

TAX FACTS

Published Monthly

By The Tax Relief Association of California
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Subscription per year 50 cents

Vol. VII Los Angeles, Cal., Jan. 1929 No. 9

DO WE TAX PEOPLE OR THINGS?

"Tax every dollar alike," is the slogan on the letter head of the American Taxpayers League, with headquarters at Washington, D. C. But why? Why tax every dollar alike, any more than every quart, or every pound?

Much confusion prevails in tax matters because fundamental economic principles have been ignored. To begin with, we do not tax dollars or things at all. We tax persons who own or control things. But while all property is valued in dollars, the several kinds of property differ in other respects.

Property that can be duplicated or multiplied indefinitely, such as houses, furniture, etc., will not rise in value from increased demand. Whereas, property that is fixed in quantity, and cannot be duplicated, such as land and certain franchise monopolies, does rise in value with increased demand.

Manifestly, then, government action that increases the demand for property affects the interests of the owners according to the *kind* of property, and not according to the *value* of the property.

Hence, taxes should be laid upon the citizen, not according to the amount of dollars worth of property he owns, but according to the service the government renders in enhancing the value of his property.

Government activities are confined within political boundaries. To enjoy the service of the government of Los Angeles, for instance, one must be within the city of Los Angeles. To have the benefits of the police and fire departments, the streets and parks, the schools and libraries, one must be within the city.

Being in the city is conditioned upon occupying somebody's land. One may bring in his own food, clothing, or shelter, but he cannot bring any land. If he wishes even to eat the food he has brought he must do so on somebody's land, for even the

streets and parks are owned by the city, and one may use them only on terms laid down by the owner.

Since price is fixed by supply and demand, the supply of land being limited, an increase in demand will be followed by an increase in price. This is what happens when the city paves a street. The lots along the street become more accessible, they are more desirable, and the greater demand sends up the price.

A century ago it was the practice for government to pay for the pavement by taxing all citizens according to the amount of property they owned, that is, it was the practice to "tax every dollar alike." But it was finally discovered that the new pavement did not result in increasing the value for reproducible things, such as houses, furniture and goods.

Since that discovery it has been the practice in enlightened communities for government to pay for street pavements by taxing the owners of land only. Experience and long practice have not only vindicated this course, but they have prompted exceptionally enlightened communities to extend the principle.

Nor have we reached the end. A great principle underlies the practice of laying the tax on the citizen whose property has been increased in value by the government service.

If street pavements, drainage systems, irrigation works are constructed by a tax on land values because they add to those values, may not other government services be defrayed in the same manner?

A good school in the neighborhood, an efficient police and fire department, courts, libraries, parks, and all that adds to its attractiveness as a place or residence or business; these bring in more people, and more people—by their competition for space—send up the value of land, but do not change the value of movable goods.

The very foundation of American institutions is the principle that all men have equal rights. If government, through its activities adds to the value of the property of some citizens, but does not add to the value of the property of other citizens, does not fair play require that taxes be levied accordingly?

Instead, then, of taxing every dollar alike, should we not continue the present tendency, and adjust the tax system so that each citizen will pay according to the service received from government!