RECYCLING TRANSIT CREATED LAND VALUES:
A PROPOSAL FOR EQUITY, AFFORDABILITY, AND SUSTAINABILITY

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FOREWORD BY RAYMOND JACKSON
PRESIDENT & BUSINESS AGENT, ATU LOCAL 689

Dear reader,

My name is Raymond Jackson and I have the privilege to serve as President and Business Agent of Amalgamated Transit Union, Local 689. Collectively, we are a force of over 15,000 transit workers and retireess throughout the DC region. We represent workers at Fairfax Connector, Alexandria DASH, DC Streetcar, and over 9,000 of the hardworking people at the Washington Metropolitan Area Transit Authority. Additionally, our Union has long and deep roots throughout the region. Going all the way back to 1916, workers organized the electric streetcars in Washington DC forming Local 689 under what was then the Amalgamated Association of Street Railway Employees of America. Mother Jones herself came to rally our members, and from that same fighting spirit, our Union has weathered periods of turbulence and change.

With this long history has come a knowledge of our city and our region. Namely, we know that transit is key to the success of the whole Washington D.C. area. Unfortunately, WMATA in its inception was set up with a critical flaw: a lack of dedicated and reliable funding. Each year, the authority is at the mercy of all its compact members to find funds to continue its work. This has left it vulnerable to almost cyclical and entirely predictable fiscal crises and put the livelihoods of our members and the riders they serve at risk. Letting WMATA fail through inaction is unthinkable. The region must get serious about finding reliable, sustainable, and robust dedicated funding that ensures that people are able to navigate our landscape. We believe that land value taxation provides a unique and promising way to finally give transit the dedicated funding it deserves.

Land value taxation, as outlined in the report below, is both progressive and sustainable. Instead of penalizing people for living close to transit, it incentivizes transit-oriented development. Working people deserve to live in walkable, multimodal, and transit accessible communities but are too often priced out of these places due to scarce housing supply. Land value taxation incentivizes more housing by shifting the tax burden onto land. And more housing, reliable transit, and accessible communities are exactly what we need around the region.

Finally, I must note that there is a fundamental principle of fairness here. When our governments build and run transit, namely rail and bus rapid transit, they increase the land value around those systems. Instead of allowing for those increased values to be purely private windfall benefits, we believe that the systems that create and add that value should also reap some of the rewards. After all, as we say here at Local 689, we move this region!

In Solidarity,

Raymond N. Jackson

President and Business Agent

Executive Summary

TThe Washington Metropolitan Area Transit Authority (WMATA) faces a projected $1.2 billion operating shortfall beginning in Fiscal Year 26. This memo examines whether a **land value tax (LVT)** in the DC–Maryland–Virginia (DMV) region could fund this gap, comparing its distributional effects to those of a **general property tax (GPT)**. Key findings are:

- Transit facilities and services generate billions of dollars in land value, concentrated around transit stations. Land values in the core transit areas ("activity centers") is value more than 500 higher than land in out-county areas. 44 percent of all regional land value is within 1 mile of transit stations. Both GPT or LVT would be concentrated around transit stations, reflecting the value transit adds to these properties.

- Compared to a GPT, raising $1 billion annually through an LVT would lower taxes on properties where buildings make up 63% or more of total value. While class-level impacts varies by locality, multifamily properties consistently see savings under an LVT.

- Existing tax exemptions diminish the base available for taxation around stations. Within 0.5 miles of Metro stations, more than one-third of land value is not taxed. Including some currently tax-exempt properties, which have a high average ratio of land, would substantially reduce transit support costs on most residents and businesses.

- In tax jurisdictions served by WMATA, regional taxable land value is approximately $439 billion, while the total taxable property base is about $1.19 trillion. Broadening the tax base from an 0.5-mile radius near stations to all properties in the service region reduces results in a five-fold reduction in tax rates.

- The choice of GPT or LVT primarily shifts tax burdens within property classes, not between them. Within residential, it reduces burdens on multi-unit housing and increases them for low-density housing in prime locations.

- Tract-level analysis suggests LVT is more progressive than GPT, reducing average burdens on low-income and middle-income households. Initially, it increases burdens on underutilized properties in areas with additional development capacity.

- An LVT more directly aligns tax payments with the value added by transit, whereas a GPT taxes both land value and the structures built on it. Although transit strongly influences the best use of land, a GPT disincentives owners for developing properties to that use. By contrast, an LVT aligns transit funding more closely to the transit benefits each property receives, regardless of the level of development.

An LVT would be a viable approach to fund transit sustainably, raise tax progressivity, and align transit costs with varied benefits obtained from transit operations. The memo concludes by discussing policy and administrative adjustments necessary for this revenue regime to succeed.

Background and Context

In 1981, Congress received a report on the benefits of the MetroRail system while it was still under construction. With only 40% of the system complete, land values near operational stations had already risen by approximately $2 billion as owners anticipated its benefits. The study found that Metro-driven land appreciation could surpass the $3.5 billion spent on construction, but without a financing mechanism, this value could not be recaptured to fund the system.[1]

Today, Metrorail, Metrobus, and other transit services are essential to the DMV region's economic strength—attracting talent, enhancing affordability, and supporting key sectors like tourism. By reducing congestion and boosting employment, transit benefits extend far beyond its riders.

