

**Awareness of Land Taxation:  
Survey of State Legislators**

David Brunori

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## **Abstract**

This paper reports on a year-long survey project designed to ascertain state legislators' awareness and knowledge of land taxation issues. The survey was conducted during the 2002-2003 legislative session. The text of this report explains the methodology and research results. Highlights of the findings include:

- 70 percent of legislators were either very or somewhat aware of the concept of land taxation.
- 66 percent of legislators were either very or somewhat aware of the concepts of split rate taxation.
- 62 percent of legislators believe that adopting a split rate tax system would promote economic development.
- 41 percent of surveyed legislators believe that adopting a split rate tax system would lead to more suburban sprawl.
- 11 percent of legislators have never been contacted by a constituent or organization regarding the issue of land or split rate taxation.

## About the Author

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## **Awareness of Land Taxation: Survey of State Legislators**

### **Introduction**

The concept of land taxation has wide appeal among public finance scholars. Virtually every economist who has studied the issue has written favorably about land taxation. Indeed, many of the most noted economists, including many Nobel Prize winners, actively endorse this method of financing government (Brunori 2003). At least from a scholarly perspective, the efficiency, efficacy, and fairness of a land based tax system seem irrefutable.

Despite the overwhelming endorsement of scholars, the concept of land taxation, including its variant split rate taxation, has not been widely embraced in the United States. Only two states, Pennsylvania and to a much lesser extent Virginia, authorize local governments to adopt some form of split rate taxation. And only 17 jurisdictions in the United States, all in Pennsylvania, currently place higher burdens on land than on improvements. There are few areas of government finance in which the disconnect between scholarly opinion and actual public policy is so great.

Local governments cannot implement a land tax, or its split-rate variant, without legal authorization from their respective states. In 48 states, constitutional or statutory law expressly requires that land and improvements be taxed at the same rate (Brunori and Carr 2002).<sup>1</sup> In all 48 states, however, it is within the power of the state legislature to enact changes in the law allowing adoption of land taxation or split rate taxation.

But pursuing statutory or constitutional amendments with respect to how property is taxed involves significant changes to the current system of public finance, particularly with respect to local governments in the United States. In every state these changes would entail revising property tax laws that have not changed in the last century.

In general, state legislators are historically cautious about implementing dramatic reforms in any public policy area. In the past quarter century, comprehensive tax reform has been particularly elusive in the states (Brunori 2001). Adoption of split rate or land taxation would be a dramatic reform, requiring advocacy and support in the ranks of the legislature. Given the significance of the reforms, awareness of the issues of land taxation is critical if such measures were ever to occur.

The primary objective of this research was to ascertain the level of knowledge of land taxation on the part of the nation's state legislators. Legislative awareness of the concept is imperative if states will eventually grant local government authority to implement land or split rate tax systems. Without an understanding of the issues presented by taxing land, legislators are unlikely to champion, advocate, or support such measures.

This project is designed to provide some insights as to legislative awareness of land tax issues.

### **Methodology**

Survey research has successfully contributed to the theoretical and practical knowledge of state legislators' behavior and institutions (Maestas, et al. 2003). Because of time and resource limitations, a comprehensive survey of all 7,378 state legislators in the United States was impossible. In every state, proposals for adoption of split rate taxing authority would originate in committees with primary responsibility for local government finance. Using publicly available information, primarily Internet sites maintained by the legislatures, committees with local government finance jurisdiction were identified in each state. It was anticipated that 99 committees in 50 states (Nebraska has a unicameral legislature) would be identified. In fact, there are 106 committees with jurisdiction over local government finance legislation in the United States. This occurred because in some states there were more than two committees with jurisdiction over local government finance legislation. The committees with primary responsibility for local government finance matters are set forth in Appendix A.

Five legislative committees from Pennsylvania and Virginia were then excluded from the survey. Pennsylvania allows many of its municipalities the option of using split rate taxation. And Virginia has recently amended its laws to allow two municipalities to do the same. Because of the widespread use of split rate taxation in Pennsylvania and the recent legislative debates on the subject in Virginia, it is assumed that the lawmakers in those states would be aware of the issue. That awareness could, indeed likely would, skew the results of a nationwide survey.<sup>2</sup>

Using legislative web sites and commercially published directories, members of each of the 101 committees with the requisite legislative responsibility were identified. In all, 1,284 legislators were identified as voting members of the 101 committees during the 2002-2003 legislative session.<sup>3</sup>

A five-question survey was prepared and emailed to each of the 1,284 legislators. The survey questions are set forth Appendix B. The survey questions were brief and were contained on the equivalent of one printed page. The one-page survey was intended to maximize the number of respondents. Research has shown that legislators are more likely to respond to surveys of shorter length (Maestas, et al. 2003).

