



THE LITTLE HOME

A Tale of Taxation

BY JOSEPH S. THOMPSON

"GRACE, did you get a receipt for your contribution to the Red Cross?"

"No, I'm afraid not."

"Well, your cheque will do as well."

"But I didn't pay it with a cheque. I paid cash."

"Hm. Then we can't deduct it. I'd hate to ask the Red Cross for a receipt at this late date."

"Well, since we did pay it, won't the government take your word for it?"

"In the eyes of my government, I am a lying chiseler. They certainly won't take my word for anything. Another thing, I hope little Grace will be born before the year-end!"

"Little Grace? You mean Richard, don't you?"

"I mean little Grace! Want to bet? She can save us about a hundred dollars if she'll only arrive before December 31!"

"Isn't that ridiculous!"

"What particular detail?"

"Why, that our baby will cost one hundred dollars more on one day than he would if he was born on the day before!"

"The whole thing is utterly ridiculous—and tragic, too."

"Tragic?"

"Yes, tragic. If it wasn't for the tax system, instead of paying a big rent on this apartment, you and I would be preparing a nice little home for her, with plenty of space to move around in."

"How do you mean?"

"Well, I've got our income tax report far enough along to find that the government is going to fine me for working, in the sum of eighteen hundred and eighty dollars! Of course, Gracie. . . ."

"Of course, Richard. . . ."

"Of course, the baby, if she'd only arrive before the New Year, would reduce that by one hundred."

"Are they going to take as much as that?"

"They sure are. So the little home stays in the dream department."

"But, after all, that wouldn't buy us a home."

"Let's see if it wouldn't. We'll call the tax one thousand, for convenience. We pay another four hundred in State and city taxes and thirty-six hundred a year for rent. That's five thousand out of my twelve. I don't have to tell you where the remaining seven goes, what with living costs, insurance and so forth. Oh, we save some—damn little, though."

"But we have to pay the rent and the taxes, so why

talk of the—what was it—the five thousand dollars?"

"Sure we do. That's why I'm making out this income tax report. But suppose that we could keep the five and got a nice location and started to build. . . ."

"On five thousand dollars! Why, you couldn't get a nice location for five times that!"

"Not at present. But just for fun, let's suppose we didn't have to buy a location, just lease one."

"Build on a lot we didn't own!"

"It's done all the time. Only instead of leasing from someone, we'd pay a land tax, or rent."

"I don't understand you."

"Well, they're holding the kind of land we'd want at twelve thousand an acre. Holding it idle, paying trivial taxes which they can deduct from their income. But suppose our public officials got some sense and said 'Twelve thousand an acre—let's see. At five per cent, that works out at six hundred per acre, a year, plus the tax you're paying on it now'."

"You mean if a landlord had ten acres he'd have to pay six thousand dollars in taxes each year?"

"Well, if it was worth one hundred and twenty thousand dollars, that sounds reasonable. Many a businessman borrows at that rate and is glad of the chance."

"But a landlord's land might not be paying him anything! A business could use the money to make more money, as you so often say, but his land might be idle."

"Properly taxed, it would be quite expensive to hold it."

"You mean he'd have to sell?"

"Or use it. He'd be wisely prudent if he sold, though I don't see him getting any twelve thousand an acre. Fact is, if he held it too long, he'd get next to nothing for it."

"Why?"

"Because everyone else with idle land would be selling, but fast! If the government taxed it to its full value—and I shouldn't say 'taxed,' I'd rather say 'collected the full rental of the land,' there'd be no point in holding it. The government would take its own revenue."

"But couldn't the landlord raise his rent?"

"Nope. The government would just collect that much more from him. There'd be no point in holding land unless you were using it."

"Do you mean he'd have to sell?"

"For whatever he could get. The sooner the better."

"And you mean we could buy cheaper?"

"I mean more than that."

"Well, I'm getting tired of thinking, but what more do you mean?"

"I mean that we could get a home site without paying out any capital, by just assuming the payment of the land rental, and use our capital for building."

"And not own the land."

"Sure we'd own it! As much as anyone owns land right now. And again, if our government was smart it wouldn't fine us for building."

"Fine us?"

"I said 'fine,' I meant 'tax.' It's the same thing."

"No tax on the house?"

"Exactly. When you put your car at a parking meter, you don't pay more for a fine expensive car than you do for a 'jalopy.' So if you paid the rest of the public for the space you wanted, why should it cost you more in taxes, the better house you built there?"

"But with our money the house would cost too much anyway."

"Suppose the land, oil, minerals, fossil fuel and forests brought the government all the income it needed, and

there was no tax on building material, contractor's equipment, workers' wages and my pay, a house could be quite inexpensive."

"I think you're talking nonsense."

"You're not alone in your thinking; that's why we'll go right on living in this little apartment."

"Oh, I'm going to bed. I can feel Richard. . . ."

"You can feel Gracie. Want to bet?"

"Richard!"

"All right then, Richard."

"I can feel him moving about and kicking."

"He'd better save his kicking until he's of taxable age, and as for moving, I hope he makes his big move before midnight, December 31. A hundred dollars is a hundred dollars. Goodnight, Gracie darling, I'm going to try to do as much of this report as I can, before midnight. Lemme see, *Dependents?* Gee; That one'll have to wait 'til the New Year!"

Eric Lubbock

Answers

The Guardian

ON THE DATE of the debate on the Land Commission Bill, *The Guardian* leader criticised the advance decision of the Liberals to vote against it. It regarded the decision as "odd" because the Bills' purpose was the same as that of the Liberals, i.e., to ensure that the community shares in any rise in land values.

Because the Bill did not do this in the way approved of by the Liberals they were condemning a step in the right direction. The choice, said *The Guardian* "is between taxing capital gains on building land and not taxing them."

In a letter to *The Guardian* published two days later, Eric Lubbock, Liberal M.P. for Orpington, made the following reply:

"Your leading article 'Liberals against the Land Commission' was a strange mixture of praise and criticism. The article appears to admit that the Land Commission Bill is a bad Bill, and also commends the Liberal alternative of site-value rating. It then criticises the party for voting precisely to express that same view.

"Liberals certainly admit that the purpose of the Bill is the same as their policy, but MPs, are not voting on the expressed purposes of a Bill but on the methods it proposes to achieve those purposes. Liberals believe that the Bills proposals will not achieve its purpose and hence have been reluctantly forced to oppose the whole thing.

"Does *The Guardian* really believe that MPs vote only on the preamble to a Bill? If so, why not castigate the Tories also who now, at last, are supposed to favour taxing part of the profits made on land?"

"Finally, your leading article seems to think that a development charge and the taxation of land values are similar proposals. They are not. Taxing land values will achieve the vital purposes fairly and efficiently whereas the development levy cannot have the desired effect. Hence the need for an otherwise unnecessary and bureaucratic Land Commission to threaten owners with compulsory purchase.

"The only argument for supporting the second reading of the Bill would have been for the Liberals to propose amendments in committee to bring the Bill on to Liberal lines. The Bill is so bad that it is manifestly impossible to frame amendments to improve it sufficiently.

"The very fact that Liberals have no vested interests and have for so long wanted to tax betterment makes our opposition to the present Bill all the more relevant and powerful. We shall have achieved our object if the Government withdraws the Land Commission Bill and presents a drastically revised version which will do the job properly."

THERE is much that can be done outside Government circles by organisations directly interested in rating in the form of research and experimental schemes such as the Rating and Valuation Association's Whitstable Survey on Site-Value Rating. It is not impossible that ultimately these may make a very substantial contribution to future developments.

—*Rating and Valuation Reporter*, January 6.