Yet the concern that the system could not capture enough of its own value has proven prescient. Beginning in FY26, regional transit operators face a $1.2 billion operating shortfall. Like many U.S. transit agencies, WMATA is grappling with rising costs and declining fare revenue, creating a steep financial cliff.

Failing to provide dedicated funding sources to transit creates predictable deficits. The largest economic benefits of a transit are external to the system, and they scale up when more riders board. Maximizing regional benefits thus requires funding from regional sources beyond rider fares. Having not selected a permanent funding source in the 1980s, the region now has an opportunity to design a best-in-class revenue source to sustain transit operations.

Though not widely adopted in the United States, scholars have long identified land value as an ideal local revenue base for this dedicated funding.[2] Though rarely used in the U.S., scholars have long recognized land value as an ideal local revenue base for dedicated transit funding. The logic is straightforward: transit significantly benefits landowners, and landowners, in turn, rely on a strong transit system to sustain and grow those benefits. Today, Metro's impact on nearby land values can be roughly estimated at $30 billion.[3] When the system functions well, landowners do better. Just as riders pay for the benefits they receive, reinvesting a portion of land value into transit creates a virtuous cycle of improvement and growth.

Compared to most funding sources, a tax on land value (LVT) aligns transit payments more closely with the benefits property owners receive. Figure 1 shows the distribution of assessed land prices in jurisdictions serviced by regional transit. Land prices in areas best served by transit—the region's "activity centers"—peak at 500 times the price of land in outlying areas. Put another way, 3 percent of the region's land is within half mile of stations, but these areas represent 27% of the region's assessed land value.

Many regional transit systems act on this insight by levying a general property tax (GPT), which taxes land, buildings, and other real estate improvements. GPTs are well-established revenue sources that integrate easily into existing local tax systems. Because they are partly based on land values, they reinvest some of the benefits transit creates. A GPT also has several economic disadvantages:

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[1] Rybeck, Walter. October 1981. "Transit-Induced Land Values: Development and Revenue Implications," Economic Development Commentary 5(4).
[2] Vickrey, William. 1980. "Optimal Transit Subsidy Policy." Transportation 9 (4): 389–409.
[3] This rough estimate applies hedonically-derived land premium estimates from WMATA 2010's "Regional Benefits of Transit" report to current assessed land values around stations.

FIGURE 1: ASSESSED LAND PRICES PER SQUARE FOOT IN THE DC-MARYLAND-VIRGINIA REGION
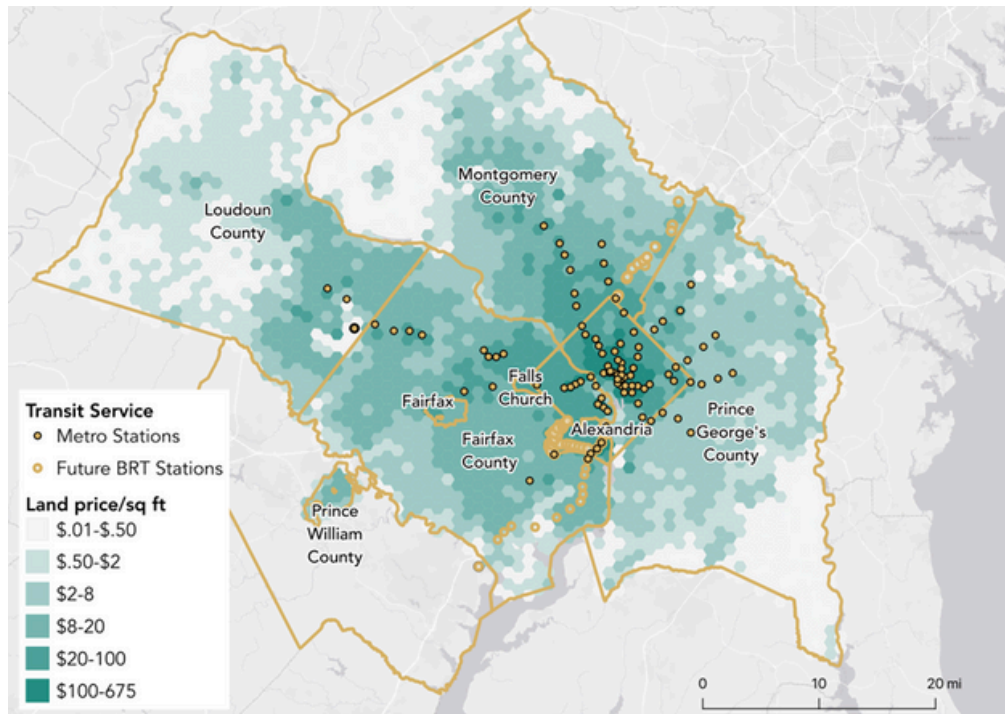
SOURCE: 2024 TAX ROLLS FOR REGIONAL TAX JURISDICTIONS, NO DATE AVAILABLE FOR PRINCE WILLIAM

- Taxing buildings <u>penalizes owners who use sites well</u>. Under a property tax, owners who develop near transit implicitly subsidize those who keep sites vacant or underutilized. This discourages transit-oriented development, making housing and commercial space near transit more expensive. The result: more sprawl, and diminished decongestion and environmental benefits.