The surveys were emailed to legislators near the start of the legislative sessions (January 2003). Follow-up emails were sent to non-respondents during the middle of the legislative sessions (March 2003), near the end of the sessions (June 2003), and when each legislative session ended or recessed for the summer (July 2003). At least four identical surveys were sent to each legislator who did not respond over this period. The multiple mailings were made to maximize the respondent rate. Legislative research has

found that multiple mailings greatly increase the likelihood of a response (Maestas, et al. 2003).

By the end of July 2003, 780 of the 1,284 legislators responded to the survey. This is a response rate of approximately 60 percent. The average response rate for state legislator surveys conducted in the 1990s was 47 percent (Maestas, et. al. 2003)<sup>4</sup>. The higher than average response rate is attributable to the brevity of the survey, the multiple requests for a response, and the email format of the survey. With respect to the latter, most legislative surveys have been conducted through traditional mail. Responding to an email question is presumably easier and less time consuming -- factors which increase the response rate (Maestas, et al. 2003).

The higher than average response rate may also be a result of the targeted nature of the survey. The survey topic, property taxation, was a subject presumably of interest to the members of committees involved in local government finance. Indeed, research has found that state legislative leaders generally accommodate member's requests for committee assignments (Francis 1989). So it can be presumed that many of the legislators surveyed had some interest in public finance in general and property tax in particular.

### **Methodological Caveats**

Despite the very high response rate, the survey results are not presented as reflecting the views of all state legislators in the United States. As noted above, to maximize the number of responses, the survey was targeted toward committees whose memberships are likely to be more interested in the subject of public finance. Their interest in local government public finance may lead to activities (conferences, continuing education, etc.) that would enhance knowledge of property taxation in general and reforms such as split rate taxation in particular. Nonetheless, because all land or split rate taxation reforms would likely originate in these committees, these legislators were an appropriate target for gauging legislative awareness of the issue.

In addition, the survey was intended to gauge legislators' knowledge about the concepts of land and split rate taxation. But correspondence sent to lawmakers' official email addresses are often first read and answered by staff members. There is no way of accurately judging how many of the responses were written by staff members. Nonetheless, this methodological problem exists with traditional mail as well as electronic correspondence (Maestas, et al. 2003).

## **Results**

### **Familiarity with the Concept of Land Taxation**

To gauge general awareness of the subject, the survey began with a broad question concerning land taxation. The surveyed legislators were asked if they were familiar with

the concept of land value taxation, which was identified in the question as “taxing the full value of land but exempting buildings, structures, and other improvements from tax.” The description of land taxation was based on generally accepted definitions.<sup>5</sup>

Of the 780 respondents to the survey, 290 or approximately 37 percent indicated that they were “very familiar” with the concept of land taxation. Nearly as many, 260 legislators or 33 percent, indicated that they were “somewhat familiar” with land value taxation. Only 230, or 29 percent of surveyed legislators, were not familiar at all with land value taxation.

Seventy percent of respondents were either very or somewhat familiar with the concept of land value taxation. Given the almost complete absence of land value taxation as a policy choice in the United States, this is a remarkably high figure.

### **Familiarity with the Concept of Split Rate Taxation**

The next question narrowed the scope to determine awareness of split rate taxation, the version of land taxation that is in use in Pennsylvania and authorized in two Virginia municipalities. Because it entails less dramatic reforms, split rate taxation is the version of land taxation that is most likely to be adopted in the United States (Brunori 2003).

Surveyed legislators were asked if they were familiar with the concept of split rate taxation, which was identified in the question as “taxing land at a higher rate than buildings, structures, and other improvements.” The description of split rate taxation was once again based on generally accepted definitions.

Of the 780 respondents to the survey, 230, or 29 percent, of the legislators said that they were “very familiar with split rate taxation. A slightly larger number, 290 or 37 percent, indicated that they were “somewhat familiar” with the concept of split rate taxation. One third, 260 legislators, of the respondents indicated that they were not familiar at all with split rate taxation.

