

CANADA

Single Tax in New Westminster, B.C.

Writing in the *American City* (March, 1935), Mr F. J. Hume, Mayor of New Westminster, British Columbia, gives the following account of the operation of land-value rating in that city:—

“Twenty-three years ago the city of New Westminster abandoned the then existing form of taxation and adopted the single-tax system, eliminating all taxes other than upon land values. It was felt that imposing taxes on improvements discouraged ratepayers from carrying out desirable additions and changes which under the single tax they might do.

“Since this system has been in vogue the city of New Westminster has reaped considerable benefit by way of increased population and additional number of property owners residing in the municipality. Gradually more persons were encouraged to purchase property and become home-owners. The single tax discouraged vacant land speculation and assisted manufacturers. This city is believed to have the largest percentage of individually owned, unmortgaged homes of any city on the continent. It now has the largest invested capital per person of any city in the Dominion of Canada, and this capital investment is not in inflated speculative land value, but rather in factories, machinery, stores and goods.

“Population and industry have boomed, but land speculation has been buried. It is now unprofitable for real estate dealers to withhold sites from prospective buyers. The average citizen is now loud in his praise of the existing single tax system, which reduces the cost of land and does not penalize improvements. Land can be purchased from the municipality at reasonable rates. There is therefore but a small percentage of non-productive property in the city and a small proportion of property reverting to the city for non-payment of taxes. The protection of the interests of the ratepayers has meant more business for the lumbermen, paint dealers, furniture factories and all building trades.

“The single tax has made it easy for the business man and producer to establish themselves. I feel the single tax has also had a tendency to reduce unemployment crises and the seasonal slump in this city, as the manufacturer and merchant do not have to carry in their overhead expense the dead weight of a large investment on high-priced land, nor do they have to maintain taxes on their buildings, machinery and equipment. Hence the factories and mercantile houses of New Westminster have been able to keep operating when in other cities a number have had to partially or completely close down. Every encouragement is given to every bona-fide prospective industry. The Council is authorized to submit a by-law to the ratepayers and upon obtaining a three-fifths affirmative majority to grant the affected industry a fixed assessment on land for a period of years, in addition to the regular exemption of improvements.

“The existing industries over the said period of 23 years have been able to provide their employees with comparatively steady work. The financial condition of New Westminster also bears inspection and will be found to compare favourably with other cities in Canada and the United States for low per capita tax figures, and has one of the highest percentages of tax collections.

“The real estate dealers in New Westminster have played the role of home builders rather than land gamblers. Abolition of taxes on labour products has assisted in inducing a normal community development and a thoroughly diffused prosperity as well as a widely felt sense of economic security and freedom.”

WINNIPEG'S TAX ARREARS

Some time ago the City Council of Winnipeg appointed Mr Thomas Bradshaw, a municipal expert of Toronto, to make an investigation of the city's finances. A summary of the report extending to nearly three pages of newsprint appeared in the *Winnipeg Free Press* of 31st July, 1934.

Land and buildings are valued separately, and the assessment of the buildings for taxation purposes is two-thirds of the valuation. A somewhat higher burden is therefore thrown on land value than on improvements.

The total revenues of the city for 1933 were \$11,124,610. Of this amount, according to Mr Bradshaw's report 93 per cent was derived from taxation of real estate, and the balance from profits of municipal undertakings and other indirect taxation.

One of the main recommendations in Mr Bradshaw's report is that the taxation of real estate should be reduced, and the reduction balanced partly by economies in expenditure, partly by new taxes and partly by increased grants from the provincial Government.

In making this recommendation it does not appear that the Commissioner ever directed his mind to the fact that real estate includes two totally different subjects of taxation, land and improvements. He says: “Real estate taxes are not infrequently a determining factor in the establishment of a business, the location of a plant, the acquisition of a home, or the making of an investment in real estate.” Elsewhere he refers to “a lack of new construction of all classes of revenue-producing buildings,” but without any suggestion that a reduction of the tax rate (or the valuation) of buildings would be a useful measure or that such part of the tax as falls on land values does not discourage the erection of buildings.

The allusion to investment in real estate is probably elucidated by a statement quoted by Mr Bradshaw with apparent approval: “There is a feeling among certain large property owners in the city that taxation of real property has actually gone beyond the point that real estate can bear.” The large property owners referred to are perhaps the speculators in land values or others who are more interested in the land value than in the improvement.

It would be interesting to know what the small property owners and those who are not property owners at all think of the proposal to reduce the real estate tax and make up the deficiency by a tax on the rent of rented homes and apartments, by increase of water charges, savings in educational expenditure and many similar suggestions. The small property owners can make up their minds that if a reduction of taxation is to be made to satisfy the large property owners it will be made up by taxation which falls on the small property owner.

The main trouble in Winnipeg appears to be the growth in tax arrears which amounted to \$7,600,258 at the end of 1929 and to \$11,567,339 at the end of 1933. The latter figure is equal to the total revenue of 1933. It will be noticed that the arrears had already amounted to a very large sum before the beginning of the present depression. This indicates that Winnipeg, like other Canadian and American cities, is suffering from a defective procedure for collecting overdue taxes.

Mr Bradshaw states that during the 15 years ending with 1933 the city had come into possession of 29,314 lots valued at \$10,750,000 by reason of non-payment of taxes. At the time of report the city still held 26,836 lots having an assessed value of over \$9,500,000. It is stated that the value of the buildings on these lots