- Property taxes can <u>deepen regional investment inequities</u>. High property tax rates discourage investment in distressed neighborhoods, accelerating decline. In rising-value areas, cities only capture property tax revenue once sites are fully developed, creating an incentive for landowners to hold out rather than build.

- Property taxes can <u>financially strain low-income and fixed-income owners</u>, as lump-sum payments require liquidity and stable income. While income-based relief policies help, they are often difficult to target effectively.

A land value tax (LVT), which does not tax buildings, helps address all three issues. It is:

- <u>Growth-oriented</u>: An LVT remains the same regardless of how a site is used, meaning investment isn't penalized. Compared to a GPT, building is more attractive, while holding land vacant is less profitable. Unlike a property tax, an LVT does not disproportionately undermine lower-margin projects like affordable housing.

- <u>Self-adjusting</u>: Land values naturally reflect local economic and social conditions, ensuring that tax burdens align with a neighborhood's economic strength or distress. When a property is upzoned, an LVT immediately recaptures part of the windfall for the community, preventing speculative gains from going untaxed.

- <u>More affordable</u>: Low-income households own less land—and land of lower value per square foot—than high-income households, making LVT more progressive than a property tax. Additionally, because LVT is a cost of ownership rather than a cost of production, it is less likely to be passed on to tenants through higher rents.

Economic theory strongly recommends LVT, but more importantly, real-world examples show its viability as a sustainable transit funding source. In Hong Kong and Tokyo, recovering added land value near stations enables transit systems to operate without external government subsidies.

Implementing LVT comes with challenges, including the design and approval of state legislation. However, Virginia and Maryland have both approved LVT legislation in the past, and the District of Columbia has revisited the concept many times.

To assess whether an LVT is a viable alternative to a GPT, this memo asks three key questions:

1. **Tax base**: Are regional land and property values large enough to sustain WMATA?
2. **Geographic targeting**: Could an LVT focused on land near transit stations generate sufficient revenue?
3. **Distribution**: Do LVT and GPT differentially affect households and property classes?

To answer these questions, this memo evaluates the allocation of tax burdens under an annual revenue target of $1.0 billion.

To evaluate the feasibility of funding WMATA through a land value tax (LVT) or a general property tax (GPT), this section estimates the region's revenue base and then considers four geographic scenarios for taxation : 1) Properties within **0.5 miles** of Metro stations; 2) Properties within **1 mile** of Metro stations, 3) Properties along **both Metro and BRT** corridors, 4) **All taxable properties** in the region.

All but one taxing jurisdiction served by regional subway and bus rapid transit service publish property and land values. As shown in Table 1, the regions' estimated total property value is $1.19 trillion, while its land value is $439 billion. Because land is 37 percent of the general property tax base, raising equivalent revenues from land requires a proportionally higher land value tax. This ratio also helps predict distributional impacts. Under an LVT, property owners with land assessments less than 37 percent of total property value pay less than they would using GPT.

Table 1: Estimated Tax Base ($bn) by Assessing Jurisdiction

	Total Parcels	Assessed Property	Taxable Property	Assessed Land	Taxable Land	% Land Exempt
Dist. of Columbia	198,070	$340.8	$237.0	$161.5	$98.5	39.0%
Virginia						
Alexandria*	47,046	$52.4	$47.0	$21.9	$19.8	9.7%
Arlington	63,300	$86.4	$78.9	$39.3	$35.3	10.3%
Fairfax	367,421	$339.9	$318.0	$119.1	$110.1	7.6%
Fairfax City	9,646	$8.2	$7.7	$3.0	$2.7	9.6%
Falls Church	3,693	$4.1	$3.9	$2.1	$2.0	7.9%
Loudon	148,217	$145.3	$141.8	$48.1	$44.5	7.4%
Manassas	13,407	$8.4	$7.7	$3.0	$2.6	13.8%
Prince William	154,045	--	--	--	--	--
VA Total	806,775	$644.7	$605.0	$236.6	$217.0	8.3%
Maryland						
Montgomery	279,799	$244.1	$218.4	$96.9	$86.9	10.3%
Prince George	347,498	$157.9	$130.0	$43.2	$36.3	16.0%
MD Total	627,297	$402.0	$348.4	$140.2	$123.2	12.1%
Regional Total	1,636,994	$1,387.5	$1,190.4	$538.2	$438.7	18.5%

* Tax base values reflect 2023/24 data, except for Alexandria city, which last published assessed values in 2022. Because it is 4% of the total tax base, Alexandria's stale data has a small effect on estimates.

State tax laws specify that some uses of land are exempt from taxation. When some properties are held tax-free, tax rates must be higher for remaining properties. Across the region, a larger share of land value is exempt from taxation (19%) than is total property value (15%). These exempt properties are concentrated in the District of Columbia, where 39 percent of land value is exempt from taxation.

