



# The International Union for Land Value Taxation theIU.org

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## **An Invitation to Mayors and Other Public Officials Who May Want to Implement a Land Value Tax / Land Value Capture Public Finance Policy to Achieve the SDGs and the UN HABITAT New Urban Agenda**

As a public official you may be searching for a sustainable and equitable source of public finance, one that can fund infrastructure, education and other public goods while also addressing poverty, wealth inequality and the need for affordable housing for all. Admittedly a tall order!

We hereby invite your collaboration in an SDG Urban Finance Initiative that would determine the potential benefits and impacts of a land value taxation (land value capture) system of public finance in your municipality. Our team of experts are offering, on a pro bono basis, to help you develop an initial plan to implement this public finance policy.

Contained in the **Vancouver Action Plan** – the 1976 founding document for UN- Habitat – is this succinct and clear statement of why this form of public finance is essential:

**Social justice, urban renewal and development, the provision of decent dwellings and healthy conditions for the people can only be achieved if land is used in the interests of society as a whole....**

**Taxation should not be seen only as a source of revenue for the community but also a powerful tool to encourage development of desirable locations, to exercise a controlling effect on the land market and to redistribute to the public at large the benefits of the unearned increase in land values...**

Many cities and towns have underutilized vacant lots, shoddy dwellings, and abandoned buildings. Land speculators sometimes hold onto these properties for many years, hoping that someday they can be sold for a high rate of return. The "deadweight loss" or "excess burden" of taxes on labor and capital in most tax regimes can be about a 20% loss of economic productivity. All of these negative situations can be remedied by capturing the land rent that society as a whole generates while removing taxes from wages and production thus correctly harnessing incentives for private improvements while at the same time securing a revenue source that adequately funds infrastructure and other needed public goods.

A number of economists are now speaking to the benefits of this approach. For example, Dr. Paul Collier, author of *The Bottom Billion* and Professor of Economics at Oxford University, said this in his keynote address at the 2012 World Bank Land and Poverty Conference, titled *Land as a Key Development Issue: Insights and Implications for the Policy and Research Agenda*:

Density is valuable and that value is reflected in the price of land. In the urban centers there are enormous rents on rising land value. The taxation of land appreciation offers huge scope for financing the cost of urban infrastructure.

The 1996 **UN-Habitat II Action Agenda** holds a similar perspective saying:

The failure to adopt, at all levels, appropriate rural and urban land policies and land management practices remains a primary cause of inequity and poverty. It is also the cause of increased living costs, the occupation of hazard-prone land, environmental degradation and the increased vulnerability of urban and rural habitats, affecting all people, especially disadvantaged and vulnerable groups, people living in poverty and low-income people." [B.55]

The **New Urban Agenda**, adopted at the UN HABITAT III Conference in Quito in 2016, states:

We will promote capacity development programmes on the use of legal land based revenue and financing tools, as well as on real estate market functioning for policymakers and local public officials, focusing on the legal and economic foundations of value capture, including the quantification, capturing and distribution of land value increments. (paragraph 152)

Jurisdictions that use land value taxation possess a vital key to distributive justice: the benefits given by society are reflected in land value which is returned back to society in order to fund the public benefits. This is a virtuous cycle that sustains a self-financing, self-renewing city and furthers economic opportunity for all. It is a key policy for funding and achieving many of the Sustainable Development Goals.

The International Union for Land Value Taxation (the IU) is a not-for-profit association headquartered in London, UK with 25 affiliated organizations worldwide and has consultative status with the United Nations Economic and Social Council (ECOSOC). **The IU offers mayors and other public officials pro bono expert strategic guidance for the implementation of land value tax and land value capture policy.**

Upon completion of a **Memorandum of Understanding** and receipt of your answers to our **Research for Land Value Tax Policy Questionnaire** our team of policy professionals will make recommendations and provide informational resources based on sound knowledge of best practices for land value assessment and other aspects of land value tax policy tailored to your municipality.

We are interested in partnering and working with cities to demonstrate the several benefits of implementing this tax policy. We believe that it can and will provide enormous value in funding infrastructure development, basic social services, many of the recommendations of the Habitat 3 outcome agreement and the UN sustainable development goals. We invite you to join us in this SDG/LVT Cities Initiative to demonstrate to the international community that this public finance policy is a key to building a world that works for everyone.

You may work with us through the individual providing you with this information or you may contact the IU President David Triggs or Administrative Director Alanna Hartzok via email to [alanna@centurylink.net](mailto:alanna@centurylink.net) or phone 00 1 717-357-7617 (New York City time zone). For Spanish language contact Wendy Rockwell, IU Deputy President to [wendy.rockwell@gmail.com](mailto:wendy.rockwell@gmail.com). Our website: [www.theIU.org](http://www.theIU.org) and [theiu.org/habitat-3](http://theiu.org/habitat-3)

## **FAQS on Land Value Taxation / Land Rent for Public Revenue**

### **Can land value taxation fund sustainable development goals?**

Wherever local, regional or national governments bring public order, safe water, sanitation, parks, schools, roads, mass transit or health facilities, landowners immediately get higher rents and prices. These increased land values—which often exceed the related public costs—are the natural earnings of the community, region or nation, yet few governments currently recover more than a small fraction of the land value they create.

Recovered land value (rent) can be used to 1) operate, maintain and extend existing services and infrastructure; 2) fund revolving loans for housing and micro enterprises; 3) pay for environmental restoration and protection; 4) repay bonds issued to provide other public facilities; and 5) replace taxes on labor and production.

