

## The Current Tax Scene

### Some Reflections on Taxes

By GRACE ISABEL COLBRON

FROM the last days of February to the middle of April, everybody is tax-conscious. John and Jane Doe are paying their income tax and are greatly interested in the reasons for the tax, what it is used for, etc. Learned professors give lectures on taxation, clubs and forums talk about taxation, leading newspapers give editorial space to the subject, and so on. Then, when the deadline for paying the income tax has passed, interest fades. John and Jane Doe go about their usual occupations, serene in the notion that their "tax troubles" are over for the year. Seldom do they realize that part of every dollar they spend is taken by half-hidden "nuisance taxes."

Unfortunately, the concern shown by the plain citizen in this matter of taxation seems to center itself on how the taxes are *spent*, rather than how they are *raised*. This is odd, because I feel sure that most of these decent plain citizens, when they were quite young, heard from an admonishing father the advice, "Earn your money honestly, my son, or you'll never spend it wisely." John Doe usually does try to do just that. But he fails to realize that his community is not earning its money honestly, that it is robbing its citizens of their earnings, and not taking what is its own—the land values which the community itself creates. Not taking these values, the community has to go into John Doe's house and tax everything he owns and buys. And yet John Doe is more concerned with how his community *uses* its revenue than how it *gets* it.

John Doe goes to meetings and listens to high-sounding words about "fair tax rates based on realistic valuations," "improved methods of accounting and tax billing," "establishing fair tax schedules and property valuations." He hears about extravagant government spending. All over the country, well meaning citizens are urging government economy and improvement in tax techniques, while the values that really belong to the community are permitted to slip into private hands.

Another obstacle in the way of John Doe's understanding of the tax question is the term "real estate." To the average citizen, "real estate" means the land and improvements thereon, and frequently he thinks of it only in terms of those improvements. And so he is deceived by what we hear so often nowadays—"the tax burden on real estate." Taxpayers' Federations and similar organizations are worrying just now about this "burden." Seldom does John Doe think of

the land beneath his house, the location of which makes up a considerable part of the value of his "real estate." And seldom does he reflect that the community-created land values should bear the burden of community expenses.

I am certain that John Doe is quite aware of what makes land valuable, but he does not realize that here is the value which belongs of right to the community.

I would like to relate a story which illustrates this point. In a New England town, where I own a house and an acre of land (a town which is small in population, but stands high in taxable wealth), the fine old custom of Town Meetings is still kept up. One evening the Town Meeting concerned itself with the matter of upkeep for two handsome new buildings, senior and junior high schools, of which the town is justly proud. But the Taxpayers' Association was worrying, as usual, about the town's yearly expenses, and proposed taking ten thousand dollars off the yearly appropriation for the schools. Several worthy citizens made sentimental speeches about the value of these schools for their children, arguments which merely seemed to amuse the meeting. Then I got into the discussion and asked whether it was not possible that these two school buildings, with the opportunities they offered to parents with growing children, added at least ten thousand dollars to the yearly value of the land of the town. This caused a mild sensation, but, the hour being late, the matter was not further discussed. Later, a prominent citizen—a leading jurist—approached me, and said he wished he had thought of that argument. He cited rising land values near the schools, particularly one overgrown lot with a ramshackle building on it, unsaleable for years, and now sold for a good price—"because it was so near the schools."

John Doe understands pretty well what makes land values, but he does not see its connection with the taxation problem that bothers him. This is unfortunate, for only when all citizens understand this important question can the solution be found.

### New York's Latest Assessments

THE latest official report on New York City's assessed valuation of taxable real estate was given in February, in a statement to the press by William Stanley Miller, President of the Tax Commission. (The Tax Department and the Tax Commission have been operative since the new City Charter was adopted in 1938. The former name was Department of Taxes and Assessments.)