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THE GRADED TAX PLAN

A MUNICIPAL NECESSITY

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THE GRADED TAX PLAN

A MUNICIPAL NECESSITY

By Walter Fairchild, 11 Park Place, New York City.

The purpose of the Graded Tax Law is to shift the tax load from improvements on land to the value of the land itself.

It is advisable to decrease the tax on improvements and increase the tax on land value in order that the benefit of the expenditure of public money for public improvements and services may be spread more equally over the areas benefited.

It is obvious that money spent for streets, parks, bridges, school houses, water works and transportation increases the land values of the areas served by these public works. Not quite so obvious is the benefit coming to land values from the efficient services of school teachers, policemen, firemen, street cleaners and other public guardians paid for with our taxes. A public milk plant retailing milk at 5¢ a quart directly benefits the landlord of the East Side tenement. The more efficient the Municipal Administration the more benefit to land owners.

The task that confronts us is to devise a plan whereby the municipality may take into the public treasury the values created by the expenditure of public money for public works and services. It is simple to do once we see the logic of the idea.

Rehousing 500,000 families is the dream of the La Guardia administration. Great strides are being taken in this direction.

Rehousing that is economically sound can be realized by an adjustment of the dream to the actualities of the tax problem. This problem is the land problem.

LAND VALUE ONLY MEASURE OF BENEFIT

Land value in a community is the result of activities of the people within the area served and is chiefly the result of the presence of population and the expenditure of public funds through the municipal budget.

It is an error to assume that the value of improvements plus the value of the land provides a proper measuring stick to gauge the relative advantage of a particular site in its enjoyment of the benefits of public improvements and services. Land value alone represents an equitable gauge.

BUILDINGS DO NOT INCREASE IN VALUE

That this is true becomes apparent when the fact is observed that the increase of public works and services in a neighborhood does not add to the value or cost of buildings but that the increased value is reflected entirely in the value of land in the area served. The cost of buildings tends to decrease as roads and other means of transportation and facilities are improved. The increase of land value, moreover, accrues just as much to a vacant site with no building, as it does to any improved site. In fact, city improvements may be so great in a neighborhood as to cause existing buildings to become obsolete and of less value than before.

Another reason why the value of buildings does not constitute a proper measure for the even distribution of tax benefits and burdens is that the adequate use of particular sites for the purpose for which they are best adapted does not require the same amount of building cost in all cases.

HOUSES MAY COST FIVE TIMES THE SITE

For example adequate residence buildings cost five times as much as the land on which they are built. On the average there is \$200 of land value for each \$1,000 of building cost for new dwellings.⁽¹⁾ The average single-family house or apartment consists of about five rooms housing on the average five people or one room to a person, so that land value used for living purposes in Greater New York is \$200 a room or a person. Multiplying 7,500,000 (population or rooms) by \$200 makes \$1,500,000,000 of land value used for dwellings. There is about \$8,000,000,000 of land value in Greater New York.⁽²⁾ This leaves \$6,500,000,000 of land value used for commercial purposes or wasted in vacant land.

HOUSES PAY ON SIX TAX UNITS

In Queens, Brooklyn, Bronx and Richmond, modern homes which are taxed on the building cost as well as the land value, on the average pay on a \$6,000 assessment total divided into \$5,000 on the house and \$1,000 on the land, that is, on six units of taxation of which five is on the building and one on the land value.

(1) Value of improvements plus the value of the land from B. C. Vladeck in New York Times, January 29, 1938

(2) 1936 Report, Commissioners of Taxes and Assessments, City of New York.

	Total Taxables	Ordinary Real Estate
Land	\$7,565,297,281	7,314,943,341
Improvements	8,418,134,000	7,551,714,565
Franchises	<u>695,534,267</u>	
Total Real Estate	\$16,678,965,548	\$14,866,657,906

COMMERCIAL PROPERTIES PAY ON TWO TAX UNITS

The average modern office building, department store or theatre occupies land valued about equal to the building. Adding together the assessments on business buildings in Manhattan along its commercial backbone from Battery to Harlem, 1,100 of them, including Rockefeller Center, Empire State, the Woolworth Building, Morgan's Bank, the Fifth Avenue Building, Number One Wall Street-- the world's finest--we find the land value and the building value almost equal. -- Thus a ratio of one to one. The reason is obvious if one reflects. The average worker occupies about 40 to 50 square feet of office or store space. At home the same worker has 200 to 250 square feet of space. It takes five times as much brick and mortar to house a man at home as it does to protect him at his work. An adequate commercial building therefore pays on but two units of taxation, one on building and one on land.