As shown in Table 2, federal, local government, and educational uses dominate the composition of the region's exempt property. As discussed in the next section, the concentration of exempt uses around transit stations is an important consideration in considering LVT instead of a GPT.

Table 2: Exempt Property Value ($bn) by Exempt Use

Exempt Use	Parcels	Land	Real Property
Federal	4,167	$44.4	$68.5
Education	3,520	$11.3	$35.9
City/Public Works	9,295	$10.9	$21.6
County	15,612	$9.7	$16.3
Religious	7,978	$6.8	$15.2
Foreign	812	$3.0	$7.8
Senior/Disabled/Veteran	15,066	$2.7	$7.9
WMATA	1,540	$2.0	$3.4
Nonprofit Housing	3,841	$2.0	$6.1
Nonprofit Other	1,048	$1.8	$4.4
Airport	33	$1.6	$1.6
State	1,729	$1.1	$2.2
Unknown Exempt	1,617	$0.9	$1.9
Nonprofit Medical	133	$0.7	$3.6
Cemetery	364	$0.4	$0.4
Utility/Railroad	1,049	$0.3	$0.4
Club/Fraternal	282	$0.2	$0.4
Regional Total Exempt	68,086	$99.6	$197.6
Regional Total Taxable	1,639,498	$438.6	$1,189.8
Regional Total	1,707,584	$538.2	$1,387.4

A GPT dedicated to transit would inherit existing property tax exemptions. However, because all landowners benefit equally from proximity to transit, there are strong efficiency, equity, and neutrality arguments for applying an LVT to both exempt and nonexempt properties.
In designing legislation to enable an LVT, legislators could consider if an LVT is more like a "fee" than a tax. A tax is a general obligation paid for an unspecified and general benefit. A fee is a price that taxpayers pay for a discrete benefit received or for a discrete cost that they impose. For example, tax exempt organizations pay fees for water, sewer, waste collection, electricity and other goods and services.

Alternatively, if an LVT proceeds with the same exemptions, land values could also serve as a basis to size voluntary payments or service fees received from tax-exempt landowners. Experience in other U.S. cities shows that numerous individual negotiations are unlikely to yield uniform voluntary payments. In the remaining sections, all analysis assumes that only taxable land value can be used as a tax base.

Estimating the tax base in transit service areas

In transportation studies, transit development patterns, job density, and land values are often analyzed within half-mile or one-mile buffers around transit stations. These distances reflect typical walking behavior to rail or bus stops, making them a practical basis for assessing transit investments and transit-oriented policies.[4] Table 3 provides estimates of the tax base in these geographic areas, and includes planned BRT lines in one of the scenarios.

Table 3: Tax bases for land and property taxes within transit areas

		Assessed Value		Est. Taxable Value		% Exempt	
All Metro Stations	Parcels	Land	Property	Land	Property	Land	Property
1/2 MI	173,719	$144.1	$354.2	$93.2	$262.4	35%	26%
Next 1/2 MI	229,417	$93.2	$216.8	$75.8	$183.2	19%	16%
1-MI Metro	403,136	$237.3	$571.0	$169.0	$445.6	29%	22%
BRT Station (1/2 MI)							
Flash BRT	6,022	$1.9	$5.6	$1.7	$5.1	10%	9%
Alexandria BRT	14,396	$4.3	$12.2	$3.8	$10.5	12%	14%
Fairfax BRT	11,142	$2.3	$7.1	$2.1	$6.4	10%	10%
All BRT	31,560	$8.5	$24.9	$7.6	$22.0	11%	12%
1 MI Metro + BRT	434,696	$245.8	$595.9	$176.5	$467.6	28%	22%
All Other Parcels	1,273,468	$292.4	$791.6	$262.1	$722.3	10%	9%
Regional Total	1,708,164	$538.2	$1,387.5	$438.6	$1,189.8	19%	14%

There are regional precedents for proximity-based transit funding. The Dulles Rail Transportation Improvement District levies a 0.2% property tax on commercial properties near the Silver Line extension, ensuring that those who benefit most from transit access contribute more to its costs. This approach aligns funding with expected benefits. Similarly, targeted upzoning around Navy Yard and Ballston have indirectly boosted transit-related revenues by expanding the local tax base.

However, confining the costs of transit service to a specific geographic area overlooks the wider regional benefits of a well-functioning transit system, including reduced congestion and increased economic productivity. A broader tax base spreads costs more equitably and reduces the financial burden on individual properties.

[4] Guerra, Erick, and Robert Cervero. 2013. "Is a Half-Mile Circle the Right Standard for TODs?" Access 42, 17–22.

Estimating tax rates

The tax base estimates in Table 3 allow us to calculate tax rates and property-level tax bills. Across the four tax geographies and two possible tax bases, Table 4 illustrates the estimated rates necessary to raise the $1 billion revenue target.