That fewer legislators (66 percent) are very or somewhat familiar with split rate taxation than those (70 percent) who are very or somewhat familiar with land taxation in general is a curious, indeed arguably inconsistent result. As noted above, split rate taxation is actually in use in Pennsylvania and authorized in Virginia. Split rate taxation is also discussed and studied more frequently in academic journals and conferences.

The reasons for the inconsistency are unclear. One possible explanation is that the surveyed legislators were confused by the first two closely related questions. That is, some legislators may have believed that land taxation was actually split rate taxation since the concepts are so similar. Of course, it is also possible that many legislators are actually more aware of land taxation than split rate taxation.

## **Effects of Split Rate Taxation on Economic Development**

Legislative research has long found that state lawmakers are likely to support policies that they believe will foster economic development and oppose policies that are perceived to deter development (Beamer 1999). Taxing land at a higher rate than improvements has historically been thought to encourage building and investment by eliminating or reducing the tax burdens of improving the land.

Surveyed legislators were asked for their opinion as to the effect taxing improvements at a lower rate than land would have on economic development. Economic development was defined in the question as capital investment and job creation.

Of the 780 respondents, 490 or approximately 62 percent, said that taxing improvements at a lower rate than land would promote more economic development. One hundred and eighty respondents, or 23 percent, said that taxing improvements at a lower rate than land would have no effect on economic development. And only 40 responding legislators, or five percent, said that taxing land at a higher rate would deter economic development. The remaining 70 respondents, or approximately 10 percent, indicated that they did not know what the effects on economic development would be.

That 62 percent of the respondents believe taxing improvements at lower rates than land will promote development is consistent with standard economic thought. Arguably, that 23 percent of respondents believe taxing improvements at lower rates than land will have no effect on economic development is also consistent with standard economic thought. Taxing land is thought to have little or no effect on economic decisions. Respondents may have been thinking of the land portion of split rate taxation rather than the lower tax on improvements when determining the economic effects.

Nonetheless, an astounding percentage of state lawmakers believe that adopting a split rate property tax system will lead to increased economic growth. Because there are few public policy objectives more important than economic development and job creation, legislators should be biased toward adoption of such property tax reforms.

## **Effects on Sprawl**

A growing concern among legislators across the United States is the proliferation of suburban sprawl. The vast academic literature suggests that sprawl is viewed by policy makers unfavorably and that most legislators are of the opinion that policies that promote sprawl are unsound.

Many public finance scholars believe that adopting split rate tax policies will limit the negative effects of sprawl (Brueckner 2001, Youngman 1996). If this belief is true, split rate taxation could play an important part in the continuing debate over policies intended to deter suburban sprawl.

The legislators surveyed were asked what effect taxing improvements at a lower rate than land would have on sprawl. Sprawl was not defined in the question because the term can refer to a number of developments affecting density, suburban growth, loss of open space, and decrease in population. Indeed, scholars have lamented the fact that no single operational definition of sprawl is satisfactory (Dye and McGuire 2000). Still, the perception of sprawl as a negative policy outcome warrants inclusion of the question in the survey.

Of the 780 respondents, 320 legislators, or 41 percent, said that taxing improvements at a lower rate would foster more sprawl. One hundred and ninety legislators, or 24 percent, expressed the belief that taxing improvements would have no effect on sprawl. But 210 respondents, or 26 percent, indicated that they believed that taxing improvements at a lower rate than land would deter sprawl. The remaining 70 respondents, or approximately ten percent, said that they did not know the effect of taxing improvements at a lower rate than land would have on sprawl.

That such a large number of respondents who believe that split rate taxation would foster more sprawl should be troubling to advocates of land taxation. That belief may be based on the assumption that split rate taxation will encourage development of open space in suburban and rural areas.

### **Constituent Interest in Split Rate Taxation**

State legislators are influenced by the desires and concerns of their constituents (Erikson, et. al. 1993). The more important a particular issue is to constituents, the more aware of the issue a legislator will be. The subject legislators were asked if during the past year any citizens or organizations contacted their offices with respect to the issue of split rate taxation. If a constituent had contacted the legislator, the survey asked if the constituent supported or opposed split rate taxation.