VACANT LAND PAYS ON ONE TAX UNIT

Land without buildings held idle for speculation pays on the land value only. There is more idle land in Greater New York than most of us realize. The Tax Department classifies as vacant, land which is wholly unoccupied. If a small ramshackle or boarded up tenement is on the site it is classified as improved. A good commercial site worth \$100,000 with a \$1,000 shack on it should be considered 99 per cent vacant. A \$20,000 slum site with a century old fire trap on it assessed at \$5,000 is really 95% vacant, because it should have an apartment house on it worth \$100,000 or five times as much as the land. Then it would match the average home ratio in Kings or Queens.

EXPLANATION: The following is all new matter, taking the place of the existing sections of the New York City Charter.

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§ 1. Assessors: Duties in Assessing Property. The assessors shall furnish to the tax commission, under oath, a detailed statement of all taxable property, showing that they have personally examined each and every improvement, house, building, lot, pier or other assessable property, giving the street, lot, section or ward, block and map number of such real estate embraced within such district. They shall classify all real estate in the city in such manner, and upon such testimony as may be adduced before the tax commission, so as to distinguish between the improvements on land and the land exclusive of improvements, and shall certify to the tax commission the sum which in their judgment represents the full economic value of each separately assessed parcel of real estate as if it were wholly unimproved land; and separately stated, the full value of the improvements, if any, on the same parcel; the full economic value of the land shall be determined as though it was wholly unimproved and free from the burden of any tax on the land; the value of the improvements on the land shall be determined according to cost or reproduction value, whichever may be lower, with due allowance for depreciation or obsolescence in accordance with usual and accepted standards.

Using these measures of sufficiency Manhattan Island as a whole can be considered as only 25 per cent adequately improved, or seventy-five per cent vacant, in a social sense.

CITY AVERAGE IS TWO UNITS OF TAXATION

The total land value for the entire city is about 8 billion dollars against about 8 billion dollars improvement value making a ratio of one unit for land to one unit for buildings or two tax units on the average based on the total assessments arrived at each year.

GRADED TAX WILL CHECK INEQUALITY

It is the objective of the Tax Department to apportion the burden of the budget proportionately equal over the area of the entire city. It fails to achieve this equity so long as it must use building costs as the measure of taxation instead of land value. More than three-fourths of its energy is consumed in measuring the value of buildings.

It is the purpose of the graded tax plan to correct this discrimination which enriches land speculators and which robs home owners to such an extent that it makes it practically impossible for the average home owner to keep his own home. Under the present tax system a \$6,000 home taxed on six tax units at the rate of \$2.70 per \$100 is taxed \$162. If equalized to the city average under the graded plan the tax would be on two tax units at 2.7 on each \$100 or a total of \$54. The difference is \$108 a year. Capitalized at 5 per cent this difference is worth \$2160 or nearly half the cost of the house. And when the average city council man can see that the tax load on homes is unfair or the home owner can see it himself this reform will come. It has already been adopted in Pittsburgh and Scranton. In Pittsburgh the plan has been in operation since 1914.

TAX SHIFT TO BE GRADUAL

Under the graded tax plan (3) the shift of the tax from improvements to land is accomplished by increasing the rate on land and decreasing the rate on buildings 10 per cent a year for nine years until the rate on buildings is one-tenth that on land value. Strict logic would seem to indicate that the evil being identified, an immediate change would be more beneficial than a gradual one. But mankind resents sudden changes as an interference to established custom or business. If a typhoid source was discovered polluting the water supply, logic would demand its immediate eradication, but tenderness for the business of doctors, undertakers, cemeteries might call for a gradual remedy of the plague.

How to clear the slums and at the same time save the fortunes of our socially elect who are speculating in slum land value is the obstacle which up to now has prevented slum clearance. Many of the professional housers think they can do both. It is an impossibility. Until the rock of high land prices paid to speculators is removed there will be no general slum clearance or adequate housing.

(3) Graded Tax Law proposed as an Amendment to the Administrative Code of the Charter of the City of New York, based upon a study of the practical application of the Graded Tax Law in Pittsburgh, Pa.

