

THE PRESENT PROGRAMME AND STATUS OF THE SINGLE TAX REFORM.

(Continued)

(For the Review.)

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This article, which will be printed serially in the REVIEW, is perhaps the most important contribution to the history of the movement so far made. It should have a wide circulation, for it will be invaluable for reference in the future. Its publication in book form on its completion, with other matter comprising a Single Tax Year Book, is in contemplation.—Editor SINGLE TAX REVIEW.

CHAPTER III.

THE SINGLE TAX IN AUSTRALASIA.

Most of the tax laws of Australasia are neither novel nor worthy of especial consideration; but the colonies have one tax law different from any in America, which, owing to its radical departure from the other methods, may properly be called the Australasian Land Value Tax. It is a law taxing land according to its value, excluding all personal property and improvements therefrom, and is simply a tax on the benefits or privileges which governments confer on land owners.

The Australasian Land Value Tax is not the same as the Single Tax, and must not be confused with it, because the Single Tax is not in operation in any of the Australasian colonies. The Single Tax would abolish all other forms of taxation, and raise all public revenue from the one source; while the Australasian Land Tax is only one of their many taxes, the greater portion of their revenues being raised by other methods. According to Mr. J. W. Bucklin: "The great majority of the advocates and supporters of the Australasian law have made little if any investigation of the Single Tax and some of them violently denounce it. Having been formulated and placed on the statute books of New Zealand before 'Progress and Poverty,' or any of the principal works of Henry George were issued, this law does not owe its origin to that source. In fact, it owes its origin to the failure of all other systems of taxation; to the work of Sir George Grey and other New Zealand statesmen, many of whom were students of political economy; and to such books as those of John Stuart Mill and Judge Thomas M. Cooley. Its subsequent establishment and progress has been greatly aided by Henry George and his disciples, and it is significant that since 'Progress and Poverty' has been known to the world no land value tax law has been repealed. While each is a tax on land values exclusively, still to identify the Australasian

Land Tax with the Single Tax is to do great injustice to both the philosophy of George and to the existing law.”*

The similarity of Australasia to the United States makes this tax movement of great significance to us. This similarity is best expressed in the words of Mr. James W. Bucklin: “The seven colonies of Australasia have an area of 3,077,377 square miles, while the United States of America, excluding Alaska, and ‘our new possessions,’ has but 3,025,600 square miles. The population of Australasia is about 4,500,000 people, or 50% more than our population at the time of the Declaration of Independence. Its people, like those of America, are chiefly of Anglo-Saxon and German descent. The Australasians and the Americans derive their language, customs, and laws from the same sources. Six of the seven colonies are forming a federal government to be proclaimed January 1, 1901, based on a constitution similar to the American, but in several respects more democratic, as illustrated by the fact that they elect their senators by a direct vote of the people, but New Zealand has not joined the federation. The legislative bodies or parliament of Australasia comprising each an upper and a lower house, called respectively a House of Representatives and a Legislative Council, correspond in some particulars to American legislative bodies; but the upper houses in most of the colonies are composed of members owning large areas of land with comparatively a small amount of improvements; and this is particularly and especially the case in those colonies which have not adopted the Australasian Land Value Tax System.”†

There is no direct taxation of personal property in any of the Australasian colonies, nor are there any constitutional or other restrictions on the power of the legislatures to establish or enlarge the Land Value Tax. This tax, which has been established by the laws of the several States or colonies and not by the law of the Commonwealth of Australia, has been applied to both local and State purposes. Local taxation is called “rating” and such taxes are called “rates.”

The objects of the Australasian Land Tax are: (1) to break up the large estates; (2) to check land speculation and the withholding of land from market; (3) to create a population of small farmers. The methods used in attaining these ends are, in general: (1) the taxation of unimproved ground values; (2) exemption of improvements from taxation; and (3) exemption of small land owners from taxation.

In October, 1878, at the instance of Mr. John Ballance, Treasurer in the Government of Sir George Grey, New Zealand led the way in the taxation of land values by the imposition of a Land Tax. Under this tax a levy of 1s. 2d in the £, was made on the capital value of real estate, less the assessed value

* Report of the 13th Gen. Assembly of the Tax Com. of Colorado, by J. W. Bucklin, page 12.

