

TAX FACTS

Published Monthly

By The Tax Relief Association of California
333 N. Madison Avenue, Los Angeles, California
Phone: OLYMPIA 7852

EDITORS

STOUGHTON COOLEY - - - - - NORMA COOLEY

Subscription per year 50 cents

VOL. XII LOS ANGELES, CALIF. JULY, 1933 No. 3

A VALUABLE REPORT

A special committee appointed by the American Institute of Architects to study "Taxation, as related to architecture and the practice of the profession," has issued a twenty page pamphlet that is one of the finest articles on taxation that we have seen. Although it is a report of the economic situation and the tax problem as relates to the profession of the architect, it is a clear and concise exposition of the whole situation in which all industry and economic welfare are affected by taxation.

For the first time, so far as we know, a committee studying the tax problem has taken into consideration the two economic factors, land and rent. Other authorities have passed blandly over the land as if it "did not exist, as if Labor and Capital could produce wealth without access to land."

"A building project," says this very unusual report, "embraces two general sub-divisions—structure and site." It is absolutely necessary to divide land from labor products if humanity is ever to have any relief from the "tax burden" and business depressions. We wish that we might publish the entire report, but limited space forbids. Here are some excerpts that ought to prove thought provoking.

"In connection with every building project, the architect should realize that his client either must have bought or leased a privilege to use some site, or he must do so. The measure of the annual value of this privilege is rent (not to be confused with rentals) which, capitalized usually on a twenty year basis, establishes its selling price. These facts justify attention of architects. They mean, that of the sum available for a building project, the amount paid for the privilege merely to stand a building upon the ground, reduces by that much the amount possible to put into the building."

The report brings out clearly that site advantages, "access to well-lighted, paved streets, parks, boulevards, schools and libraries,—to water, sewer and light services,—to transportation facilities,—to markets, banks, hotels, theatres, churches, stores and office buildings,—to health, police and fire protection; things necessary to the

well-being of organized society," these things that are possible only with the presence of population are publicly created values that make certain locations desirable. "Therefore, the rent he (the landowner) receives cannot, on sound business principles, be owing to him; it must be owing to those who produced the wealth embodied in these public improvements,—the community as a whole. Rent is the public's natural income." This committee points out that when the user of the land pays rent for it to an individual, and then pays taxes into the public treasury, he is paying twice for the same service.

"Upon reflection, the committee is surprised that the average building owner is content, year after year, to acquiesce in payment of both rent and taxes, when it is clear that it is to supply the community with the very things for which he pays rent that he pays taxes."

Attention is called to the evils of land speculation and the effect that it has on the building trade. Land provides employment for the architect only when it is brought into use, not when it is held idle.

"Where a site is bought for speculation, tax payments plus purchase price are the cost of opportunity to gamble. They constitute a bet that population will increase, that those engaged in business will need the site, that people will pay taxes to provide public improvements needed by them,—taxes which add nothing to their incomes but must become a charge against all they do or save, yet add value to the site. If he wins, the speculator will recoup both purchase price and tax payments, with interest, in higher selling price or rent, while users will foot the bill. If he loses, he must pay them from his own wealth, because an unused site produces no wealth from which to pay them.

"A good sport does not cry over the outcome of the risk he takes, and ask those from whom he would have taken winnings, that they restore him his losses, even in part, and others should not be allowed to do so successfully. That, however, is what real estate interests are now asking in seeking reduction, or elimination, of site taxes,—a tax juggling that will increase winnings and lessen losses of speculation."

In conclusion, the report states that further illustrations "of effects of laws governing rent and taxes upon the practice of the profession would tend simply to strengthen the view that, if natural and healthy improvement in architecture is to come, double payment of rent and taxes must cease; a legal stop must be made to private appropriation of public values, and public confiscation of private wealth; the public's rent must be used for public purposes; private wealth left inviolate for private purposes; rent must be collected for government revenue, and all taxation of whatever sort must be abolished."