

NEW ZEALAND — THE TEST OF EXPERIENCE

IN OUR May number we reported at considerable length the principal evidence submitted to the Parliamentary Committee on Local Government by the League for the Taxation of Land Values. The statement explained and justified the "unimproved value" system of local taxation which has been progressively adopted under the optional powers conferred by the Act of 1896 applying to certain rates and by the later Act of 1911 applying to all rates, for whatever purpose levied. Under the "unimproved value" system landed property is assessed on the market value of land apart from buildings and improvements, the latter being exempted from local taxation; the rates fall on the value of land alone whether the land is used or not, and they are payable by the person or persons who enjoy the land value. Where this system is not in force, the "old system" operates under the general law of rating which provides for rates being levied either on the "annual value" or the "capital value," the former based on the annual rent and the latter on the selling value of the composite subject, without distinguishing between the land (the site) and the improvements, if any, upon it. The incidence of the "annual value" and the "capital value" systems is much the same. Both lay tax upon homes, shops, offices, factories and other structures; both mulct building and improvement and to the extent they do so, they correspondingly allow the value of land to escape contribution.

Successfully, as said, under optional powers exercised by polls of ratepayers, many local authorities have abandoned the "old system." The latest returns show that land-value rating now operates in 99 of the 161 boroughs and towns and in 60 of the 124 counties; but of these 159 "unimproved value" areas, it appears that a minority (23) have applied the system only partially, since they have not taken advantage of the 1911 Act but still operate under that of 1896.

There is a growing demand to adopt a uniform system of local taxation throughout the Dominion, and the supporters of Land Value Taxation are determined to prevent this desirable object from being exploited for purely reactionary purposes. In its Principal Evidence the League urged that the unimproved value system be made mandatory everywhere. It was able to argue magnificently both from the popular support demonstrated in the succession of ratepayers' polls and from the practical examples comparing the various systems which (as from a laboratory) taught very illuminating lessons. The landed interests, on the other hand, press in the name of uniformity for the "annual value" or the "capital value" system, taxing buildings and improvements, reversing all progress in the direction of land value rating, and incidentally and inevitably penalising every endeavour to increase the production of wealth. It is a sinister agitation and very much is at stake.

Answer to Hostile Arguments

Land-value rating is fully in operation in Wellington City. The poll of ratepayers has ordered and required it, and of course the City Council must conform. But the City Council itself represents mostly the landed interests and it has taken up the cudgels for them. Without any mandate from the ratepayers it has submitted to the Parliamentary Committee evidence endeavouring to justify the annual or capital and belittling the unimproved system of rating. The Taxation of Land Values League has quickly and ably responded with the Supplementary Evidence it put before the Parliamentary Committee on April 10.

Among the purposes for which rates are required, the spokesman of the Council said, is "to, as far as possible, make the user pay for the benefits received by him." This is an implied plea that rates should be levied on improvements—"a most retrograde proposal," the League observed, "for if we regard a community as composed of individuals having equal rights and powers with one another . . . the presence of each one adds a necessary fraction to the total amount of social land value . . . the alternatives to the levying of rates on these social land values, for the provision and maintenance of social amenities, lead to preposterous conclusions."

Another purpose of rates, it was asserted, was "to encourage the provision of new industry and good buildings to as great an extent as possible." To which the League replied: "Short of subsidies from the City's purse what greater encouragement could be given to industry and good buildings, whether new or old, than freedom of rate charges on their fixed improvements?"

The Council's statement continued that it was not the function of the rating system to strive for a redistribution of wealth by a process of penal taxation on an ability to pay basis. "This," said the League, "is a sheer inversion of the truth, for the inequitable distribution of wealth is solely caused in the first place by penal rating and taxation on the labour of individuals, leaving land values and other monopolies to go scatheless or but little affected in the process. All that the proponents of the system claim is that the rates should be based on the social benefits accruing to any particular piece of land, such social benefits being determined by accurate valuations at suitable intervals."

A further allegation was that land-value rating penalised owners who were not wealthy and could not afford to build large buildings although their businesses must be on the main street and occupying high-priced land. But that view is contradicted in an immediately preceding admission by the Council where the grudging concession is made that "the advantages of unimproved value rating were that the system encouraged the

owners to improve their land rather than leave it earning little or nothing, or to sell it to someone who wanted to use it." The critics thus answered themselves. "We deny," declared the League, "the right even of men who 'were not wealthy' to hold up the progress of a city or nation. The assertion about owners who were not wealthy enough to build is quite unconvincing. It is common knowledge that capital has always been obtainable on reasonable terms for the furtherance of any worthy enterprise."

The Supplementary Evidence submitted by the League concludes with this observation: "Our hopes for a fuller and happier existence is largely bound up with the expansion of municipal activities. It is a great mistake, then, to regard rates or any increase in them as unmitigated evils, to be stoically borne, or ineptly protested against as the case may be. Rather should a livelier interest be taken in civic affairs, and care taken in two things, first, that any money spent on new ventures is wisely spent, and secondly, that their cost be equitably apportioned among the beneficiaries which cannot help but be the case if the rating system be based upon the unimproved value."

The Rate Burden on State Houses —A Comparison

In the first part of its Supplementary Evidence the League gave a return of the total number of completed State-financed homes, the total amount of rates paid and the rating systems under which they were assessed in the respective localities. This is based on information obtained by courtesy of the Minister for State Advances, the Hon. W. Nash. The figures were detailed and tabulated in seven schedules and are extraordinarily instructive. A summary shows that:

In 67 boroughs with all rates on land values, the rate-burden in respect of 8,318 State houses averaged £6 7s. 1d. per house;

In 15 boroughs under partial land-value ratings, average rate-burden for 1,826 houses was £9 9s. 3d.;

In 17 boroughs under "annual value" system, average burden for 4,194 houses was £12 10s. 9d.;

In 20 boroughs under "capital value," average burden for 925 houses was £15 10s. 4d.;

In 3 counties with rates wholly or partly on land values, average burden for 32 houses was £2 18s. 3d.;

In 11 counties under "capital value," average burden for 244 houses was £9 14s. 11d.

The League's evidence, with the striking illustration these figures provided, had prominent notice in the *Wellington Evening Post*, April 13, and in *Board and Council*, May 2 and May 16, the fortnightly New Zealand Local Authorities Review.