

Learning What Works

To learn which policies achieve their stated goals when implemented, the Lincoln Institute initiated policy evaluations a few years ago. Three of the publications announced in this issue of *Land Lines* report on what works.

The first book, *Smart Growth Policies: An Evaluation of Programs and Outcomes*, evaluates statewide smart growth programs implemented in the United States over recent decades. The second book, *Land Value Taxation: Theory, Evidence, and Practice*, assesses this approach to property taxation, including empirical work and the practical requirements for its implementation. The third publication, *Property Tax Circuit Breakers: Fair and Cost-Effective Relief for Taxpayers*, is the Institute's latest policy focus report. It reviews and evaluates a policy instrument designed to provide relief to low-income households with high property tax burdens.

These publications have a common evaluative perspective: to assess the extent to which each program, policy, or instrument achieves its stated objectives. In each case, the review of experience shows at least partial achievement of relevant objectives. Each volume then summarizes and makes recommendations on what can be done to improve the performance of those programs or policies.

Smart Growth. Growth management policies have been applied by many state and local governments for nearly four decades. These policies are now seen as important mechanisms for addressing new environmental objectives, yet little is known about how effective they have been. This evaluation compares four states (Florida, Maryland, New Jersey, and Oregon) that put statewide smart growth policies in place by 2000 with four other states (Colorado, Indiana, Texas, and Virginia) that did not, but that do have a range of local smart growth initiatives.

The evaluation examines achievements on five smart growth objectives: promote compact development; protect natural resources and environmental quality; enhance transportation options; supply affordable housing; and generate good fiscal impacts. It also addresses two key questions. First, does the presence of a state-level smart growth program result in objectively measurable improved performance?



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Second, to the extent that smart growth programs are successful, what underlies this success, and conversely, what causes shortcomings? The evaluation reveals that states performed best in their respective priority areas, and that the state-level “treatment” varied greatly across the four statewide programs—producing a range of outcomes that often overlap with the outcomes in states without statewide programs.

Land Value Taxation. Because the amount of land is fixed and unaffected by a tax on its value, a tax on land value raises revenue without distorting consumption or production. This volume addresses the existing theoretical and empirical evidence of claims made for such a tax. Some of the benefits (in addition to efficiency) are that a land value tax reduces speculation in land; increases the density of urban development when it replaces a typical property tax; promotes economic development generally; promotes investment in real property; and fosters compact development.

The book also assesses the practical implementation of land value taxation and the legal framework required to support it. An important result of the analysis is that empirical evidence supporting many of the claimed effects of land value taxation is not strong, or indicates that the impact of the tax is likely to be modest.

Circuit Breakers. The property tax is among the most unpopular of taxes, in part because it is not based directly on the taxpayer's current ability to pay. In response to taxpayer discontent, lawmakers in more than half the states have passed property tax relief measures. Circuit breakers provide property tax relief to low-income households whose property tax bills are large relative to their incomes. This report shows that, among several widely used tax relief measures, circuit breakers are the most effective at targeting relief to tax-burdened, low-income households. Among circuit breaker designs, multiple-threshold or sliding-scale alternatives perform best. While 33 states have circuit breaker programs, most are much less effective than they could be at providing low-income households with protection from high property tax burdens.