

High tax states that rely most heavily on property tax have higher per capita personal incomes but high incomes are not likely to cause anyone to want to pay more property tax. 'Personal income per capita for the top ten states in 1993 was 48% greater than for the bottom ten, all taxes 71% greater, property tax 173% greater (Mason Gaffney and Richard Noyes, 'Losses of Nations' ed. Fred Harrison, Othila Press, 1998)

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To the honorable co-chairs and members of the
Property Taxation Review Committee

Subject:
Tax Reform for Economic development

The Property Taxation Review Committee has stated very reasonable and clear objectives for a property tax system for the state of Iowa.

I submit that the following 'Tax Shift Proposal' will best satisfy those objectives:

- Cap structure assessments at Jan.1, 2004 rolls
- Annually reassess/tax non-exempt land at 100% value apart from capital values
- Replace one-fifth of sales tax with state property levy
- Replace city minimum user-charges with city property levies

Basing taxes on market values of land as established by our free market system will be more reliable, equitable, simple, and responsive to changes in valuation and classification than any known choice of tax base. The market, not legislatures, city councils or county supervisors will set land values for Iowa's assessors. The only help the market needs is less of deadweight taxes on structures, purchases and incomes.

In researching the effect of tax shift proposals I have made extensive use of the Polk County assessor's website for assessment data by jurisdiction also reports from the Iowa Department of Revenue site. The opportunity to access similar data for most counties in Iowa is open to all.

This plan will effectively support economic 'growth' in all of Iowa's 950 incorporated cities or better yet 'economic development' as defined by Dr. Pogue in "Criteria for Good Proposals'. Each city regardless of population and land area is a potential commercial center and therefore extremely important to both rural and urban residents, the farm sector and commerce. The Tax Shift Proposal is designed to enhance the economy of every city and county in Iowa.

With hope for Iowa's Future

Tax Reform for Economic development

- Tax relief for families and businesses
- Prod owners of under-utilized land to build housing, create businesses
- Provide funds for education, public protection, public infrastructure

Economics of taxation:

Although the share of Wealth to each production factor is Rent to land, Wages to labor and Interest to capital mere ownership of land does not produce Wealth. Rent charged for use of land is a taking of Wealth earned by labor and capital. State and local taxes on incomes, purchases and capital goods are also a taking of Wealth earned by labor and capital. Labor and capital can flee when taxed but land stays put. Iowa can encourage economic development and cut taxes on families and business by taxing land, a public revenue source as durable and predictable as Earth and Time.

Tax Shift Proposal

Shift from taxes on wages and interest to taxes on 100% value of land

- Permanently cap each parcel's structure assessment at Jan.1, 2004 rolls
- Annually re-assess and tax all classes of non-agricultural land at 100% value (2005)
- Replace one-fifth or more of state sales tax with state property levy (2005)
- Permit cities to replace city minimum user-charges with property levies (2005)

Capping structure assessments

Exempts all new construction from property tax
Shifts tax assessment from land and structures to land as the primary value
Protects existing structures from taxes on increase in assessments

Annual revaluation/taxation of non-exempt land at 100% potential value

Taxes billions in unrealized and on-going appreciation of land values
Establishes uniform assessment and taxation of all classes of land
Taxing land at 100% ends rollback on land, shifts rollback to structure values

Property levies replace state and local sales tax and user-charges

Tax on land capitalizes to lower prices for land ⁽¹⁾
Consumer tax cuts raise present value of land ⁽¹⁾
Lower land prices and tax cuts for consumers spur economic development

Landowners not land buyers pay added tax on land ⁽¹⁾

Current owners cannot avoid higher tax by moving land to a lower tax jurisdiction
Idle lots produce no goods; have no consumers, generate no cash rent to pay tax
Buyers capitalize tax to lower price for land, pay land tax not interest on mortgage

Economic development ⁽¹⁾ for Iowa's cities and towns

High taxes on high value urban lots drive down land prices
No taxes on new construction encourage owners to improve idle properties
Builders pay wages, buy materials to produce housing, stores and factories

Spend more public revenues on education

Spend less on development projects; rely on tax reform to drive growth
Spend less on aid to families by creating job and housing opportunities
Spend less to service new lands by making better use of existing urban infrastructure

New opportunities for family farmers

Rising tax, falling land prices, will encourage landlords to sell some of their land
Lower cost land and lower taxes on structures aid adding value to farm products
Economic development creates new local markets for value-added products

Rural economic development ⁽¹⁾

Farm product manufacturers, processors and retailers improve sites tax free
Railroads and utilities upgrade services and structures tax free
Thriving cities and towns add to quality of rural living

Satisfy objectives of a Tax System

Reliable and predictable

Land is a reliable and predictable public revenue tax base unaffected by level of taxation. It appreciates in value from investment of public revenues in infrastructure, schools and public protection or from rising individual and private sector vitality and general welfare. No amount of tax can remove land from the face of the Earth. Structures as a tax base are depreciable capital renewable only if freed of taxes.

Equitable

Land taxes are equitable. Unlike taxation of economically needed physical capital which depends on constant human effort to build, maintain and renew taxing the market value of limited land resources legally platted and claimed for exclusive use by one owner does not burden human effort.

Based on economic (market) value

Taxation based on economic value requires assessing and taxing all classes of non-exempt land including utility and railroad lands exclusive of capital values at 100% market value. Land sales driven by reward of 100% exemption for new construction will set realistic market values. Capped values of structures will roll down when properly assessed at total parcel value less the higher land assessment.

Simple and transparent to the taxpayer

What can be more simple and transparent than a single value of land for each parcel, rollbacks phased out, and one consolidated rate to replace current property tax, city minimum water bills, and a portion of Iowa sales tax. Elimination of intrusive assessment of structures and free distribution of cadastral maps of uniformly assessed land values will build public confidence in the system.

Responsive to changes in valuation and classification

Uniform assessment of non-exempt land at market value will raise city tax bases without raising total taxable values for most parcels. For instance, Ankeny's \$2 billion 100% 2004 combined land and structure values of its 13,369 parcels, 5,212 total acres, could rise by 20% or more with no increase for 10,918 of its parcels. Des Moines Highland/Oak Park neighborhood's \$459 million 100% values of 6,070 parcels, 1,166 acres, could rise by 5% with no increase for 5,571 parcels and Des Moines' downtown square mile \$814 million 100% values could rise by 8.4% with no increase for 172 of its 342 commercial and industrial class parcels. (see charts of current per acre values vs per acre revaluations)

Foster economic development

Raising the tax on land to replace current user charges, property taxes and sales taxes will prod owners of tens of thousands of currently low use urban lots into selling or developing their parcels for homes and production of goods. With less to pay in taxes and user charges families and business will have more to spend on goods. Lower prices for land for development, lower taxes on families and business, affordable goods including housing and reliable public services including schools are effective incentives for growth in all of Iowa's 950 incorporated cities.

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⁽¹⁾ Thomas F. Pogue, definitions and pp 4 & 5 Tax Incidence, Tax Capitalization, 7-5-04, 'Criteria for Good Proposals'

Ref. Mason Gaffney, 'The Philosophy of Public Finance' Losses of Nations, ed. Fred Harrison Othila Press 1998

See also: <<www.progress.org>> for archived material on subject of land value taxation and links to other such sites.