

Review: Whither Property Tax Reform?

Reviewed Work(s): Intergovernmental Fiscal Relations: A Report Submitted to the Secretary of the Treasury, Jan. 1, 1943 by Harold M. Groves, Luther Gulick and Mabel Newcomer

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Source: *The American Journal of Economics and Sociology*, Vol. 4, No. 1 (Oct., 1944), pp. 129-130

Published by: Wiley

Stable URL: <https://www.jstor.org/stable/3484085>

Accessed: 25-02-2024 23:38 +00:00

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· R E V I E W S ·

Whither Property Tax Reform?

Intergovernmental Fiscal Relations: A Report Submitted to the Secretary of the Treasury, Jan. 1, 1943. By Harold M. Groves, Luther Gulick and Mabel Newcomer. Washington: Government Printing Office, 1943, 6 vols.

Three distinguished students of public finance—Harold M. Groves, Luther Gulick, and Mabel Newcomer—aided by a notable list of special advisors, staff members, and consultants, have produced this six-volume document. Its remarks on the recasting of the general property tax are of special interest. It would be rash of me to set my judgment against the combined wisdom of the able authors of this important report. The great complexity of the general property tax problem must be apparent to anyone who has given the subject even cursory study and who is not seeking Utopia through a preconceived panacea.

Lacking such a panacea, I believe my best service is to propound some questions based on the recommendations of this Treasury Department Committee.

1. The Committee says that the general property tax "broke down badly during the recent depression." As a matter of fact, did not this tax show remarkable resiliency, considering how many other pillars of society were crashing during those years of panic and pessimism? According to Dun & Bradstreet's report on "Trend of Tax Delinquency, 1930-1942," the median year-end delinquency of current property taxes in 150 cities of over 50,000 population rose to only 26.35% in the worst year of the depression (1933); and a substantial part of this delinquency was, of course, collected in subsequent years. Indeed, for most of these cities the tax collections since 1935 have averaged more than 100% of the current year's levy.

2. "The property tax might perhaps be broken down into its elements, and its uniform application to all owners on the basis of holdings be abandoned," says the report. But I do not find any discussion by the Committee of the vital distinction between the two major elements in the real estate tax—land and improvements. Do not the members of the Committee favor a higher rate of taxation on community-created land values than on individually created building values? If not, why not?

3. The Committee suggests "a collection from landlords in the nature of a service charge for local benefits to property, and a further collection, more personal in character, from occupants on their rental value of occupancy." The service charge idea is, of course, working well in the case of municipally-owned utilities whose services can be metered—water, electricity, gas, and in some cases sewerage. Garbage collection might be added. But has the Committee been able to work out to its own satis-

faction a schedule for such services as education, public health, and police and fire protection?

4. A tax on rentals, from which unused properties would be exempt, is suggested by the Committee as a device worth considering for adding to property tax revenues. The Committee seems very doubtful of the wisdom of this proposal, and points out several possible difficulties and weaknesses. But in addition to those cited, does the Committee question the fact that an occupancy tax if applied—as it should be—both to rented and owner-occupied property would not give “tax relief for real estate” except to unused, vacant, or substandard property, and that a low tax rate thus applied would encourage the continued holding of such lands out of socially-valuable use?

5. I am glad that this report by the Treasury Department’s Committee on Inter-Governmental Fiscal Relations advocates greater rights than most cities now have “to tax their own citizens as they please within the property tax area.” Would the members of the Committee, I wonder, be willing to say whether they would see any objection to an experiment by some state with an enabling act under which municipalities would be empowered, if they so wished, to adopt some such form of occupancy tax as the Committee discusses, but with the stipulation that any reduction in the ad valorem tax that the occupancy tax might make possible would be made by a reduction of the tax rate on improvement rather than on land values?

The Committee recommends that the whole subject of independent local revenues should be given fresh and bold reconsideration. If the foregoing suggestions are not fresh and bold enough, I shall be glad to try again.

HAROLD S. BUTTENHEIM

South Wales as a Blighted Area

Grass on the Slag Heaps: The Story of the Welsh Miners. By Eli Ginzberg.

New York: Harper & Bros., 1942, 228 pp., \$2.50.

Today, the long, deep valleys of the “Men of Harlech” echo with the clink of the miners’ picks, and at night the sky is lit by the glare of the blast furnaces. South Wales is at work again after twenty years of idleness. But the present revival in no way detracts from the value of Dr. Ginzberg’s work. The problem of blighted areas is a recurring one—one which we shall again face with the ultimate shift to peacetime industry.

This book is a study in the mobility of labor between 1920 and 1939. South Wales was chosen for the investigation because it offered the most striking example of severe unemployment and low wages in close proximity to regions of good earnings and increasing demand for labor.

The mining industry of South Wales began around 1850 and reached its peak of expansion in 1913, after which it steadily declined. War disrupted prices, costs and markets and the demand for coal had lessened, due in part to the increased use of oil as fuel. Between 1929 and 1936, for example, the amount of coal taken out of these pits fell 14 million tons.