

Incentive Taxation For California

CALIFORNIA — where Henry George wrote *Progress and Poverty* in 1879 — already has a limited application of the land-value taxation policy he popularised. The so-called "irrigation districts" raise their revenues by taxing land values only, with improvements and personal property exempt. Now there is a move to extend this policy so that every city, county and district in the State may, if it so wishes, either exempt buildings, etc., completely from taxation, or tax them less than land is taxed. Before these authorities can be granted such permissive taxing powers the State's Constitution has to be amended. Accordingly Assemblyman Vernon Kilpatrick, supported by 43 other Assemblymen, has brought forward an Assembly Constitutional Amendment, A.C.A.43. This requires a two-thirds majority in both houses of the Legislature before it can be added to a ballot for approval or disapproval of the State's voters — quite a gauntlet to run. A.C.A. 43 would add a new section, part of which is as follows, to Article XIII of the State Constitution:—

"Sec. 25. In order to strengthen local government, conserve agricultural resources, eliminate slums and rebuild our cities, promote better and less costly building, encourage home ownership, attract industry and trade to California, and encourage better use of our land, any county, city and county, city or district may do as follows:

"Notwithstanding any other provisions of this Constitution:

"(a) Any county, city and county, city or district may exempt from taxation or limit the rate of taxation upon all improvements and upon all personal property."

At Sacramento (state capital), A.C.A.43 encountered strong opposition on April 24 when it was considered by the appropriate committee. It has been referred to an interim committee for further study. But it has not been killed — it is very much alive and kicking! The way is clear for a widespread, intensive educational campaign. The Incentive Taxation Committee (chairman, Henry B. Cramer) has this in hand. It merely continues and reinforces one which has been in progress for some months during which period thousands of letters and petitions were sent to legislators. Supplementing A.C.A. 43 is a similar Senate Constitutional Amendment, S.C.A. 35 which was due to be heard on May 22 by the Senate Revenue and Taxation Committee.

Dr. Glenn E. Hoover, of San Francisco, and Mr. H. Bronson Cowan, research director of the International Research Committee on Real Estate Taxation, of Ottawa, were among those who testified on April 24 in favour of A.C.A. 24. Assemblyman Kilpatrick read a letter he had received from Governor David L. Lawrence, of Pennsylvania, in which he praised the "graded tax" law by which, in Pittsburgh and Scranton, local taxes on buildings are

levied at 50 per cent the tax on land values. Of this partial application of land-value rating the Governor wrote:

"It has discouraged the holding of vacant land from speculation and provides an incentive for building improvements. In the distribution of the tax burden it is particularly beneficial to the home owners."

Mr. Kilpatrick contrasted this with matters in California: "It is clearly evident that our constantly rising property tax burden, even though supplemented by state collected funds by more than 50 per cent, is discouraging industry, other than federally financed war production, from locating in California."

Exemption of improvements and personal property from taxation in California were first suggested in 1873 by Governor Newton Booth. Governor Booth's 1873 message to the Legislature proposed that land only be taxed and stated that under this system "the only parties who would pay more than they now do would be the owners of unimproved land and unimproved town and city lots." The Governor added that this was a tax system "which earnestly engages the attention of political economists, and which has for its object the collection of revenues . . . from that portion of the value of lands which is not conferred by labour, but by the general progress of society."

For Michigan Also?

A JOINT resolution by the Senate and House of Representatives of the state of Michigan was introduced on March 1 by Representatives De Maso, Begick, Strange and Borgman, and referred to the Committee on Revision and Amendment of the Constitution. It proposes that article 10 of the state constitution should be amended by adding a new section (3a) to authorise the assessing of real property improvements at a different rate than land and permitting variations in tax rates within the district. As in California, to become effective, proposed amendments to the constitution have to be submitted to the people of the state during a regular election.

The same four Representatives also introduced on March 1 House Bill No. 269 to amend the General Property Tax Act by adding a new section as follows:—

"Sec. 10c. *The governing body of any taxing unit in any year may levy separate and different rates of taxation for all purposes on all real estate classified as land exclusive of the buildings thereon and on all real estate classified as buildings on land. The governing body may levy separate and different rates of taxation within the unit based on municipal services being rendered therein. When real estate tax rates are so levied, they shall be uniform to all real estate within each classification. Higher rates may be levied on land if the respective rates on lands and buildings are so fixed so as not to constitute a greater levy in the aggregate than a rate of 15 mills on both land and buildings, and they shall be uniform as to all real estate within each classification unless a different rate has been voted on by special assessments.*"