THE REMEDY BY LAW IS SIMPLE

To meet this problem a bill has been drafted for introduction in the City Council. This bill provides for a gradual shift of 10 per cent a year for nine years. The full economic value of land is taken as the tax base for land instead of the market or selling price.

There is a difference between land value and land price.

The selling price of land on the market is less than the full economic value of the site to the extent of the capitalization of the present land value tax. A lot selling at \$1,000 which is now taxed at 2.7 has an annual ground rent value of 5 per cent of \$1,000 (5% being assumed as the going rate of interest) plus the 2.7 per cent tax.

This is 7.7 per cent on \$1,000 or \$77 a year. If the current worth of money is 5 per cent, this makes the full economic value of the site

\$1540.

In other words a \$1000 lot worth a \$1000 selling for \$50 a year to the owner after he has paid a tax of \$77.

TAX BASE SHOULD BE FULL ECONOMIC VALUE

Pittsburgh has had a partial graded tax law for many years. (4)

Much benefit has resulted. But the Pittsburgh law, a pioneering effort in tax reform, has two major defects:

1. It goes half-way -- the building rate is one-half the land rate.
2. It uses selling price or market value as the tax base instead of the full economic value.

(4) a. "Pittsburgh's Graded Tax in Full Operation" by Percy R. Williams, Pittsburgh's Board of Assessors.

b. "A Practical Program for Tax Reduction" Pittsburgh Taxpayers League.

c. "Differential Taxation of Land and Buildings" by Harold S. Bottenheim, Editor American City, N.Y.C.

d. "Practical Application of Graded Tax Plan" U.S. W.P.A. Project 46 (Study.)

The effect of decreasing the building rate is to encourage new building -- a good thing in itself. The effect of increasing the rate on land value is to discourage holding land idle and to decrease the selling price of land -- also a good thing.

From the standpoint of the Municipality, however, the decrease of the selling or market price of land decreases the tax base for land, and as the rate continues to increase the selling price of land as a tax base tends to disappear.

This apparent objection to the graded tax plan is overcome by the simple device of using the full economic value of land as the tax base. This is the value which the city itself has created and which it must claim to remain solvent.

HOW TO DETERMINE ECONOMIC VALUE

A simple rule to determine the economic value of land is to take the market value (presumed to be the assessed value) and add the current tax capitalized at the going rate of interest, say 5 per cent. The tax on a \$1,000 lot at 2.7 is \$27, which would pay interest at 5 per cent, on \$540; this added to the market value makes the economic worth of the lot \$1540.

The taxing authorities are becoming more proficient in collecting and posting to each lot the facts of selling prices, mortgages, appraisals and other data that indicate true land value.

Since 1900 New York City has set down carefully the land value of each lot in a separate column. Since 1904 it has published a land value map which makes it easy to see where these land values are. Since 1935 it has begun to modernize its antiquated equipment and it has established a Research Bureau to check its results. It is with these facilities that

it is possible to achieve an assessment that is equitable for all who own property if the basic principle can be established that land value is the root of our financial problem. Much of the city's investment continues to go to the land speculator, especially in housing improvements, instead of flowing back to the City's Treasury. This is why the City was compelled to beg the legislature for permission to levy another tax on business to be used to pay the interest on housing bonds.

GRADED PLAN WOULD INCREASE TAX BASE

The assessed or market value of the land of Greater New York is about \$8,000,000,000. The tax on this at 2.7 equals \$216,000,000 which when capitalized at 5 per cent would make \$4,320,000,000. The capitalized value of the land tax added to the assessed or market value establishes the full economic land value of the City at \$12,320,000,000. Adding the present building assessment of about \$8,000,000,000 the City's tax base would exceed \$20,000,000,000. This is the true value of the "Golden Earth" composing this great city of ours.

The stimulation to building that would result from reducing the rate of taxation would in time double the total building value so that it would be reasonable to expect the total assessment base to approach \$30,000,000,000 in the near future in New York City.

CONSTITUTIONAL LIMITATIONS IN NEW YORK

The provision in the proposed tax law to stop the reduction in the building rate at one-tenth of the land rate is made in order to retain building value in the tax base. This is necessary because of two limitations in the New York State Constitution—one that the tax rate on real estate (land and buildings) shall not exceed 2% of the tax roll and the other that cities may borrow only up to 10 per cent of the tax assessment roll.

