmental services. *We believe this to be essential to the attainment of liberty, justice, and economic opportunity for all.*

We are laying the foundation for a more just, equitable, and environmentally sustainable world.

Common Ground NYC develops presentations promoting the principle of **Resource Value Taxation.** We also advocate for bills intended to move property assessments toward a truer measure of market value in order to free up productive Land and support local groups looking to enact Land based property valuations.

Poverty and lack of opportunities are *not* natural conditions; they are the result of specific policies.

Common Ground's Platform includes promotion of Laws that:

- Protect individual rights to private and personal property
- Equally shared rights to the inherent value of Natural Resources (incl. air/water/land)
- Remove taxes on income, sales, homes/buildings, crops, farm animals, inventories, machinery, etc.
- Funding essential Government services with Land value revenue (incl. pollution)

Common Ground-NYC is a local affiliate of Common Ground USA.

Common Ground-USA Membership Information

National Membership (includes local chapter membership, where available) brings you -- voting rights; annual subscription to GroundSwell, Insights, and the Letter Lobby kits, with research reports, sample letters, and tips on how to influence law and public policy on major social, economic, and political issues; opportunity to attend annual Georgist conventions. The local NYC Chapter brings you membership in the online discussion group, regular meetings, local action steps, and campaigns.

For an online form, go to http://commonground-usa.net/cgjoin.htm, or fill out the following and send a check:

Name(s) _____ _____ _____

Address _____ **City** _____ **State** ____ **Zip** _____

E-mail _____ **Phone (Day)** _____ **(Night)** _____ **Fax** _____

[ ] Individual Membership	$36.00
[ ] Each Additional Family Membership	$12.00
[ ] Donor membership	$75.00
[ ] Benefactor membership	$100.00
[ ] Letter Lobby only	$20.00
[ ] *GroundSwell* Magazine only	$15.00
Total Contribution	$_____
_____ Additional copies of CG-USA brochure	N/C
[ ] Information on books and literature	N/C

Please make check payable to Common Ground-USA, and mail to: Sue Walton, Membership Chair Common Ground-USA, P.O. Box 57 Evanston, IL 60204 Phone: (847) 475-0391	For additional information on Common Ground-NYC, contact: Scott Baker, President, Common Ground-NYC, ssbaker305@gmail.com http://www.commongroundnyc.org/ http://groups.google.com/group/common-ground-nyc

COMMON GROUND-USA

common ground NYC
www.commongroundnyc.org

Rights to the Products of Earth for All, and Rights to the Products of Labor for Each.

Land Value Taxes throughout history:

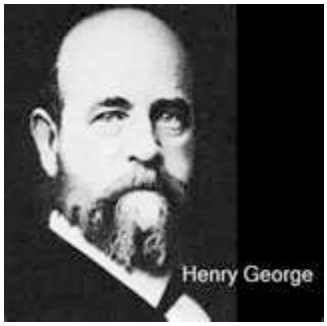
William Penn wanted to prevent aristocrats from grabbing up land and declared Pennsylvania a "Commonwealth" where each landholder would pay a modest rent that "*would put an end to taxes, leave not a beggar, and make the greatest bank for national trade.*" Pennsylvania's first tax was a Land Value Tax.

"*Every proprietor…owes to the community a ground-rent for the land which he holds… out of which there shall be paid the sum of ten pounds per annum, during life, to every person now living, of the age of fifty years, and to all others as they shall arrive at that age.*" – Tom Paine

Under the original ***Articles of Confederation***, the federal government taxed each state on its land value. Each state would tax each county, and citizens would never have to deal with state or federal tax collectors. But, after the revolution, landed aristocrats no longer needed strong public support and…

"Our legislatures are all landholders, and they are not yet persuaded that all taxes are finally paid by the land…Therefore, we have been forced into the mode of indirect taxes." – Ben Franklin

The original income tax of 1913 was only a small tax on the biggest Landowners; today most taxes are counterproductive payroll and income taxes.

Today, only a small fraction of tax revenues come from real estate, and most of *that* comes from taxes on buildings and other improvements, discouraging productivity. We can protect small businesses, homeowners, renters, and seniors by implementing the Founders' original tax plan, coupled with Tom Paine's stipend for seniors.

"Let no man imagine he has no influence. Whoever he may be, and wherever he may be placed, the man who thinks becomes a light and a power." -- Henry George