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PROPERTY RIGHTS AND THE NOTION OF GIVINGS

by John R. Smith

Let's say you happen to own a fern farm in Volusia County and the state builds a highway nearby that causes the value of your land to rise considerably. Question: should you be required to compensate the government for "giving" you an increase in the value of your property?

This givings argument is put forth from time to time by some within the environmental and anti-growth movements. They argue that, just as government must pay a landowner when it takes his or her property for some public purpose, in turn, a landowner should pay the government when the property's value is benefited by some action of government. Usually ignored by those who advocate the notion of givings, however, is the fact that many, many ways already exist in which property owners compensate government for givings. Let's look at some of them:

- Front-foot assessments are almost always levied by city and county gov-

ernments when they make improvements in a given neighborhood--installing curbs and sidewalks, for example.

- Annual real estate taxes are increased--usually forever--when a given property's value rises for any reason, including actions taken by government.

- Capital gains taxes and stamp taxes frequently apply. If a landowner's property increases in value and he or she subsequently sells it at a profit, capital gains taxes are levied against that profit. At the same time, the amount of tax stamps required on the deed is also increased to reflect the higher sale price.

- Estate taxes also apply. If our hypothetical landowner holds on to his or her property until death he/she might escape those pesky capital gains taxes and stamp taxes, but the revenue agent is still there to collect

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Should a landowner pay the government when his or her property's value is benefited by some action of government?

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the inevitably higher estate taxes.

So, in reality property owners do reimburse government for givings over time. The givings argument therefore should be rejected and should be recognized for what it is: an attempt to undermine property rights by those who tend to believe in an ever expanding, ever more powerful, ever more intrusive government.

As pointed out by Dr. James D. Gwartney in his illuminating eco-

nomics primer, *What Everyone Should Know About Economics and Prosperity*, private property rights is one of the essential cornerstones of prosperity. Attacks on people's right to own and to use their property threaten not only Constitutionally protected freedoms, they ultimately jeopardize the economic well-being of the entire nation.

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John R. Smith is vice president of the James Madison Institute.

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