The first limitation has no proper place in the Constitution and the second would become unnecessary when the graded tax plan is adopted because then the City would be able to pay for public improvements without borrowing and the public debt service burden on current taxation would tend to disappear.

The graded tax plan was the contribution to our tax machinery of Pittsburgh business men who were convinced of its logic by an enlightened Mayor. It has been approved by students of taxation and is the next forward step for municipal governments to take. Only in this way can we build soundly for the future.

GRADED TAX LAW

Proposed for

THE CITY OF NEW YORK

§ 2. Annual Record of Assessed Valuation: Form and Contents.

There shall be kept in the several office of the tax department, books to be called "the annual record of the assessed valuation of real estate in the borough of _____," in which shall be entered in detail the assessed valuation of such property within the limits of the several boroughs. In such books the assessed value of real estate shall be set down in three columns; in the first column shall be given opposite each separately assessed parcel, the sum which represents the full economic value of the land as if wholly unimproved and free from any land tax; in the second column the sum which represents the value of the improvements after due allowance for depreciation and obsolescence and in the third column the total value of such parcel which shall be the addition of columns one and two. Such annual record shall be prepared in such manner that the entries therein of all taxes and assessments laid or levied on land or improvements, in the city shall be under sections and block and lot headings as may be most convenient for use in connection with the block and lot map of taxes and assessments of the City of New York. The department shall maintain a system of lot card or lot sheet records so that records and data affecting each separately assessed parcel shall be kept separately. The tax bill furnished to the taxpayer shall show the block and lot number and the assessment for land value, improvements and the total assessment separately and also the amount of the tax. The records required under this article shall be public records.

§ 3. Valuation of Property Assessed for Purpose of Taxation.

The tax commission shall, before opening the books of the annual record for public inspection, fix the valuation of property, for the purpose of taxation throughout the city at such sums as will, in its judgment, establish a just and equal relation between the valuation of property in each borough and throughout the entire city. To this end the commission may require the assessors to transmit a report to it of the assessed valuation of real property in the several boroughs at such time prior to the first day of February as it may prescribe.

Upon the completing of the tentative assessment, the commission shall furnish to each taxpayer a statement showing the value of the land, the value of the improvements and the total assessed value of each tax parcel on which such taxpayer pays taxes.

§ 4. Commissioner of Review of Tax Assessments. There shall be a commissioner for the review of tax assessments who shall be appointed by the Mayor according to the civil service law. Any person or corporation claiming to be aggrieved by the assessed valuation of real estate, may apply to the Commissioner or for correction of such assessment. The application shall be in writing and shall specify clearly the objection and the grounds for the objection. The application may be filed within six weeks after the assessment roll is completed. The decision of the commissioner shall be made within 30 days after the filing of application.

§ 5. Certiorari to Review Final Determination of the

Board. A certiorari to review or correct on the merits any final determination of the tax commission shall be allowed by the supreme court or any justice thereof, directed to the president of the tax commission on the verified petition of the party aggrieved, but only on the grounds, which must be specified in such petition, that the assessment is illegal, and giving the particulars of the alleged illegality, or that it is erroneous by reason of fraud or by reason of inequality in that the assessment has been made at a higher proportionate valuation than the assessment of other real estate of the character on the tax-rolls of the city for the same year, specifying the instances in which such inequality exists and the extent thereof, and stating that he is or will be injured thereby. Such certiorari may review one or more assessments of several separate and distinct parcels, under the same ownership, included in a single petition, writ and proceeding.

§ 6. Assessment-Rolls: Preparation and Delivery. Assessment-rolls shall be arranged with respect to number of columns and shall contain such entries as the board shall prescribe, sufficient to identify the property assessed and to show the economic value of the land, the value of the improvements and the total assessed valuation. Real estate shall be described therein by the numbers by which such property is designated on the tax maps and in such annual record of the assessed valuation of real estate and such numbers shall impart into the assessment-rolls any necessary identifying description shown by the tax maps.