† Report of the 13th Gen. Assembly of the Tax Com. of Colorado, by J. W. Bucklin, page 10.

of improvements. Thirteen months later the larger land owning class, favored by plural voting, succeeded in substituting a general property tax. The substitute was so much disliked that the Land and Income Assessment Act of 1891 was generally welcomed. This involved two separate State taxes.

The first was an ordinary land tax of 1d. in the £ in the unimproved capital value of land, i. e., on the selling value of land separated from the value of buildings and other improvements, and payable on all land in the colony, whether built on or not. Land in the possession of the native Maoris does not pay a tax unless leased to foreigners. Out of consideration for small peasant farmers, plots worth less than £500 were exempt and plots worth less than £1500 allowed an abatement. The mortgagor was exempt for the amount of the mortgage while the mortgagee had this value added on to his taxable property.

The second tax levied under this Act was a graduated land tax of 1s. 8d. in the £ on land of an unimproved value of £5,000 to £10,000 and rising gradually to 2d. in the £ on land of an unimproved value of £210,000 or more, no deductions being made for mortgages on the higher values. This tax was paid by everyone who owned land to the value of £5,000 or more, whether it was in one piece or many. Owners three years or more previous to the date of any annual payment were taxed at a 20% higher rate than the resident owners.

Because the tax did not have the desired effect of breaking up the large estates, that part of the Act referring to the Graduated Land Tax was amended in 1903. The limit of exemption was raised from £5,000 to £7,000 and the rate increased so that the maximum was 3d. instead of 2d. on the same value. Only ten of the biggest estates had been reduced in the four years preceding 1900, but the resulting holdings were still moderately large. Though the decrease by 1907 was considerably larger, it was still so small that another similar amendment was demanded in 1907. Referring to the figures of the number of rural freeholders for 1892 to 1906, there is shown to be a decrease of 58 in the number of holdings of 10,000 acres and above, while there is an increase of 6,191 in the number of holdings under 10,000 acres. The increase was in holdings of from 1,000 to 3,000 acres. Forty per cent. of the land values were held by $\frac{3}{8}$ of 1% of the landowners, and ten to eleven million acres were owned by 585 companies.* This amendment (The Consolidated and Income Tax Assessment Act of 1908) was a challenge to this land monopoly due to the loud demand for more land for settlement. As Mr. W. P. Reeves states, "Buyers with capital, eager to acquire land in freehold, looked wistfully at the wide, almost empty tracts still held in grass by the great proprietors."* The graduated rate was raised, and in a thorough-going manner provided protection from evasion. The increase in rate was a 25% increase to be confined to estates of £40,000 and more of unimproved value.

* Land Taxes and Rates and the Valuation of Land in New Zealand, by W. P. Reeves.

This did not arouse a tithe of the opposition that the relatively mild proposal of 1901 did. The much smaller number of proprietors adversely affected partly explains this. The three years' absence previously allowed owners was reduced to two years out of the four preceding the year of the tax charge, and the 20% addition was increased to 50%. This applies to shareholders in companies but not to companies.

The effects of this State tax is best expressed by Mr. W. P. Reeves in the following words: "So far, the land taxes have shown themselves good sources of revenue, though their growth has not kept pace with that of the Income Tax. They have not been costly taxes to collect; the cost of collection has been about 4%. They have been the means of shifting taxation off the smaller working farmers on to the large corporations and proprietors. They have freed improvements from burdens and have certainly stimulated the outlay of capital and labor by farmers and others. They have been the means of obliging the Government to organize and much improve the valuation of the land. They have done something, though not as much as expected, to accelerate subdivision and sale, chiefly to the Government. They have been to some extent outflanked by legal expedients—to what extent is not certain. They have certainly not ruined landowners, though they have caused a few proprietors after parting with their estates to leave the colony and go elsewhere in search of large tracts of cheap land. Save in this way, they have not driven capital out of the country. They were first adopted in a time of depression which made their adoption difficult and venturesome. The full effect of the graduated tax as an act of policy has, on the other hand, been retarded by a long term of great prosperity."*

On October 17, 1896, "The Government Valuation of Land Act" was passed providing for uniformity of valuation, particularly in the administration of the land tax and rating on unimproved value. The Act was amended in 1900 and again in 1903. When the valuations were first made in 1897 they were taken at 10% less than the true selling value, but this percentage has been steadily increasing due to the rise in value of the property.