Table 4.1 Estimated Tax Rates for $1 billion Annual Levy, Taxable Property Only

	Land Value Tax		General Property Tax	
Tax Scenario	Base ($bn)	LVT Rate	Base ($bn)	GPT Rate
1/2 MI Metro Tax	$93.2	1.07%	$262.4	0.38%
1 MI Metro Tax	$169.0	0.59%	$445.6	0.22%
1 MI Metro Tax + BRT	$176.5	0.57%	$467.6	0.21%
All Taxable Property	$438.6	0.23%	$1,189.8	0.08%

Table 4.2 Estimated Tax Rates for $1 billion Annual Levy, All Property

	Land Value Tax		General Property Tax	
Tax Scenario	Base ($bn)	LVT Rate	Tax Scenario	Base ($bn)
1/2 MI Metro Tax	$144.1	0.69%	$354.2	0.28%
1 MI Metro Tax	$237.3	0.42%	$216.8	0.46%
1 MI Metro Tax + BRT	$245.8	0.41%	$595.9	0.17%
All Taxable Property	$538.2	0.19%	$1,387.5	0.07%

Rates are computed on a static basis, without predicting tax capitalization or economic "feedback"

In each scenario, the land value tax (LVT) rate is approximately three times higher than the general property tax (GPT) rate. This differential does not mean taxpayer burdens would triple under an LVT. Rather, since LVT applies only to land, which constitutes roughly one-third of total property value, average tax burdens are identical. The critical difference lies in how burdens are distributed across properties.

Broadening the revenue district acknowledges that transit-driven land value gains do not abruptly end a half mile or a mile from stations. Station-specific benefits are shaped by other infrastructure, zoning, and market conditions. A broader tax base also captures transit's wider regional value in reducing congestion and lowering transportation costs. A more expansive revenue district would still collect substantial revenues around stations, but distribute costs more broadly and reduce the burden on individual properties.

In all scenarios, residential property is most of the tax base and, consequently, bears the largest share of tax burdens. Across the entire DMV region, detached housing accounts for 41% of the property tax base and 45% of the land tax base. Commercial properties, particularly office buildings, make up the next-largest share of taxable value. Figure 2 illustrates tax distribution by property class across the eight proposed taxing scenarios, revealing the concentration of multifamily and office properties near Metro stations.

FIGURE 2: COMPOSITION OF TAX RECEIPTS BY PROPERTY CLASS, ALL TAX SCENARIOS
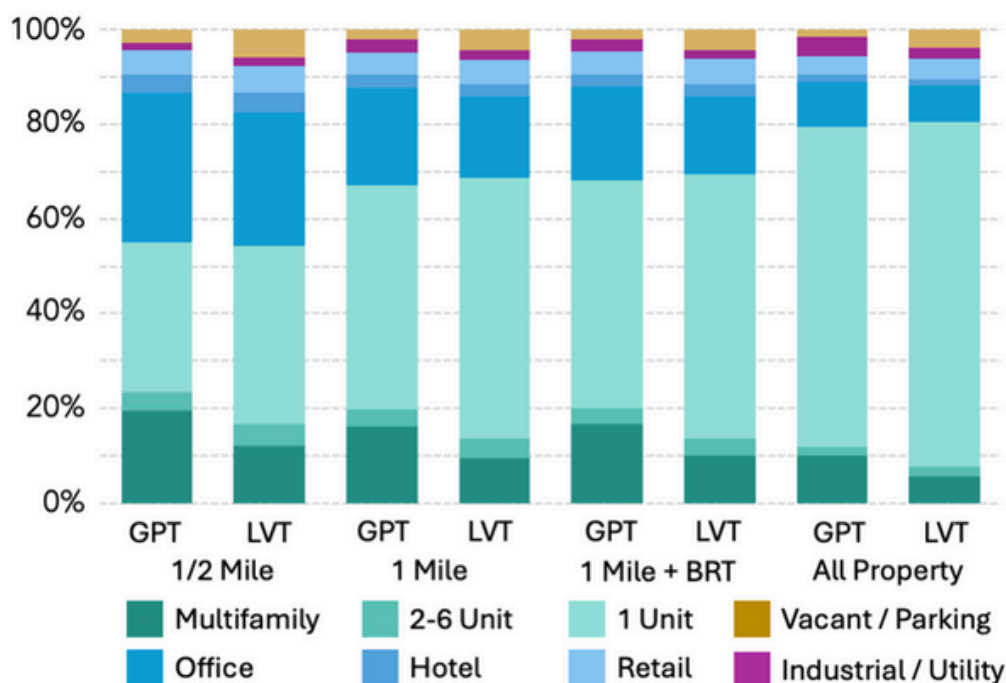
The overall tax burden shift between residential and commercial properties under GPT and LVT models is minimal since their aggregate land-to-property value ratios are similar. However, the choice between GPT and LVT significantly affects cost assignment within each class. An LVT lowers taxes on properties with substantial improvements—such as dense multifamily buildings—while increasing taxes on underutilized or vacant parcels. This encourages more efficient land use, aligning tax policy with regional planning goals for higher-density development near transit.

By design, GPT payments rise as properties are developed, while LVT payments remain constant regardless of investment. Under an LVT, a single residential unit and a four-unit building on equally-valued parcels pay the same amount. This structure places a greater share of transit costs on underutilized properties near stations and stops.