§ 7. Graded Tax Assessment. The council shall, in determining the rate for the second half of the year 1939, assess a tax upon the improvements equal to 9/10 of the highest rate of tax required to be assessed for said year, and for the year 1940 shall assess a tax upon the improvements equal to 8/10 of the highest rate of tax required to be assessed for said year, and for the year 1941 shall assess a tax upon the improvements equal to 7/10 of the highest rate of tax required to be assessed for said year, and for the year 1942 shall assess a tax upon the improvements equal to 6/10 of the highest rate of tax required to be assessed for said year, and for the year 1943 shall assess a tax upon improvements equal to 5/10 of the highest rate of tax required to be assessed for said year, and for the year 1944 shall assess a tax upon the improvements equal to 4/10 of the highest rate of tax to be assessed for said year, and for the year 1945 shall assess a tax upon improvements equal to 3/10 of the highest rate of tax required to be assessed for said year, and for the year 1946, shall assess a tax upon the improvements equal to 2/10 of the highest rate of tax to be assessed for said year, and for the year 1947 and for each year thereafter to assess a tax upon the improvements equal to 1/10 of the highest rate of tax required to be assessed for the year 1947 and for each year thereafter respectively, so that upon the said classes of real estate there shall, in any year be two rates of taxation.

THE GRADED TAX

A MUNICIPAL NECESSITY

Prepared by Walter Fairchild for
The Graded Tax Committee
11 Park Place, New York City

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The purpose of the Graded Tax is to shift the tax load from improvements on land to the value of the land, ~~itself~~.

It is advisable to decrease the tax on improvements and increase the tax on land value in order that the benefit of the expenditure of public money for public improvements and services may be spread more ^{equitably} ~~equally~~ over the areas benefited.

It is obvious that money spent for streets, parks, bridges, schools, ~~firemen, police, street cleaners etc.~~ houses, water works, and transportation increases the land values of the areas served by ^{such} ~~these~~ public ^{services} ~~works~~. Not quite so obvious is the benefit coming to land values from the efficient services of school teachers, policemen, firemen, street cleaners and other public guardians paid for with our taxes. ~~A public milk plant retailing milk at 5¢ a quart directly benefits the landlord of the East side tenement. The more efficient the municipal administration the more benefit to land owners.~~

The task that confronts us is to devise a plan whereby the municipality may ^{absorb} ~~take~~ into the public treasury the values created by the expenditure of public money, ^{this} ~~for public works and services~~. It is ^a ~~simple~~ ^{task} ~~to do~~ once we see the logic ^{and justice} of the idea.

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HOMES MAY COST FIVE TIMES THE SITE

For example, adequate residence buildings cost five times as much as the land on which they are built. On the average there is \$200 of land value for each \$1,000 of building cost for new dwellings. (1) The average single-family house or apartment consists of about five rooms, housing on the average five people or one room to a person, so that land value used for living purposes in Greater New York is \$200 a room or a person. Multiplying 7,500,000 (population or rooms) by \$200 makes \$1,500,000,000 of land value used for dwellings. There is about \$8,000,000,000 of land value in Greater New York. (2) This leaves \$6,500,000,000 of land value used for commercial purposes, or wasted in vacant land.

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A partial application of the idea has already been adopted in Pittsburgh and Scranton. In Pittsburgh a graded tax law has been in operation since 1914.

SHIFT MADE GRADUALLY

Under the graded tax (3) law proposed for New York City the shift of the tax from improvements to land is accomplished by increasing the rate on land and decreasing the rate on buildings 10 per cent a year for nine years, until the rate on buildings is one-tenth that on land value. Strict logic would seem to indicate that, the evil being identified, an immediate change would be more beneficial than a gradual one. But mankind resents ~~changes that suddenly violate~~ *changes that suddenly violate* ~~sudden changes as an interference to~~ established custom, ~~or business.~~ *business.* If ~~a typhoid source was discovered polluting the water supply, logic would demand its immediate eradication, but tenderness for the business of doctors, undertakers and cemeteries might call for a gradual remedy of the plague.~~

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The selling price of land on the market is less than the full economic value of the site to the extent of the capitalization of the present land value tax. A lot selling at \$1,000 which is now taxed at 2.7 has an annual ground rent value of 5 per cent of \$1,000 (5% being assumed as the going rate of interest) plus the 2.7 per cent tax. This is 7.7 per cent on \$1,000, or \$77 a year. If the current worth of money is 5 per cent, this makes the full economic value of the site \$1540.