It is a significant fact that the Valuing Department created by this Act is not interested in the use of the values. Its duties begin and end with the estimating of the fair selling value of land and of improvements. The values so obtained are used by the localities and in many other departments of the Government, such as the Land-Bank, Public Trustee, Life Insurance Department and Post Office.

Because of the deductions and exemptions, the burden of the land tax falls on the relatively large holders. In the year 1905-6 out of 145,000 land holders only 24,246 paid any land tax, and of these one-half paid less than £5. The policy of the Government has been to keep the land in small holdings and undoubtedly the land taxes have aided in the carrying out of this policy. At least, the great estates show a relative decline in number and

* Land Taxes and Rates and the Valuation of Land in New Zealand, by W. P. Reeves.

acreage. On this point Mr. William P. Reeves says, in speaking of the opposition: "But they were right in believing that the new taxes were the beginning of an elastic fiscal system which will probably make it extremely difficult for very large expanses of land to be held with profit in New Zealand in the future."*

Another significant Act was passed on August 13, 1896, and like the previous Act, was amended in 1900 and 1903. This was the "Rating on Unimproved Value Act;" brought about largely by the influence of the Henry George followers and designed to give small local bodies the opportunity of trying out the Single Tax principle. This Act gave the rating bodies the local option power to decide whether the rates shall be levied on the unimproved value as determined by the Government's valuation or upon the annual or capital value of real estate as determined heretofore. This excepts water, gas, electric light, sewage, hospital, and charitable rates, which are levied separately.

At first not much use was made of this opportunity because the municipalities were obstructed by their franchises and "safeguards." In 1899, these restrictions were somewhat relaxed so that by 1909, 77 localities out of 450 had adopted the Unimproved Land Value Tax. The reports from these localities have been in general quite favorable, none of them having rescinded the tax after having once adopted it.

The first serious attempt in New South Wales to obtain revenue for public purposes from land was made in 1895, when the Land and Income Assessment Act imposed a State tax of 1d. in the £ on the capital value of land, the only graduation being the exemptions allowed. The tax was levied on the unimproved value, which was defined as "The capital sum for which the fee simple estate in the land would sell, under such conditions of sale as a bona fide seller would require, assuming the actual improvements, if any, had not been made."† The great opposition to the act caused so many exemptions to be made that the effect was weakened and the yield reduced. The five exemptions were as follows: (1) All estates of less value than £240 was exempt. (2) £240 was exempt in favor of every tax payer, but no matter how many plots a tax payer might own he was only allowed to deduct £240. (3) The balance owing on land purchased from the Crown was exempt. (4) In case the land was mortgaged, a remission of taxation was allowed to the owner equal to the Income Tax chargeable to the mortgagee on the interest derived from the mortgage of the whole property. (5) Special exemptions were made in favor of the land of churches, public institutions, municipal corporations, etc. These exemptions reduced the 1909 assessment of land from about £135,000,000 to about £80,000,000, and the tax payers to 43,000 from 187,000 landowners. The amount collected was about £330,000 and the expense of collection about 10%. These figures are excepting the City of Sydney, which is provided for by a special ruling.

* Land Taxes and Rates and the Valuation of Land in New Zealand, by W. P. Reeves.

† Taxation and Rating of Land in New South Wales, by T. A. Coghlan.

Though the direct results were not very important, there was one indirect effect that was important. This was that the people were so familiarized with the land tax that in 1905 they gladly accepted two subsequent Acts which resulted in full local government control of taxation of land values. The first Act divided the territory into districts and gave them certain tax powers, while the second Act repealed all legislation in regard to the existing municipalities. The powers given the municipalities were extensive. Parliament suspended the State Tax of 1895, passing it over to the shires and municipalities for their own absolute use and it is a fixed charge which they cannot refuse to levy. The statutory rate of 1d. in the £ not being sufficient revenue for any of the municipalities, Parliament gave them considerable additional powers, leaving each district free to choose the manner of obtaining sufficient additional revenue. The limit of taxation for shires is 2d. in the £, together with 18d. in the £ of the rental values. This makes an average rate of about $3\frac{1}{2}$ d. in the £. Some municipalities have additional "local" rates for water, light, etc.

