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.)

Ever since 1904, when Lawson Purdy succeeded in his campaign to provide for the separate assessment of New York's land and improvements, such separate assessment has been a statutory requirement. However, in Mr. Miller's recent statement to the press, which is quite detailed, no distinction is made between these two radically different forms of property. Land and improvements are spoken of only under the collective name, "real estate," and the only distinction made is between the "three classes of property"—ordinary real estate, real estate of utility corporations, and special franchises. The figure given by Mr. Miller for the tentative assessed valuation of ordinary real estate, for 1941-42, was $14,334,807,948, including the five boroughs of Greater New York.

Since no separate figures were given for land and improvements, Mr. Harry C. Maguire wrote to the Tax Commission, requesting a breakdown of the figures. In reply, he received the following figures on ordinary real estate:

(*Tentative Valuation for* 1941-42)

Land	$6,787,086,103
Improvements	7,547,721,845
Total	14,334,807,948

It can be seen that improvements are assessed at over $760 millions more than land. Manhattan is the only borough where land is assessed at a higher figure than improvements. The figures in that borough are: Land, $3,718,190,-485; Improvements $3,128,811,365; giving a total of $6,-847,001,850.

For the past ten years, New York real estate has been declining in value; and during the same period, the assessors have been assessing land at a lower figure than improvements. The assessment of land had reached its peak in 1931, when the figures were:

(*Valuation of Ordinary Real Estate for* 1931)

Land	$9,024,155,671
Improvements	8,737,356,696
Total	17,761,512,367

While landowners have succeeded in getting their holdings assessed lower and lower each year, and while they have succeeded in securing a tax limitation on real estate, the City's budget has been just as steadily increasing. The 1941 budget is $677,892,134.

Until two or three years ago, a single tax on land values, in the amount of the present 2.9% on the assessed value plus 5% on the capitalized value, would have been more than ample to cover the budget. Today, such a tax on the land of ordinary real estate plus the land of utility corporations would fall about $100 millions short of the present budget. This however, does not take into account the value of special franchises. The latest franchise figures have not been published, but it is reasonable to suppose that they would more than make up the difference.

However, as long as the proposals of Henry George are ignored, the budget will continue to rise, and landowners will continue to get lower assessments. Ironically enough, these are the very conditions that are used as arguments against a single tax on land values.

Taxes and Trucking

By ROLAND RICE

Assistant Counsel, American Trucking Associations

[An address delivered at the February meeting of the Women's Single Tax Club of Washington.]

MEMBERS of the Single Tax Club may be interested in knowing something about the trucking industry, particularly in view of the fact that motor carriage is a relatively new form of transportation. You will be interested to know that there are 3,500,000 employees in the industry throughout the United States. That is a large figure—more than three times as many as employed in any other form of transportation. Of the 4,500,000 trucks in the United States some 600,000 are for hire and subject to the Interstate Commerce Commission. Regulation, according to the Commission, is as complete as that under which the railroads operate, if not more so.

Not only does this industry serve all places that are reached by rail and water but, in addition, serves over 48,000 other towns which are not served at all by rail transportation. To all these points and places we give an expedited service carrying every type of commodity. You might be surprised to know the amount of fruit, milk, berries, fresh vegetables, etc., that are hauled to our cities by motor truck. Livestock of all descriptions moves in great quantity. Every item is included, from a thimble even to a railroad engine itself.

This group will be interested to learn that highway users paid $1,850,000,000 in taxes in 1940. 38 per cent of all taxes in the United States are paid by highway users. In special taxes the trucks themselves, as distinguished from other types of vehicles, paid over $430,000,000 in 1940.

One of our problems which is significant to you is the multiplicity of these taxes. If we could pay all our taxes as one; if we could pay them as ten taxes, or even as fifteen, we should be happy indeed but highway users actually pay as many as twenty-eight or thirty taxes, all types combined. We are glad to say to the single taxers, that we long for the time when taxation will be greatly simplified. What a Utopia if there were only one tax bill!

There are many barriers today to interstate transportation by motor vehicle. Some of these are tax barriers resulting from a pyramiding of an accumulation of taxes. Frequently the special license plate taxes alone required in