In all scenarios, vacant land makes up only a small share of the tax base. Open space far from Metro stations contributes modestly to regional tax revenue. However, LVT offers a key advantage for vacant landowners: since it doesn't penalize improvements, it enhances the economic value of vacant parcels compared to GPT. Vacant parcels attract higher sale prices where zoning and market demand indicate that development is warranted.

Relative to all other transit funding sources, GPT and LVT best ensure that transit costs are sized to transit benefits. Near transit, LVT incentivizes more intensive land use than GPT—favoring multifamily and office development while increasing initial costs for less-developed sites. Vacant lots and surface parking see tax increases, while the savings go to efficient land uses like apartments and offices, especially near transit. Detached and low-rise housing in prime neighborhoods, where land is a significant share of total property value, have higher initial burdens under LVT.

Figure 2 also shows that as the tax base geographically expands, the residential share increases. This occurs because detached housing is the dominant land use outside transit station areas. However, as the land tax base broadens, the burden per housing unit decreases, while still ensuring that taxpayers benefitting more from transit pay proportionately more than taxpayers benefitting less. The tradeoff between breadth and individual burden is a vital decision in policy design.

For all scenarios, Table 5 describes the differences between LVT and GPT burdens in several transit-rich DC neighborhoods. For single-unit houses in low-value areas, LVT and GPT payments are basically equivalent. Single-unit houses in high-value areas—detached and attached—see tax increases of 20–35% under LVT. This shift reflects the hidden economic tradeoffs of building low-density housing in high-value, transit-rich neighborhoods. In less-affluent neighborhoods, low-rise properties are commonly the prevailing highest use of land.

Table 5. Average Tax Burdens for Single-Unit Residences in Transit-Rich Neighborhoods

Neighborhood	#	Value	0.5 MI GPT	0.5 MI LVT	1 MI GPT	1 MI LVT	1 MI + BRT GPT	1 MI + BRT LVT	Regional GPT	Regional LVT
Congress Hts	558	$350K	$1,335	$1,337	$786	$738	$749	$706	$294	$284
Deanwood	2,988	$379K	$1,441	$1,494	$849	$824	$809	$789	$318	$317
Brookland	3,471	$626K	$2,373	$3,382	$1,397	$1,866	$1,332	$1,786	$523	$719
Columbia Hts	5,756	$689K.	$2,625	$3,560	$1,546	$1,964	$1,473	$1,879	$579	$756
Capitol Hill	2,410	$1,052K	$3,996	$5,723	$2,353	$3,157	$2,243	$3,021	$881	$1,216
Forest Hills	554	$1,365K	$4,390	$5,668	$2,585	$3,127	$2,464	$2,992	$968	$1,204
Cleveland Pk	659	$1,690K	$6,451	$9,957	$3,799	$5,492	$3,621	$5,257	$1,423	$2,116

Distributional Impacts for Residential Property

In tax studies, "vertical equity" evaluates how tax burdens are distributed relative to household income. A tax is considered progressive if households pay a higher share of their income as income rises. While vertical equity is ideally measured at the household level, there is no publicly available data source matching property tax records to household income. The U.S. Census provides aggregated income data, so this analysis examines vertical equity at the tract level, determining whether LVT or GPT results in a more progressive distribution of tax burdens across tracts.

In all scenarios, LVT appears to be more progressive than a GPT. By shifting burdens away from improvements and toward land, LVT reduces the share of transit costs borne by low- and middle-income tracts. Figure 3 and Table 6 illustrate this dynamic, showing how residential LVT and GPT burdens compare within tracts. In tracts with an average household income below $200,000, LVT results in lower residential transit cost burdens than GPT.

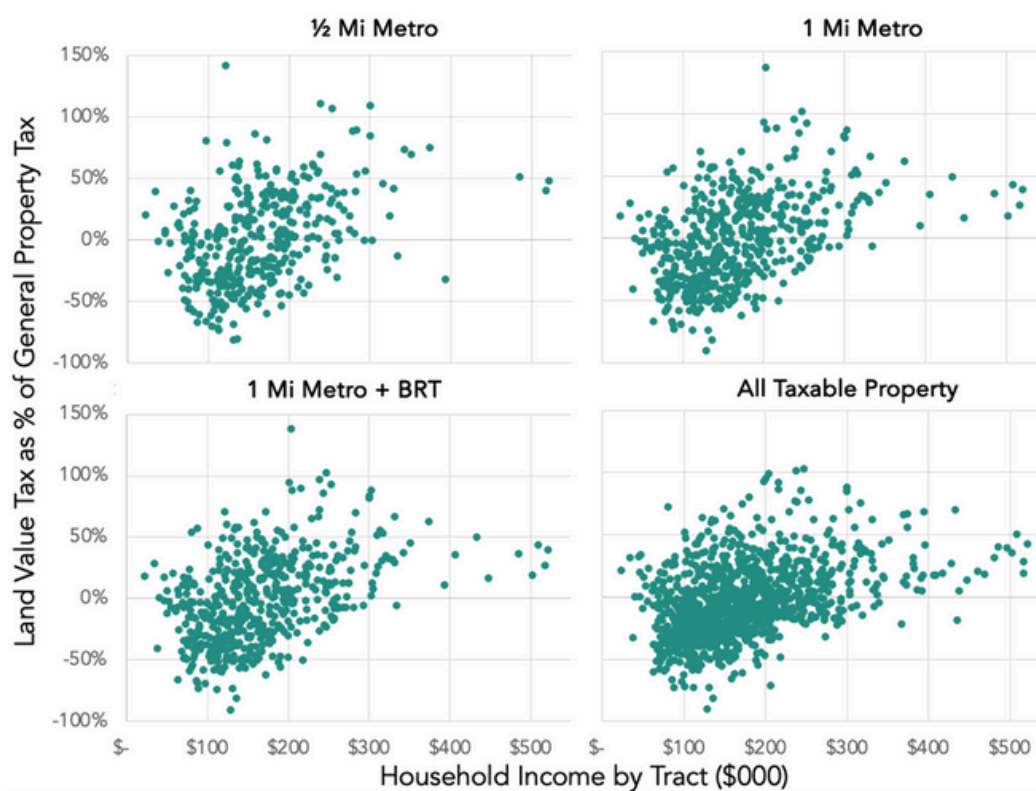## FIGURE 3: GPT TO LVT RESIDENTIAL TAX CHANGE BY TRACT AVERAGE HH INCOME ($000)

