

QUESTIONS AND ANSWERS.

GROUND RENT LEASES IN BALTIMORE.

Editor Single Tax Review:

A contracts with B to pay \$100 a year Ground Rent for a piece of ground, agreeing to pay all taxes and assessments. B receives \$100, purely Ground Rent, each year. How would the Single Tax reach B, or could it reach B? There are hundreds of such Ground Rents in operation in Baltimore.

John Salmon, Baltimore, Md.

ANSWER.

There is some difference in opinion as to what ought to be done to meet such cases. From one point of view it can be said that the lessee, having been on notice ever since the publication of "Progress and Poverty" that the Single Tax was likely to come into operation some day, should not have entered into a contract to pay all taxes, and that he will have to make the best of a bad bargain. If he had paid an outright price in order to get the land, he would have to pay all the tax on the value of the land, if the Single Tax were put into operation, although he would be relieved of the present taxes on his building. As he chose to contract to pay a fixed sum every year instead of an outright purchase price, he is really in no different position if he also has to pay all of the tax.

Still while, as Henry George said, it is not possible to go back and correct all the injustices that have happened, that is no reason for allowing any injustice to continue. If it is wrong for ground rent to go into private hands, there is no reason why it should be allowed to be paid over, entirely free of taxation, to the owners of long-term leases. Their only purpose in making leases instead of selling the land is that they may be able to collect a certain part of the annual rental of the land without taking any of the risks of improvements.

To tax these ground rents as such, when the lessees have agreed to pay all taxes, might be held to violate the present constitutional provisions in regard to the obligation of contracts; although if the

people should decide that they desire to adopt the Single Tax, they are quite likely to modify these constitutional restrictions in regard to contracts so as to cover such cases.

However, it is possible now to tax the owners of ground rents on the value of these rents. Under the laws of the State of New York all "rents reserved" for a term of more than twenty-one years are taxable to the owner as personal property, and the valuation is determined by capitalizing the rent at the legal rate of interest. This personal property assessment is given a situs where the real estate is located, and if the tax cannot be collected from the owner, it must be paid by the tenant who is authorized to deduct this tax from the rent.

The courts of New York have held that this tax on the "rent reserved" is not covered by an agreement of the tenant to pay all taxes against the property, because it is a personal tax against the owner of the rent; and that the tax is constitutional. For this reason, ground rent leases are not made in New York for longer than twenty-one years (except by institutions which are exempt from a personal property tax). Long term leases are made with a provision for re-valuation of the ground rent at the end of each twenty-one year period, which to a certain extent, defeats the purpose of the law.

It would seem to be practicable to enact a similar law to cover ground rent leases, and, in this way, to put the person who received a fixed portion of the ground rent on the same basis, for taxation under the Single Tax plan, as the occupier, who may or may not be getting some ground rent for his personal advantage.

A. C. P.

A HOLD-UP IN STILLWATER, MINN.

A correspondent writes, "Our city has been at a stand-still for a few years and just at present is on a slight decline. What arguments shall we, as Single Taxers, use in such cases as this?" He encloses a clipping which tells the story of a plot of three lots which was bought thirty years ago for \$7,200, for which the owner