Of the 780 respondents, 90 (approximately 11 percent), indicated that they had been contacted by citizens regarding the issue of split rate taxation. In every case, the citizens called, emailed, or wrote to express their support for split rate taxation. Of the 11 percent who heard from constituents, no lawmakers received communications indicating opposition to split rate taxation.

The vast majority of respondents, 690 legislators, indicated that they received no communications from anyone regarding the issue of split rate taxation.

A much smaller percentage of legislators (11) had been contacted by constituents than were aware of the concept of split rate (66) or land taxation (70). This suggests that legislators have learned about land and split rate taxation from sources other than constituents.

## **Conclusion/Recommendations**

The survey results show a remarkable awareness of land and split rate taxation among legislators in the United States. That 70 percent of legislators were either very or somewhat aware of the concept of land taxation is surprising particularly since land and split rate taxation are not popular policy choices in the United States. One obvious question for future researchers is why, given this high degree of legislative awareness, that split rate taxation is not used more often in the United States. This question is particularly salient given the almost universal acceptance of the land and split rate taxation among public finance experts.

The perception of the effects of split rate taxation on economic development and sprawl is mixed. That 62 percent of legislators believe that adopting a split rate tax system would promote economic development is consistent with the views of most public finance experts. But this result also begs the question as to why split rate taxation is not in more general use. State legislators place a high premium on policies designed to create jobs and foster economic development.

That 41 percent of surveyed legislators believe that adopting a split rate tax system would lead to more sprawl is inconsistent with the view of many public finance experts. It is not clear why legislators believe this to be the case. One possibility is that these legislators believe that split or land taxation will provide an incentive to develop vacant suburban and rural lands. In any event, that such a high percentage of lawmakers believe split rate and land taxation will lead to increased sprawl could create significant opposition to such reforms.

Given that only 11 percent of legislators have ever been contacted by a constituent or organization regarding the issue of land or split rate taxation is also somewhat surprising. Various groups espousing land taxation purportedly lobby state legislators on a regular basis. If the result of this survey are correct, those groups have not been very successful at informing legislators of the merits of land taxation.

The survey was intended to gauge legislative awareness of the general concept of land taxation. It was not intended to elicit views on more technical aspects of land or split rate taxation. There are questions as to the feasibility of adopting major property tax reforms, the effects on other revenue sources, and the administration, particularly with respect to valuation, of a land tax system in the United States. Future researchers should consider gathering information on legislative views on these issues.

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## **Appendix A: Committees Surveyed**

### **State Committees:**

#### **Alabama**

Senate: Finance and Taxation General Taxation Fund  
House: Government Finance and Appropriations

#### **Alaska**

Senate: Community & Regional Affairs Finance  
House: House Community & Regional Affairs Finance

#### **Arizona**

Senate: Finance  
House: Ways And Means

#### **Arkansas**

Senate: Revenue and Tax  
House: Revenue and Taxation

#### **California**

Senate: Revenue and Taxation  
House: Revenue and Taxation Local Government

#### **Colorado**

Senate: Local Government  
House: Finance

#### **Connecticut**

Senate: Finance Revenue & Bonding  
House: Finance Revenue & Bonding

**Delaware**

Senate: Revenue and Taxation  
House: Revenue and Finance

**Florida**

Senate: Finance and Taxation  
House: Finance and Taxation

**Georgia**

Senate: State and Local Government Operations  
House: Ways and Means

**Hawaii**

Senate: Ways and Means  
House: Finance

**Idaho**

Senate: Local Government and Taxation  
House: Local Government

**Illinois**

Senate: Local Government  
House: Revenue

**Indiana**

Senate: Finance  
House: Local Government

**Iowa**

Senate: Ways and Means  
House: Ways and Means

**Kansas**

Senate: Assessment and Taxation  
House: Taxation

**Kentucky**

Senate: Appropriations & Revenue  
House: Appropriations & Revenue

**Louisiana**

Senate: Revenue & Fiscal Affairs Finance  
House: Ways and Means

**Maine**

Senate: Joint Standing Committee on Taxation

**Maryland**

Senate: Budget & Taxation  
House: Ways & Means

**Massachusetts**

Senate: Joint Committee on Taxation

**Michigan**

Senate: Finance  
House: Tax Policy

**Minnesota**

Senate: Tax Committee  
House: Tax Committee

**Mississippi**

Senate: Local & Private  
House: Local & Private Legislation Ways & Means

**Missouri**

Senate: Ways & Means  
Financial and Governmental Organization, Veterans' Affairs and Elections  
Committee  
House: Local Government