Land value capture also secures another important social and environmental benefit: rational, balanced development. Growth radiates smoothly from more intensive use in the urban centers to rural areas without pockets of vacant or poorly utilized land in between. Urban sprawl is curtailed and rural land is more readily retained in its natural state, available for parks and nature preserves. There is also less pressure to build on agricultural land near urban areas. Rational and balanced development decreases costs for transportation, utilities, fire and police protection and other public services, all of which further results in increased social cohesion and an interesting, safe, “walkable” city. This form of public finance is thus an essential component of good urban planning and can readily fund SDGs.

### **Does this public finance approach address the problem of wealth inequality?**

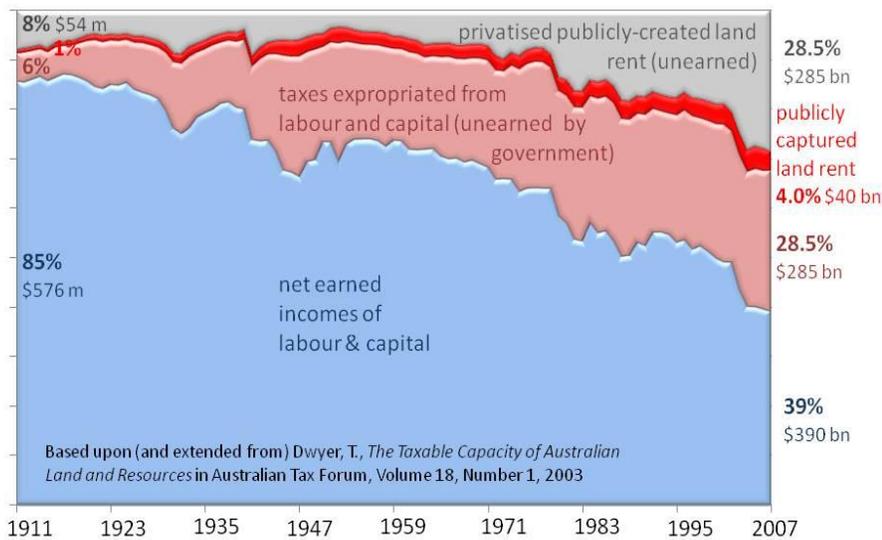
Shortsighted economic development programs often increase inequality, aggravating poverty as a cost of progress. Securing safe and reliable water supplies, introducing better farming methods, etc. increases the land users' advantage, but also the rents and mortgages they must pay for land access. Fair land tenure is essential for successful, equitable development and is attainable via land value taxation.

Freedom, justice and prosperity are directly linked to fundamental equitable rights to access land. People who can work on their own landholdings can better negotiate fair wages and need not bid against each other for scarce jobs. Removing taxes from wages, a corollary of this public finance approach, increases purchasing capacity and thus the ability of workers and landless people to secure housing and engage in productive activities. Opening opportunities for all to produce food, rear animals, start businesses and build homes bridges the wealth gap.

### **What about gender equality and women's rights to land?**

Women hold a small fraction of land compared to men. Their roles in child rearing and the community often make them less mobile than men. When women migrate to cities where jobs may be scarce, they sometimes become targets for exploitation at subsistence wages or even worse conditions. Land value capture strengthens the economic status and security of women by reducing gender-based inequities stemming from inequitable land tenure systems. Access to land enables women to secure sites for housing, food production or small businesses. Women's job opportunities and purchasing power increase as taxes are lifted from family earnings and placed on land values. Women and men are both better off, enhancing social stability. Inclusion of women in the implementation of this public finance tool is essential in order to incorporate their views and concerns. Reforms must respect women's equal rights to land and account for land value taxation's effect on customary land tenure arrangements.

## GDP as earned and unearned incomes



This chart was designed by Brian Kavanagh, *Land Values Research Group*, Australia.

Note how land rent steadily increases as development proceeds and indicates its capacity to fully fund needed public goods in lieu of taxes on labour and production

Note that “land rent” – the unearned income or social surplus accruing to land - is a significant sum, estimated at 20 – 30 percent of GDP in most countries. Most often, the taxable capacity of land is such that land value taxation can enable local government to fulfill its basic responsibilities for the provisioning of infrastructure, public education and other basic services for all – and without placing a tax burden on labour and production.

### What are the basic requirements for the implementation of a land value taxation system of public finance?

A successful land value capture system requires the following:

1. A cadastre (land register), transparent and freely available to the public, documenting the location, boundaries and physical qualities of each land parcel. Today's high-resolution satellite imaging, GPS technology and computerized surveying make assembling a cadastre much easier and considerably less expensive than in the past.
2. Descriptions of private and/or communal rights to possession and use of each parcel, including the landholder's identity, the nature and terms of tenure, designated uses (zoning), easements, and usage restrictions for the purpose of environmental or resource conservation.
3. Accurate assessments of the annual rental value of each parcel, and capital value where applicable. Again, computerized calculation of land value allows assessment of most sites quickly and at little cost.
4. Methodology for determining the percentage of land rent to be captured from each land parcel through a five to ten year period.
5. Means of collecting the funds.

All such information must be accurate, current, and readily accessible. To keep the system free of favoritism and corruption, citizens must be able to challenge erroneous information and anomalous assessments. The recorded information should be freely available to citizens, preferably both on paper in public offices as well as on the Internet. A "participatory budget" process whereby citizens decide at least a portion of how funds received are then spent should also be considered.

For further assistance regarding this policy contact: [www.theIU.org](http://www.theIU.org) or email: [alanna@centurylink.net](mailto:alanna@centurylink.net)