

THE SINGLE TAX AND THE SELLING VALUE OF LAND

The following correspondence, which we reprint from THE LIBERATOR (New Zealand), deals in an interesting and illuminating fashion with a problem which sometimes causes difficulty to the student of the land question and which will assume considerable practical importance wherever the taxation of land values is carried so far as to absorb a considerable portion of the land value in any district. We particularly direct attention to Mr. Norman McLennan's statement that it is the present practice of the New Zealand Government in assessing land values to value the land as if it were free of rates and taxes. The Valuation of Land Act, 1908, which consolidates the enactments relating to valuation of land, says:—

"Unimproved value" of any land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charges thereon, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to impose, and if no improvements (as hereinbefore defined) had been made on the said land.

The Problem

(To the Editor, THE LIBERATOR.)

SIR,—Your theory is that the whole of the rental value of land should be taken by the State, and that this value can be assessed by taking the selling (or market) value as a basis. Whatever may be thought of the first, the second part of the proposition is impracticable. Once the full Single Tax is applied, the selling value of land (in its economic sense) would disappear, and, I maintain, would not re-appear so long as Single Tax was the settled policy of the country. How, then, would the increase in value (which always accompanies social and industrial progress) be assessed? No one would pay out cash for such values if it were known that the State would immediately confiscate them. Or if it were proposed to make rentals the basis (the total rent less the rent of the improvements being taken as the economic rent), what landlord would bother about increasing his rent if the State were to annex it? Further, how would increase in rent be ascertained where the land owners were also the land users or occupiers? Take a draper's shop, the site value of which has doubled, and which is owned and occupied by the same person. How would you assess the rental? If it were proposed to submit the premises to tender at stated intervals, I maintain that outsiders would not tender, for the reason that the State (as in duty bound) would give the first refusal to the occupier, and outsiders would know that there was no chance of an equitable tender being successful.—Yours faithfully,

PRACTICAL.

The Solution

(To the Editor, THE LIBERATOR.)

SIR,—In your last issue a letter, signed "Practical," deals with the above subject. "Practical" has evidently given some consideration to the Taxation of Land Values, and I am glad he brings forward the points he does.

His contention, that under the complete Single Tax the selling value, as such, would disappear, is quite correct, as, of course, land could not then be sold unconditionally. Nevertheless, land would always have a "good-will" value, based on the "right to occupy," and on what could be got by its use. Our present system of Land Valuation in New Zealand, while small cases of difference may arise from time to time, has admittedly given general satisfaction; and "Practical" should bear in mind that this is not taken on the "selling value" under all local circumstances, but on the estimated value without reference to the rates and taxes levied on land. Thus, in a district where rates are levied on the unimproved value, the assessable value of land is not made lower because of the rates, than that of equal land in a district where rates are still levied on capital value. In other words, the effect of the rates is discounted. Nor are different valuations put on similar

lands when the tax levied on them is different in accordance with the graduated scale. If these things can be done so satisfactorily to-day there is no reason why they should not be done at all times, even when land has ceased to be unconditionally bought and sold.

Land will certainly always have an ascertainable value, seeing that, in any circumstances, men will pay a consideration for its use.

The difficulty raised in the illustration of the draper's site is also one which gives no trouble to-day. In New Zealand country districts, and also largely in the towns, most land-users are also at least titular owners, so that our valuers have in most of their work this supposed difficulty before them, yet they also overcome it with general satisfaction.

In Great Britain it has usually been proposed to assess the tax on "Annual Value," the value which can be got per annum for land on a short lease. The reason of this is simply that in the old country the users of land are seldom the owners, land being almost universally let from owner to tenant, and hence the idea of annual value is the one most familiar to the people there. Whether the tax were assessed on Annual Value or on Selling Value as modified by our New Zealand valuers, is merely a matter of method—the principle being the same.

"Practical" should notice, however, that "Annual" value is not necessarily the same as *Rental*. One of our chief grumbles is that valuable land is often used for inferior purposes. In a town, for instance, an excellent site, suitable for a handsome and useful building, is often occupied by a tumble-down shack. If the site is let, the rental is the amount the owner consents at present to take, while waiting for a rise; but the Annual Value is the amount he could get per annum from anyone prepared to put the site to its best use. It is the *value* we wish to take in taxation, not the *rental*.

I think it is a confusion between the two which makes "Practical" suggest that the landlord would not have an incentive to raise the rent.

Of course, if the whole value were taken in taxation, there would be no landlords in the strict sense of that term.

The owners would be capitalists in so far as they owned the improvements, and labourers in so far as they worked—these terms being, of course, used in their economic sense.

I trust these remarks may be helpful, not only to "Practical," but to all inquiring readers. The chief task at the moment is, however, to urge the greater taxation of land values by all the fair legislative methods our Governments have already given us.

Especially in view of the present grievous war, we think it a shame that the publicly-created values of New Zealand should not be utilised to assist our boys who are risking their lives at the Front.—I am, &c.,

NORMAN McLENNAN.

NOVA SCOTIA

According to the New Bedford EVENING STANDARD, of July 19th, a Tax Reform Law has been passed recently in Nova Scotia providing for the separation of land and improvement values for assessment purposes and the existing tax on improvements is to be reduced by 25 per cent. An unsatisfactory feature in the Law is that it imposes at the same time a tax of a quarter per cent. on houses worth more than 1,500 dollars and a tax of one per cent. on business premises worth more than 4,000 dollars; but this is only a small defect and may be put aside as unimportant compared with the gratifying fact that in Nova Scotia the principle of separate assessment of land and the relief of improvements from existing taxation has been established. As the EVENING STANDARD says: A beginning of true educational importance has been made. The people will be trained to understand to what extent they have been taxed for having laid their money out in improving the land. The division scheme is bound to prove an eye-opener and to turn the influence more decidedly in the direction of an equitable taxation of vacant land, to the compulsion of putting it to productive use, that the tax burden may be more evenly divided.