**Montana**

Senate: Taxation  
House: Taxation

**Nebraska**

Unicameral - Revenue

**Nevada**

Senate: Taxation  
House: Taxation

**New Hampshire**

Senate: Ways and Means  
House: Ways and Means  
Municipal & County Government

**New Jersey**

Senate: Budget and Appropriations  
House: Housing and Local Government

**New Mexico**

Senate: Finance  
House: Taxation and Revenue

**New York**

Senate: Investigations & Government Operations  
House: Ways and Means

**North Dakota**

Senate: Finance and Taxation  
House: Finance and Taxation

**North Carolina**

Senate: Finance

**Ohio**

Senate: Ways & Means & Economic Development  
State and Local Government and Veterans Affairs  
House: County and Township Government

**Oklahoma**

Senate: Finance  
House: Revenue and Taxation

**Oregon**

Senate: Revenue  
House: Revenue

**Pennsylvania\*\***

Senate: Local Government  
House: Local Government

**Rhode Island**

Senate: Finance  
House: Finance

**South Carolina**

Senate: Finance  
House: Ways and Means

**South Dakota**

Senate: Taxation  
House: Taxation

**Texas:**

Senate: Intergovernmental Relations  
State Affairs  
House: Ways and Means

**Tennessee**

Senate: Finance  
Ways and Means  
House: Finance  
Ways and Means

**Utah**

Senate: Revenue and Taxation  
House: Revenue and Taxation

**Vermont**

Senate: Finance  
House: Ways and Means

**Virginia\*\***

Senate: Finance  
Local Government  
House: House Counties, Cities and Towns

**Washington**

Senate: Ways and Means  
House: Finance

**West Virginia**

Senate: Local Government

**Wisconsin**

Senate: Homeland Security, Veterans, Military Affairs and Government Reform  
House: Ways and Means

## **Wyoming**

Joint Revenue Committee

\*\* Members of these committees were not surveyed.

## Appendix B: Survey Questions and Results

### Email survey project: 7/7/03

Number of Surveys Sent via Email: 1284

Number of responses received: 780

1. *Are you familiar with the concept of land value taxation? (Taxing the full value of land but exempting buildings, structures and other improvements.)*

Very Familiar: 290

Somewhat Familiar: 260

Not Familiar At All: 220

2. *Are you familiar with the concept of split rate taxation? (Taxing land at a higher rate than buildings, structures, and other improvements.)*

Very Familiar: 230

Somewhat Familiar: 290

Not Familiar At All: 250

3. *In your opinion, what effect would taxing improvements at a lower rate than land have on economic development (capital investment and job creation)?*

Promote More Development: 490

Have No Effect on Development: 180

Deter Development: 40

Don't Know: 70

4. *In your opinion, what effect would taxing improvements at a lower rate than land have on sprawl?*

Foster More Sprawl: 320

Have No Effect on Sprawl: 190

Deter Sprawl: 210

Don't Know: 70

5. *Have any citizens or organizations contacted your office with respect to the concept of split rate taxation? (If yes, please indicate if the correspondence was in support of or opposed to split rate taxation.)*

Yes: 90

No: 690

If yes, was the person who contacted your office in support or opposition to split rate taxation?

Support: 90

Opposition: 0

## Endnotes

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- <sup>1</sup> Many states allow or require land and improvements to be valued separately for property tax purposes. With the exception of Pennsylvania and Virginia, the same rate must be applied to the separate valuations (Brunori and Carr 2002).
- <sup>2</sup> To test this hypothesis, a telephone survey of 15 randomly selected legislators from Pennsylvania and Virginia was conducted to determine awareness of split rate taxation. All fifteen subjects were aware of the concepts of land taxation and split rate taxation.
- <sup>3</sup> The names, mailing addresses, and email addresses of all 1,284 legislators are available from the author.
- <sup>4</sup> The average response rate for legislative surveys has remained consistent for three decades (Maestas, et. al. 2003).
- <sup>5</sup> A literature review of publications found almost universal agreement as to the definition of land taxation (see e.g. Lincoln Institute of Land Policy 2001).