Table 6: Estimated average household tax burdens by tract income percentile

| Pctile | ½ Mile Metro | | | | All Properties | | | |
	Est. HH	GPT	LVT	%Diff*	Est. HH	GPT	LVT	%Diff*
10th	76,568	$289	$270	-6%	182,995	$163	$140	-17%
20th	52,856	$510	$401	-21%	183,666	$206	$171	-21%
40th	155,244	$819	$680	-17%	371,368	$292	$257	-14%
60th	136,410	$1,146	$1,025	-11%	369,986	$377	$351	-7%
80th	116,510	$1,258	$1,401	11%	357,589	$511	$517	1%
90th	36,541	$1,076	$1,346	25%	171,056	$669	$734	9%
95th	26,791	$1,005	$1,330	32%	160,754	$996	$1,161	14%

These results suggest that is more progressive than GPT, but an aggregated method is not fully conclusive. If there is consistent progressivity or regressivity within most tracts, the available data would not detect it. Additionally, the analysis omits existing policy factors that increase the progressivity of both GPT and LVT. For example, income-restricted housing for low-income renters is exempt from taxation, and at least 15,000 homeowners in the region qualify for full tax exemptions (see Table 2). Maryland and DC also offer income-based relief programs that rebate high property tax burdens through income tax credits.

The allocation of tax burdens by income is a critical factor when choosing a tax base, but it is not the only one. A well-designed tax system would ensure that those who benefit most from public services contribute equitably to their costs. At the same time, local taxes should minimize penalties on future growth and investment, especially in regions where strong public services like the DC Metro drive urban development and economic prosperity.

Land Assessment Accuracy

Implementing an LVT requires that land assessments are accurate measure of land value. Because no community in the metropolitan area currently taxes land value alone, the land assessments used in this memo are not evaluated as rigorously and property values. In some U.S. jurisdictions, local assessors assign a fixed allocation of property assessment to land value. This practice would make an LVT economically and distributionally identical to a property tax, wasting any effort to enact it.

In station-adjacent areas, assessing land accurately is particularly difficult. One reason is that there are few vacant land sales, limiting assessors' ability to use the simplest method for valuing land. If an LVT is introduced near stations, validating land assessments near stations should be a top fiscal priority for city and county governments. Modern mass appraisal software often includes regression-based automated valuation tools, which can allow for consistent, interpretable land valuations without extensive additional data collection.

Other aspects of tax legislation can also help improve the accuracy of land assessments. Legislation can consider how to adopt equalization procedures and validation tests like the sales ratio studies currently conducted for property taxes under Maryland and Virginia law. A procedure for taxpayers to appeal land values would also support assessment accuracy.

Land reappraisal

New asset taxes, especially at high tax rates, affect the price of the underlying assets taxed. If LVT is implemented, updating land assessments after the installation of a tax is an important measure to maintain equity and stability. Because a land value tax reduces the price of the land taxed, in the short-term the tax will likely collect 5-10% less than the static estimates in this memo suggest.

Parking and Land Use Requirements

Local land use regulations often force property owners to consume more land than is strictly useful to them. For instance, many communities require property owners to provide a minimum number of free, accessory parking stalls when they open a new business but shelter existing business from these requirements. Complying with parking regulations can double or triple the land required to operate a new business, and imposing a land value tax to these requirements compounds regulatory costs. Localities should consider whether reductions in these requirements would complement adoption of a land value tax.

Rezoning policy

Arlington and the District of Columbia have successfully used targeted upzoning near transit stations to boost transit support and local revenue without raising overall tax burdens. Under a land value tax (LVT), upzoned properties would contribute immediately to the transit infrastructure that makes dense development feasible. Upzoning a broad area distributes these effects more diffusely, reducing the intensity of any single property's tax adjustment.

