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### **Taxation of Land Values in American and Foreign Cities**

By Joseph Fels

One of the phenomena of this age is the attraction of population to cities. Not only is man gregarious or social in his instincts, but the subdivision of labor and complexity of exchange, which denote our advancing civilization, compel men to live and labor together in large numbers in order to produce the greatest results. In so doing they but follow the line of least resistance, i. e., seek to satisfy their desires with the least exertion.

This congregation of vast numbers has projected new problems which an advancing civilization must solve. Among other questions for the cities to solve are those pertaining to the raising and disbursing of the huge revenues required for the complex activities of the modern city. The city fathers, ever following the line of least resistance, have bonded the cities, borrowed money almost to the constitutional limit, and piled up huge debts for posterity to cancel or to stagger under as best it may. But the people clamor for more public improvement, more and better streets, walks, parks, public buildings, etc., and the question arises: "Where is the needed revenue to come from?"

Already the burden on private improvements, occupations and business is becoming too grievous to be borne. Improvement and business is checked, in fact well-nigh throttled. The followers of the Prophet of San Francisco are at hand with the solution. They would tap the inexhaustible public reservoir of land values. For thirty years they have dinned into the ear of the tax-gatherer the refrain: "Tax land values and relieve industry." Now that the tax gatherer is at the end of his rope, since industry is burdened to its full capacity, he is beginning to hearken to this appeal to tax land values, which in all lands is becoming a live issue.

In American cities land values are already taxed, but on the same basis as improvements and personal property. However, the progress has been made in the practical work of exempting labor products and confining taxation to the privilege of landholding.

Some fifteen years or more ago the little town of Hyattsville, Md., a suburb of Washington, exempted improvements for one year, and increased the tax rate on land values, with the result that more buildings were erected during the year than in the five years preceding. But the state courts decided against the experiment, and the town dropped back to the old rut.

A crude attempt to place the burden of public improvement on the beneficiary of such improvement, the land-owner, is in operation in many American cities in the form of special taxes for street, sidewalk and park improvements assessed against abutting property owners.

In the cities of New York State the Ford Franchise Tax Law calls for the assessment of the franchises of public service corporations as real estate. The franchise value of a public service corporation enjoying highway privileges is essentially land value. It is the capitalized value of the exclusive use of the public streets for a certain purpose.

In many American states and cities there is a growing demand for the exemption of factories, occupations and personal property. Such exemption would shift a larger part of the tax burden on to real estate values. To a more limited extent there is agitation for partial exemption of improvements from taxation.

The principle of the taxation of land values has received wider recognition in Canada, where a number of cities have ceased to tax improvements. Vancouver, the metropolis of British Columbia, a city with a population of about 80,000, has no tax on improvements. It is enjoying one of the greatest real estate and building booms on record anywhere. Nanaimo, the center of the coal mining industry of the province, also exempts improvements. The capital, Victoria, and all the other municipalities in the province, assess improvements at 50% or less of their value, while the law calls for full value assessment of land. Edmonton, the capital of the adjoining prairie province of Alberta, which a few years ago was a Hudson Bay Company trading post, now a thriving metropolis of 30,000, and boasting skyscrapers and business houses out of all proportion to its size, has exempted improvements for a number of years. 250 municipalities and townships in the Province of Ontario have petitioned parliament for power to assess land values at a higher rate than improvements. The citizens of Toronto voted two to one in favor of exempting dwellings from taxation to the extent of \$700, but the City Council refused to sanction the proposal.

But the greatest progress in the direction of the taxation of land values has been made in Britain's antipodean colonies. In 1890, the Parliament of New Zealand granted to the local taxing bodies power to exempt improvements from taxation. Nearly half of the counties, municipalities and road districts of the colony have since made such exemption. In 1891 the personal property tax was abolished throughout the colony. So that now the industries of New Zealand are burdened less than any European or American country. The people of New Zealand are the wealthiest on the globe, their per capita wealth being a third greater than that of the people of the United States, while wealth is more generally diffused. It has been said of that country that it has neither millionaires nor paupers.

The state of New South Wales, Australia, exempts from taxation improvements in all the shires and in practically all the municipalities except the capital, Sydney, which is expected soon to take the same step. As a result of this shifting of taxation from industry to land values a great building boom is in progress throughout the country, and new lines of business are stimulated. Wages are rising, and there is little of the usual unemployed problem. Immigration has attained large proportions, but labor is still so scarce that the state parliament has appropriated the sum of £200,000 to assist working people into the country.

In South Africa the city of Durban, the port of Natal, has enjoyed the equivalent of the taxation of land values, so far as its residence section is concerned, for a number of years. The City owns its residence

section, and lets the land to the citizens on periodical lease.

Germany's Chinese port of Kiau-Chow, now one of the great trade emporiums of the Orient, has for years raised all its revenues from land values, the authorities appropriating two-thirds of the ground rent. The principle has proved so successful that the German Empire is applying it to other colonies.

The states and municipalities of the German Empire now raise £125,000,000 annually in taxes on land values by means of unearned increment tax, royalties, etc. Of this sum the imperial government proposes to take 6%, or £7,500,000.

In the United Kingdom the general elections were fought over a budget which contained three provisions for the taxation of land values. These features of the budget in all probability saved the Liberal party from defeat and the country from disaster. The taxation of land values is the burning issue, and is the only alternative to a protective tariff with its inevitable train of privilege, graft, public corruption and pauperism.

Over 500 local taxing bodies of the kingdom, including London, Glasgow, Liverpool and Manchester have petitioned parliament for power to make land values the basis of local taxation. This petition will probably be granted so soon as parliament can clear the way, i. e., repeal the Lords' right of veto, and carry out the valuation of land under the budget.

The Italian cities levy a special tax on vacant lots, this tax in the city of Rome being 3% on a full valuation. The object of the tax is to break the strangle hold of land monopoly, and give industry opportunity to expand. Improvements are exempt from taxation for a period of two years.

Progress along these lines is being made in Paris and Vienna and in the Swiss and Swedish municipalities.

The taxation of land values is receiving much consideration in Norway and Japan and is being debated in the municipal councils of Calcutta and Johannesburg.

Senor Canalejas, the new premier of Spain, says:

"I am navigating the same waters as is the English government. With a view to creasing production and equitably redistributing taxation, I propose to apply the English theory of unearned increment to land, and to suppress the octroi duties."

As Count Tolstoy says: "The taxation of land values is the next great step in the progressive movement of the world."

Reverting to America, there is a little colony on Mobile Bay, comprising somewhere near 1,000 souls, where only land values are taxed. This colony of Fairhope meets all state and county taxes out of its ground rents, and expends the balance in public improvements for the equal benefit of all its citizens. This is approaching the ideal condition which when generally adopted throughout the civilised world will

abolish war, pestilence and poverty and make possible the realization of that lofty ideal, the brotherhood of man.