



Use Value: An Entitlement?

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In his once-famous book, *Progress and Poverty* (1879), Henry George asked many tough and less-than-popular questions. One such question was this: "Are landowners entitled to compensation?" George concluded that they were not largely because he believed that "there can be no honest title to the exclusive possession of the earth." George lost the debate, and private property rights remain as American as "Mom, apple pie, and the girl back home." And they will likely remain that way well into the future.

Let's assume that landowners get to hold title to the earth (i.e. own land). Another question comes quickly to mind: "If people get to enjoy exclusive possession of the earth, do those same landowners not have the right to expect fair and equitable taxation?"

In other words, if people have the right to possess land, it seems that those same people should not be forced off their land due to taxation that exceeds the potential of the land to generate enough revenue to pay their property taxes.

In Ireland -- and lots of other places in the British Empire -- land was taken away from the various tribes and clans and then deeded back to the leaders of the clans who cooperated. When clan leaders failed to cooperate, their lands were taken and granted to what were then called "undertakers." The uncooperative tribal leaders were killed or, perhaps worse, banished to the green but sterile lands north of the Shannon.

Back on the better lands south of the Shannon, undertakers then hired landlords who imposed horrendous rents on the tenant farmers. These rents became known as 'rack-rents'. The term 'rack' was of course derived from the medieval machine that was used to stretch people until they changed their perspectives. Rack-rents eventually brought about boycotts and a revolution.

Excessive taxation of land can create similar hardships for people who do not have independent means to pay them. The negative consequences of taxing undeveloped farm and forest land based on its potential value as 'developed' land can be extreme. The consequences for the public can include: soil erosion, stream sedimentation, liquidation of key habitats, increased flood damage, fragmentation, water pollution, reduced productivity of the land, and much more.

Taxation based on the use value of the land is one means of addressing the issues associated with excessive taxation of land. Use value taxation is a logical way to tax healthy and productive land, particularly if the public values healthy and productive land.

If and when that land is converted to a housing development, gravel pit, or other more lucrative use, the assessed value is then raised and the property taxes are increased.

Some would suggest that use value taxation is another government entitlement program. Clearly it is not because the primary benefits are derived by the public from a long list of "public goods" that flow from healthy, privately held lands. There are many public benefits associated with use value taxation and that is why we do it.

Perhaps we need another term to describe excessive taxation of healthy, undeveloped farm and forest lands. 'Rack-tax' comes to mind. And perhaps we need to think more about what constitutes "a public good from private land."