A challenge with upzoning under an LVT is that it raises costs on sites before owners realize revenues. If the region continues to rely on targeted upzoning, tax increment deferrals—similar to those Virginia provides for agricultural properties—could support rezonings without displacing current owners. Tax deferrals maintain the neutrality of an LVT and allow communities to reinvest the windfalls created by upzoning at the time of sale or redevelopment. And they do not impose immediate tax increases on existing owners, which can be destabilizing if owners have no immediate plans for redevelopment.

Conclusion

The DMV's regional transit system creates significant land value, especially around transit stations. Ensuring stable, sustainable transit funding a way to reinvest some of that value back into the system. Implementing a land value tax (LVT)—whether near stations or across the region—would make transit funding far more self-sustaining. Property owners, both near and far from transit, would continue to benefit from a well-funded, high-demand transit system.

Compared to a General Property Tax (GPT), a Land Value Tax (LVT) is:

- <u>More progressive at the tract level</u>, aligning tax burdens better with ability to pay.
- <u>More effective at rewarding efficient land use</u> by eliminating penalties on development.
- <u>Better matched to the distribution of transit benefits</u>, ensuring those who gain the most contribute accordingly.

These features support regional goals of increasing affordability, stabilizing the commercial tax base, and promoting housing production.

As the scenarios provided in this memo show, selecting the area over which the tax would be applied is a primary variable in allocating the costs of this funding model. A second decision of great importance is whether to include properties exempt from general property taxation in the revenue base for funding transit. The findings presented in this memo can support policymakers in reaching these decisions.
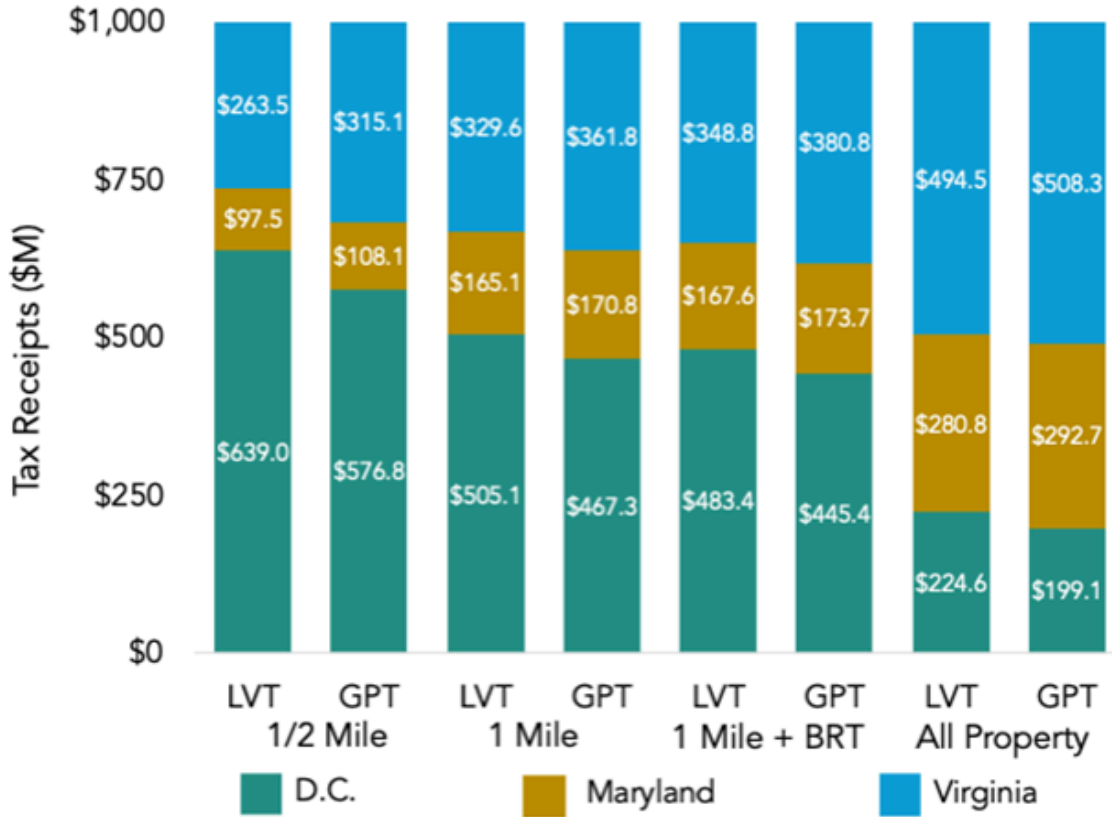
Appendix 1: Revenues by Jurisdiction

Table A.1 Tax Revenues by Primary Jurisdiction ($M)

	½ Mile		1 Mile		1 Mile + BRT		All Property	
	LVT	GPT	LVT	GPT	LVT	GPT	LVT	GPT
DC	$639.0	$576.8	$505.1	$467.3	$483.4	$445.4	$224.6	$199.1
Maryland	$97.5	$108.1	$165.1	$170.8	$167.6	$173.7	$280.8	$292.7
Virginia	$263.5	$315.1	$329.6	$361.8	$348.8	$380.8	$494.5	$508.3

Figure A.1. Tax Revenues by Jurisdiction

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