

## **Virginia's Finitudes**

### *A perspective on principles for taxation*

Virginia has had almost 400 years to figure out what to tax, how much, and what not to tax. A spate of studies in recent years looked at tinkering with taxes, but these stabs at reform always had monetary assumptions, like revenue goals. The unasked question was 'Why Tax?' Indeed, what are the principles for taxation? The only apparent principle for taxes, presently, is the Willy Sutton reason to rob banks – that's where the money is. In this quiet of Virginia's sweet Summer, between primaries and Labor day, let's consider the 'why' for taxes.

A first principle might be to tax that which is fixed and finite in Virginia on how it used, not how much its worth, cost or can bear. The land, water and air of Virginia is limited, quantifiable and unchanging except for the back and forth between bits of land and water. Land, water, and air are Virginia's 'finitudes'.

Land, water and the air above them can be owned as personal, corporate, or government property. The tax laws change how people acquire, use and sell the finitudes. Zoning laws set policy. The result is conflict between slow-growth, no-growth, smart-growth, all-growth ideas to change behaviors and patterns of living, working and transportation.

Maybe the finitudes should be taxed based on how much it takes to return the finitude to a pristine 'natural' state. In other words, while individuals own the finitudes, the owners come and go, but the finitudes remain. Therefore, tax according to how 'hard' the land, water or air is used.

The actual tax rate is to be determined. It could be analyzed, parametrically, if Virginia had a good macro-economic model.

If you farm on cleared land, use chemicals, etc in the normal way, you would pay more than land lying naturally. If you build a home on land, you might pay more. If you build a larger building – a store, an office, a factory – then you would pay more than a home. If you pave land for parking or driveways, you pay more. If your activity causes pollution of the land – as cars do, water or air you would pay a lot more. Alternatively, if you build up or otherwise efficiently use the least land-water-air possible, a tax rate cut could be applied for the cost of the finitude, like more land, you would be using otherwise.

This first principle of taxation – how Virginians use the finitudes – should be considered absent the financial implications. The money numbers can be rolled in due course.

The principles can be extended to all other things taxed. I'll offer suggestions in following pieces for discussion. So, let's stay on this idea of finitudes.

Is the idea good or bad? Are our ancient and honorable concepts of property rights confirmed or challenged? Is it fair? Is it just? Or, is it all immaterial until the numbers are applied in actual tax rates?

Today's property taxes are just a cash cow. Taxing the home owner for the value of the

property, when it generates no revenue until sold, means punishing increases in taxes based on the market - not the means of the citizen to pay. Local government responds unevenly to minimize the ever growing burden. If finitude tax rates are fixed with adjustments at a decent lag for inflation, taxpayers can plan on the price of taxes. The citizen's income is influenced by inflation in step with the taxes. The normal curves of personal income and property taxes adjusted for inflation fit, so the far ends of persons with income decreases and extraordinary increases balance out.

Taxing the finitudes should lead to more efficient use of land and less land developed. 'Sprawl' will continue because of population growth, not because Virginia's governments provide infrastructure (separate issue) and incentives to grow. Is there any way to estimate how much, or how little, sprawl will change based on Finitudes tax principles?

Are their higher principles than how 'hard' the finitudes are used? Is the income potential of revenue more important than a principle that the Commonwealth's concern for finitudes is good stewardship, not profit? There should be a reason for why tax exists as much as there should be a reason for limits on how much is levied.

Virginians should discuss tax principles for awhile before we get into partisan tax politics.

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