TAX BASE SHOULD BE FULL ECONOMIC VALUE

Pittsburgh has had a partial graded tax law for many years. (4)
It has not resulted in benefit to the extent expected because of basic defects in the law which tend to defeat ^{its} ~~the purpose of the plan. as a~~ pioneering effort, however, ~~it has served a highly useful purpose.~~

The Pittsburgh law has three major defects:

1. It goes only half-way -- the building rate is one-half of the land rate.
2. It uses selling price ~~or market value~~ of land as the tax base, ~~instead of the full economic value,~~ causing the land tax base to decrease.
3. The building value, used as the tax base, tends to increase both in quantity and relatively as the land value base decreases.

(4)

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- b. "A Practical Program for Tax Reduction" Pittsburgh Taxpayers League.
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- d. "Practical Application of Graded Tax Plan" U.S. W.P.A. Project #46." (study)

The effect of decreasing the building rate is to encourage new building -- a good thing in itself. The effect of increasing the rate on land value is to discourage holding land idle and to decrease the selling price of land--also a good thing.

From the standpoint of the Municipality, however, the decrease of the selling or market price of land decreases the tax base for land, and as the rate continues to increase the selling price of land as a tax base tends to disappear.

These practical assessing difficulties ~~or apparent objections to the graded tax~~ are overcome by the simple device of using the full economic value of land as the tax base. ~~This is the value which the city itself has created and which it must claim to remain solvent.~~

HOW TO DETERMINE ECONOMIC VALUE

~~A simple rule~~ ^{we add to} To determine the economic value of land ~~is to take~~ the market value (presumed to be the assessed value) ~~and add~~ the current tax capitalized at the going rate of interest, ~~say 5 per cent.~~ The tax on a \$1,000 lot at 2.7 is \$27, which would pay interest (at 5 per cent) on \$540; this added to the market value makes the economic worth of the lot \$1540.

The taxing authorities are becoming more proficient in collecting and posting to each lot the facts of selling prices, mortgages, appraisals and other data that indicate true land value.

Since 1900 New York City has ^{assessed land values and building values} ~~set down carefully the land value of~~ ^{separately} each lot in a separate column. Since 1904 it has published a land value map, which makes it easy to see where these land values are. Since 1936 it has ^{been modernizing} ~~begun to modernize~~ its ^{recording} ~~antiquated~~ equipment and ~~it~~ has established a Research Bureau to check ~~its~~ results. ~~It is~~ ^{With} these facilities ~~that~~ it is possible to achieve an assessment that is equitable for all who own

property, if the basic principle can be established that land value is the root of our financial problems. Much of the city's investment continues to go to the land speculator, especially in housing improvements, instead of flowing back to the city's treasury. This is why the City was compelled to beg the legislature for permission to levy another tax on business to be used to pay the interest on housing bonds.

GRADED PLAN WOULD INCREASE TAX BASE

The assessed or market value of the land of Greater New York is about \$8,000,000,000. The tax on this at 2.7 equals \$216,000,000, which ^{is} ~~when~~ capitalized at 5 per cent ^{of} ~~would make~~ \$4,320,000,000. ^{Adding this capitalization of the} ~~This added to the~~ assessed or market value establishes the full economic land value of the City at \$12,320,000,000. Adding the present building assessment of ~~about~~ ^{makes} \$8,000,000,000, ^{present} the City's tax base ~~would~~ ^{under} exceed \$20,000,000,000. This is the true value of the "Golden Earth" ^{composing} this great city of ours. ^{The} ~~value would be enhanced by the great stimulation to building resulting from the~~ ^{proposed law.} ~~The stimulation to building that would result from reducing the rate of taxation would in time double the total building value so that it would be reasonable to expect the total assessment base to approach \$30,000,000,000 in the near future in New York City.~~

CONSTITUTIONAL LIMITATIONS IN NEW YORK

The provisions in the proposed tax law to stop the reduction in the building rate at one-tenth of the land rate is made in order to retain building value in the tax base. This is necessary because of two limitations in the New York State Constitution--one that the tax rate on real estate (~~land and buildings~~) shall not exceed 2% of the tax roll, and the other that cities may borrow only up to 10 per cent of the tax assessment roll.

The first limitation has no proper place in the Constitution and the second would become unnecessary when the graded tax plan is adopted, because ~~then~~ ^{there} the City would be able to pay for public improvements without borrowing and the public debt service burden on current taxation would tend to disappear.

The graded tax plan was the contribution to our tax machinery of Pittsburgh business men who were convinced of its logic by an enlightened Mayor. It has been approved by students of taxation and is the next forward step for municipal governments to tax. Only in this way can we build soundly for the future.

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