Land value taxation overview

Land value taxation is an alternative to traditional property tax systems, in which property taxes are levied based only on the value of the underlying land and not on the value of any buildings or other improvements to the site.

In cities, towns and counties that use land value taxation, the owner of a vacant lot would owe the same amount of property taxes as the owner of an adjoining identically sized lot that includes a four-story apartment building. Under split-rate taxation, a variant on land value taxation, the land is taxed at a higher rate than improvements. While not widely used in the U.S., these approaches discourage speculation and holding of empty sites, and encourage owners of vacant or underutilized parcels to make improvements that increase their returns without having to worry about the tax consequences. The community benefits from increased investment that puts formerly vacant or underutilized properties to productive use. Depending on the context, land value taxation can contribute to an increased supply of housing and also to the revitalization of neighborhoods with large numbers of vacant properties. However, it is unlikely to lead to any further development of properties that are already at or near their maximum potential based on current zoning.