

# HOME Committee Review

## Land Value Tax

### PROJECT SPECIFIC INFORMATION

AMI/population targets	30% AMI to 120% AMI
Unit Creation Potential	Medium to High
Type of Housing	Ownership and rental opportunities of single family, multifamily, townhomes, cottages, plexes, and ADUs.

### PARTNERSHIP OPPORTUNITIES

Private partnerships	No
Community partnerships	No

### CONSIDERATIONS FOR IMPLEMENTATION

Program Readiness timeline	5 years based on adoption of state legislation
Additional Staff Required	Low
Magnitude of initial investment	TBD
Risks	Financial impact of implementation or transition and public resistance to significant changes in property tax approach. Land Value Taxes are currently not legal in Oregon.
Proven track record in Oregon	No



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# Land Value Tax:

## DESCRIPTION OF PROGRAM:

Land Value Tax is a way of taxing property based only on the value of the land itself, not on the buildings or improvements on it. That means a vacant lot and a similar-sized lot with an apartment building would pay the same tax for the land.

Because taxes don't increase when owners build or improve properties, this system encourages people to develop empty or underused land instead of holding it vacant. Some places use a split-rate tax, where land is taxed at a higher rate than buildings, which works in a similar way.

This approach has been used in some U.S. communities—most notably in parts of Pennsylvania—and has helped encourage investment and revive older downtown areas by making it cheaper to build or improve properties.

Switching to land value or split-rate taxation would take time and public education, because it changes how property taxes are calculated. Some property owners who own high value land would likely pay more, even though taxes on buildings would be lower. That uneven impact can create opposition. While some critics worry that land value taxes might not raise enough revenue, this concern is mostly about systems that replace all other taxes. When used instead of a traditional property tax, land value or split-rate taxes can usually raise a similar amount of revenue for local governments.

Local governments that rely heavily on land value or split-rate taxes may face problems if much of the land is publicly owned or tax exempt, such as nonprofit property. Because those lands can't be taxed, governments may need other revenue sources to make up the difference.

## BENEFITS TO THE COMMUNITY:

Overall, land value tax can reduce land speculation, encourage new housing and investment through raising the cost of holding land which lowers land prices and reduces housing costs, and help revive neighborhoods with vacant properties. It doesn't usually affect places that are already fully developed under current zoning.

## RISKS:

There are few U.S. examples of split-rate taxation, and cases like Pittsburgh occurred during periods of strong housing and commercial demand, making it hard to draw clear lessons for today. Adopting a new tax system may also face public resistance, since property taxes are based on assessed value rather than ability to pay, and often due in large lump sums. Implementation would add administrative

costs, including reassessing land and buildings separately and coordinating across overlapping taxing authorities such as cities, counties, and school districts.

## **UTILIZATION OF THIS TOOL IN OREGON OR SIMILAR COMMUNITY:**

Any adoption of a land value tax in Oregon would require state legislation.

## **KEY TAKEAWAYS:**

1. Ending property taxes on improvements, as currently practiced in Oregon, encourages development.
2. A split-rate tax system shifts taxes toward land rather than buildings, incentivizing development and potentially lowering property taxes for homeowners.
3. A land value tax or split-rate tax can reduce the need for other tax increases and promote economic growth.
4. It is hard to rely on examples of land value taxation, since they were used in very different settings.

## **CASE STUDY(IES):**

Pittsburgh was the largest U.S. city to adopt a split-rate (land value) tax, first implemented citywide in 1913 and studied for over a century. From 1913 to 2001, land was taxed at 5.77 times the rate on structures. A 2001 countywide reassessment sharply increased assessed land values, generating public opposition and prompting the city to revert to a single-rate property tax.

Despite this shift, business leaders viewed land value taxation as a development incentive for the central business district. As a result, the Pittsburgh Business Improvement District imposed a land value tax surcharge from 1997 to 2016 alongside the single-rate tax.

Wallace E. Oates and Robert M. Schwab (1997) found in a 1997 *National Tax Journal* article titled “The impact of urban land taxation: The Pittsburgh experience” that although the effects were difficult to isolate, the land tax likely contributed to increased downtown commercial investment by lowering taxes on improvements. They note, however, that the tax coincided with unusually low vacancy rates and a major redevelopment initiative. Even so, Pittsburgh outperformed comparable Midwestern cities: average annual construction values rose 70.4 percent between 1960–79 and 1980–89, while similar cities saw an average decline of 14.4 percent.

The authors also emphasize the counterfactual: absent a land value tax, Pittsburgh may have relied on alternative revenue sources such as wage taxes, which could have discouraged investment.

## **KEY CONTACT(S):**

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## **ADDITIONAL RESOURCES:**

- **Housing Solutions Lab - Land value taxation**
  - **Land Value Taxes – What They Are and Where They Come From, by Elizabeth Kepner and Rick Mattoon, Chicago Fed Letter No. 489, November 2023**
  - **Vermont Natural Resources Council – Location, Location, Location: What is a Land Value Tax?**
  - **D.C. Policy Center – Land Value Tax: Dan it Work in the District?**
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