When the council decides that the rate is to be levied on the unimproved value of land, improved value, or both, the determination is published, and if 600 rate payers demand, it is put to a vote of all the rate payers. Of the 62 councils, 56 to the present date have imposed rates entirely on land values, the total amount raised by this means being £378,952. Every municipality which has adopted rates for general purposes on unimproved value has resisted all attempts to place the rates back on improvements. In a great majority of cases, even the local rates for special purposes have been put on the land value. This method seems to meet with the approval of the people of the localities where it has been tried, and rate payers have universally condemned the tax on improvements.

South Australia has provisions for a tax on the unimproved value of land both for municipal and State purposes, but very few of the municipal corporations have as yet availed themselves of this opportunity which was granted them by the "Land Values Assessment Act" of 1893.

However, the State tax has been one of their very important taxes since it was first collected in 1885, under the "Taxation Act of 1884." Under this act the rate was $\frac{1}{2}$ d. in the £ on the amount for which the land would sell without visible improvements. This was the rate until 1894, when the "Taxation Act Amendment Act of 1894" added $\frac{1}{2}$ d. in the £ on values above £5,000, with an Absentee Tax of 20% extra. In 1903 the rates were again increased. The all-around tax of $\frac{1}{2}$ d. in the £ was increased to $\frac{3}{4}$ d. in the £ but the additional tax on values above £5,000 was left at $\frac{1}{2}$ d. with the Absentee tax charge only on this tax.

For some reasons the rates in force prior to 1903 were reverted to in 1904, but the following year they were again increased to $\frac{3}{4}$ d. in the £ in the instance of the all-around tax and $\frac{3}{4}$ d. on the values above £5,000,

with the Absentee tax of 20% on both taxes. In 1906 the rates of 1903 were again put in force.

It is hard to judge of the effect of the tax because of the consequences of the "Land Boom" of the eighties; however, it has probably done much toward the breaking up of large holdings, especially of the absentee owners. It has also undoubtedly had a tendency to bring the suburban land into use and to keep the land at a normal price.

Queensland has also a State and local tax on the unimproved land values, which, says Mr. L. G. Corrie, "is one neither borrowed by the legislators nor accepted by the people of Queensland ready-made from others, but one educated, as the gradual development of legislation proves, more or less sub-consciously from the germ of the idea, which in its integrity, is an excellent belief—viz., that a premium should be held out, or, at worst, no discouragement offered to the improvement of unexploited lands of a new country."*

The first land tax act of much significance was "The Valuation Act of 1887," which provided for a small penalty on unimproved land, and a permissive rebate in the tax of "fully" developed land. After much successive legislation in this direction and much debate, "The Local Authorities Act of 1902" was adopted. This act which provides for a total exclusion of improvements in any valuation was confirmed with little opposition from within and none from without the Legislature. Under this act all rateable property, no matter of what description or where located, was to be valued "at the fair average value of unimproved land of the same quality held in fee simple in the same neighborhood."

In 1891 the towns adopted the rating upon the unimproved value system, but it was not until 1894-5 that it got into full operation.

As to the effect of these taxes, Mr. L. G. Corrie says, "Having recently searched the whole of the association's transactions and correspondence from its inception to date, the statement can be made that no evidence is to be found to substantiate dissatisfaction being felt with the principle of valuation now in force, save in the isolated instance of the peculiarly circumstanced Crown lands on mineral fields, and the desire of some authorities to have the present minimum valuation raised, which exceptions can hardly be accepted as directed against the principle at large."*

(To be Continued).

MADE AN INSTRUMENT FOR ECONOMIC OPPRESSION.

Land, though not the only, is the chief instrument of economic oppression—used land the social value of which fills private purses, unused land which is withheld in speculative anticipation of its doing likewise; the former producing injustice and the latter cutting off the means of escape.—THORWALD SIEGFRIED.

* Unimproved Land Value Tax Action in Queensland, by L. G. Corrie.