

UNEARNED INCREMENT AND A TAX ON LAND VALUES

What is called the taxation of unearned increment is a tax on increases in land values. It is, as in operation in this country, a tax of 20 per cent. on increases in the selling value of land, but increments of less than 10 per cent. are exempted. The tax is collected when the property changes hands whether by sale or death, but in the case of public companies it is collected every fifteen years.

An increment tax is entirely different from a tax on land values properly so-called, for a tax on land values falls on the total value of the land and is collected every year independently of whether the land changes hands or increases or decreases in value. A tax on land values has two fundamental properties: it is a just and fruitful source of revenue, sufficient for all the normal needs of any community; and it is a means of solving the land question, by forcing land into use, by opening up opportunities for labour to produce wealth, and by reducing rents to their natural level and taxing them for the benefit of the whole community.

A tax on increments can do nothing to solve the land question. It will not force the owner of vacant land to use it, nor will it force the owner of badly developed land to improve it. Consequently such a tax will not reduce rents to their natural level nor open up the land to labour.

The most that an increment tax can do is to provide revenue. The British Increment Value Duty, with which may be coupled the Reversion Duty as being a tax of the same nature, has in practice been a complete failure as a means of raising revenue. It is a tax which has brought the maximum of irritation with the minimum of benefit. But even if a tax on increments did in practice yield a large revenue, the existence of the tax would be simply a bar to the solution of the land question. For the solution of the land question implies forcing unused and under-used land to its most productive use, and to the extent to which that is done the rent or value of land must fall. In a country such as this, where immense stretches of very valuable land are held out of use, that fall in land values would be very large, and it might take many years before increase of population and the other circumstances which determine land values had brought the values up to the level at which they stood before the reform in the land system was made. During all that period, the increment tax would yield little or no revenue. One essential condition, therefore, to the maintenance of the increment tax as a source of revenue is that the land system remain unreformed.

If the Increment Value Duty had been a fruitful source of revenue there would have been that reason for retaining it. As it has not been a fruitful source of revenue there is all the more reason why it should be repealed, and the other duties on land values as well, and replaced by a straight tax on the value of all land.

The organised movement for the taxation of land values has never advocated or supported increment taxes. We did not support the Budget of 1909-10 because of the Land Values Duties. We supported it on account of the provisions it contained for valuing the land of this country. The valuations made under it may be, as it is contended, imperfect and unsuitable as a basis for imposing a uniform tax on land values. But we hold that by means of the present valuation there has been collected the major part of the information as to the interests in land and the value of land necessary for making a complete and scientific valuation of the land values of the United Kingdom. We hold, further, with the aid of this information and with the passage of the necessary legislation, an accurate and up-to-date valuation could very quickly be made and a substantial tax on land values collected. It was

for this reason that we gave a qualified approval to the Budget of 1909-10 and supported it.

What is now needed is that the valuation clauses of the Budget should be altered so as to contain a simple and straightforward definition of land value and of interests in land value. Having obtained the preliminary information and working to a suitable definition a sufficiently strong valuation department could rapidly make a valuation and keep it revised from time to time, with more certainty and ease than they can make the present complex and varied valuations.

All the duties on land values now in operation should be repealed, and in their place should be levied a flat tax on land values, as determined by this new valuation, at a rate which would yield a substantial revenue. Provisions could be set in operation which would make the collection of a tax on such a basis practically automatic and costless.

To secure all this what is needed most is a suitable political atmosphere. The need for an enormous increase in revenue and the industrial disturbance which will follow the war will help to create this atmosphere if aided by an energetic campaign in favour of our reform.

F. C. R. D.

THE TAXATION OF LAND VALUES IN VANCOUVER

By Mayor L. D. Taylor

My attention has been called to a rather loosely written editorial in the Columbus (O.) State Journal, headed, "The Single Tax," based on an interview with one Trailkill, who recently passed through Vancouver.

It is doubtful if Mr. Trailkill interviewed any of our citizens as to the cause of the depression now existing in Western Canada. Had he done so, he would not now be making the statements attributed to him. Not one citizen in five hundred would say that the present condition exists because of our method of taxation.

The abnormal development of British Columbia during the last ten years, produced an era of speculation in natural resources and real estate that could in time have only one end—that is, a restriction of credit by the banks and financial institutions, who were also caught by this era of expansion and had granted credit promiscuously to speculators.

Bank credits were withdrawn to such an extent that legitimate business suffered as well as speculators. When war was declared credits were still further curtailed. At the present time only the largest business houses get bank accommodations, the effect being that small manufacturers have been obliged practically to close down.

Vancouver's largest manufacturing interest is the lumber industry. And on account of the war it has been unable to get bottom in which to ship its product, therefore the mills and logging camps have been closed.

Again, thousands of miles of new railroad construction had been going on throughout the province. The completion of this work laid off thousands of men who had been engaged in construction work for the last five years. Single tax had nothing to do with this state of affairs.

Prior to 1910, the year that Vancouver adopted in entirety the exemption of improvements from taxation, rents were abnormally high for houses, apartments, stores and offices. The immediate effect of this measure was that vacant lot owners rushed into improving their holdings to such an extent that building permits jumped from \$7,258,565 in 1909 to \$13,150,365 in 1910, \$17,652,642 in 1911, \$19,388,322 in 1912, the high water mark.

This enormous addition to office buildings, apartment houses and residences, brought about a corresponding