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AN INDEPENDENT VIEW

By [Jon Geeting](#) | [Email the author](#) | October 12, 2011

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Property Taxes: Something the Left and Right Can Agree On

Why liberals can get behind the Tea Party goal of eliminating property taxes.

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About this column: Jonathan Geeting, keeper of the Lehigh Valley Independent blog, joins us for occasional thoughts on local/regional government and political issues.

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Is it time for a left-right alliance for property tax reform?

It looks like there is [growing support](#) on the Tea Party right for replacing property taxes, and I contend that there are also many good reasons for liberals to be excited about the opportunity to jettison this uniquely heinous tax.

Shifting the tax burden away from property and development toward consumption and land value would align incentives in ways that support core progressive goals.

For example, untying the distribution of education funding from where people live would help struggling urban school districts and reduce inequality. The property-based system ensures that per-pupil spending will be lower in urban schools, where property values are lower.

As I've written before, I think this is [morally offensive](#). When you layer this on top of Pennsylvania's [2562 municipal governments and 500 school districts](#), each empowered to collect the taxes and write their own zoning rules, the result is a well-oiled segregation machine.

So liberals have a reason to cheer any change that reduces the importance of residence in education funding. Relying more on [consumption taxes](#) would make the tax code more progressive, since the core cities and urban school districts would collect a greater percentage of their revenue from tourists and wealthier residents shopping in their downtown areas, and a smaller percentage from property taxes.

A consumption tax can be made progressive by exempting the first \$30,000 of income, and taxing luxury consumption at a higher rate.

Another reason to abandon the property tax is that in addition to the general unpopularity of taxes, the process of collecting the property tax is unpopular. This adds an additional layer of anti-tax politics for progressives to contend with. Having to cut a check instead of paying alongside your purchases makes paying taxes more psychologically painful than it needs to be.

The property assessment process is also broken. Reassessments are [sporadic and rare](#) in Pennsylvania because they are politically unpopular and they're not automatic - politicians have to vote to conduct a reassessment. To get a sense of how toxic the politics of this process can be, check out [what's happening in Allegheny County](#), where Rich Fitzgerald, the Democratic candidate for County Executive is saying he'll go to jail before sending out tax reassessments.

Reassessments are also inexact, lots of people end up challenging them, and municipal governments are always having to hire [private tax collection firms](#) to collect delinquent taxes. This is too messy. Even if the property tax is more progressive than the sales tax, I think it's clear that in practice the administration is too much of a headache. It would be better to switch to a tax that is easier to administer and harder to dodge.

The other main way that property taxes undermine progressive goals is by penalizing people for improving their properties. It makes it more difficult to improve older core cities if you're taxing people for adding value to their homes and commercial buildings.

If we want to see more redevelopment and investment in urban areas, the tax code should reward people who are improving their properties, and shift the burden to vacant lots, blighted properties and surface parking lots - uses that subtract value from neighboring properties and act as a drain on public resources. Replacing property taxes with land value taxes in and around central business districts would be the best way to harmonize incentives and promote development.

While it is unlikely that the left and right will ever find much agreement on tax rates, or the size and role of government, I think there is plenty of room for bi-partisan compromise on what kinds of taxes should be used to fund local government. The taxes I've listed - consumption taxes and land value taxes - incentivize behavior that I think people on the right want to encourage. Because savings are not taxed, consumption taxes promote saving and investment. Land value taxes penalize speculation and promote growth and development.

These are among the most pro-growth, business-friendly taxes you are likely to find. And there is also nothing about them that should offend liberal concerns about fairness and economic justice, since the programs they fund are most useful to economically disadvantaged people. While we continue to debate the big questions about the role of government, I hope that the bipartisan distaste for taxing property will put this issue on the agenda in Harrisburg.

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The property tax is a wealth tax that people rightfully can't avoid. A market value based property tax system is relative inexpensive to administer efficiently. Taxes on items not nailed to the ground can always be avoided one way or another. Not so with property taxes!

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