

ANSWERS TO A CORRESPONDENT.

L. H. Clark, Jr., of Sodus, N. Y., requests us to answer the following questions. As they involve so many important considerations they are answered in detail.

Q. What effect would the institution of the single tax have upon present mortgagors and mortgagees?

Ans. The question apparently assumes the immediate adoption of a single tax upon land values for raising all revenue for national, state and local purposes. As it is entirely out of the range of possibility that such a change could take place suddenly it would be idle to speculate upon its effect. The single tax will come as a gradual reform in state and local taxation, and possibly at the same time, but probably later, as a reform in national taxation. Years after important steps had been taken toward the single tax the tax on land values would be far less than the annual ground rent.

Assuming this state of facts, for the sake of argument, the effect upon mortgagors and mortgagees can almost be disregarded. Most mortgages are made for short periods, rarely more than ten years, commonly not more than five years, and many mortgages for only one year, with the intention on the part of the mortgagor and mortgagee that the mortgage shall not be paid at the end of the year but shall be allowed to run as a past due mortgage. A large proportion of mortgages are made by savings banks and insurance companies. These institutions are not permitted by law to loan money on unimproved property and are generally limited to a loan not to exceed one half the value of the property. Thus in most cases their loans will not exceed the value of improvements. As taxes are gradually lifted from products of labor and increase on land values it will become increasingly easier for those who have borrowed money to pay it, and if, as might be the case, this change in the incidence of taxation caused lenders to feel that their security was lessening in value, mortgagors would be more competent to reduce loans by partial payments.

There are cases where loans have been improvidently made and foreclosures would result in deficiency judgments. Mortgagors in such cases are now owners in name only; their condition could not be worse, and very likely would be somewhat improved.

There is one consideration of importance which is worthy of specific reference. Mortgages are subject to taxation in nearly all states and in consequence interest rates on mortgages are abnormally high. As soon as mortgages are entirely exempt from taxation there will be a considerable decline in interest rates, which will make it easier for mortgagors to carry their mortgages and reduce the principal sum due.

Q. Please describe fully the proposed method of assessing land values.

Ans. This question is frequently asked apparently because the questioner fails to realize that land values are now assessed and taxed and no change in the existing machinery is necessary to secure as good an assessment as that now made. Further than this, it is certain that the assessors now in office would do better work and assess land values more accurately than they do now when they are relieved of the impossible task of assessing personal property and the very difficult task of assessing improvements on land. Dealers in real estate in cities can tell off hand very accurately the value of land with which they are familiar. They cannot tell the value of buildings without careful examination and estimates which must include the fitness of the building for the site, as well as the cost of its reproduction. In country districts it is more common to consider the value of a farm as a whole and at present it might be more difficult to value land than it is in cities, but it would certainly be easier to value the land alone than to value the land and the improvements upon it.

The existing machinery of assessments can be greatly improved and some cities and states have better machinery than other cities and states. In Massachusetts, for example, land and improvements are valued separately and in some of the towns the assessments are published annually, or every three or five years. This leads to greater accuracy than in states where assessments are made only once in three years or at less frequent intervals. The first step in improvement is to value the land and improvements separately; the second step is the publication of assessments, and perhaps the best system yet devised for cities is that invented by Mr. W. A. Somers and efficiently carried out by Mayor Johnson of Cleveland. By this system the assessors determine front foot values for lots of normal depth for every block, the proportionate increase or decrease for every block, for blocks of greater or less depth and the proportionate increase for corner lots. Maps are made, or, as in Cleveland, a map is drawn on a large blackboard which is displayed in a convenient room for the benefit of all persons interested. Upon this map are set down the front foot values determined by the assessors. After a hearing is had and a full discussion, the front foot values are finally fixed and clerks calculate the value of each lot by mathematical rules without knowing the owner's name or ever seeing the lot. This plan insures absolute impartiality and such thorough publicity that values must be arrived at with the greatest approach to accuracy, and more than this the very fact that assessments by this system are fixed at a certain figure will so impress the public mind with the idea of the value of each parcel of property that no buyer would offer a sum much in excess of the assessment nor would the seller take much less than the assessment.