

## TAKING TAXES OFF HOUSES

The following letter has been sent by Mr. J. A. MacTaggart, a Glasgow builder, 110, Springkell Avenue, Pollokshields, to Mr. James Busby, Secretary of the Scottish League, with a request that it be published in LAND & LIBERTY:—

Thanks very much for advance copy of article on "Houses and Taxation." I do not suppose you have any of the New York papers to which reference is made.

The first part of the article is very good, but the latter part is the most miserable special pleading I have seen for some time. Simply because New York does not go so far as Pittsburgh you damn New York, where according to the figures the amount of house building has been four times that of Pittsburgh. \$685 mil. for ten times the population of Pittsburgh would be \$68 mil. for Pittsburgh, whereas only \$15 mil. was spent on Pittsburgh housing. In spite of this Mr. Madsen says "they have prospects of an increase in new houses far exceeding the results . . . of New York."

Then the latter paragraph condemning the adoption of the scheme in this country because, forsooth, land would also be exempted, is simply acting the dog in the manger. Land for the new class of housing can easily be got for £200 per acre, and even at 10 houses per acre, which is more spacious than Mossbank, this means £20 per house for land. At five per cent. this equals £1 per annum per house, and is possibly not more than one-fortieth of the combined rental. Notwithstanding the prospects of being successful in providing houses, because this one-fortieth is not rated (and with full knowledge that the Conservative Government will not touch land taxation) the whole business of house provision must be blocked. It is humorous if it weren't so tragic. The Socialists object to the scheme because it opens the door again to private enterprise. Your adherents object to it because it doesn't go the whole hog. The Conservative Government want to do nothing because they consider it is better for people to leave the country.

Between you all the building trade is held up and £10,000 per week is being paid in Scotland to building trade unemployed who could be busy at housebuilding.

The 1909 fiasco (not your fault) effectually killed any chance of land taxation in a direct way. To my mind you are losing an opportunity of making a most convincing exhibition of how unrating would produce houses. As to the ultimate effect, this altogether depends on your propaganda later, and it would be quite easy to get local authorities like Glasgow to give exemption for 39/40ths or whatever it was after deducting the average for land value, and also to make any subsequent increase in rental subject to rating. We are still ready to build the 2,000 houses under this system, and think you should reconsider your whole policy.

[Mr. MacTaggart asks our passive assent to a policy which, in our estimation, would raise new obstacles to building and create new vested interests. We are convinced that, in the absence of land value taxation, the remission of rates in respect of new houses would prove a special bonus to landowners and a real provocation to further land speculation. We foresee on urban land the results of the same spurious rate-relief as was offered to agriculture under the Agricultural Rates Act, and did great harm to the industry. It is of no use to argue that the Conservative Government will not tax land values, and to expect from us on that account ready acceptance of a plan that we believe to be worthless. We are not impressed by the suggestion that our propaganda can come to the rescue later on if the ultimate effect is just what we feared. What the Conservative Government proposes or opposes has little to do with the matter. Our duty is to make opinion for what we conceive to be the right line of action.]

Our correspondent unwisely makes light of the fact that the existing rating law in this country treats house and land as one indivisible rateable subject. It does not permit a valuation of land apart from improvements. It is impossible, therefore, under present conditions, to "free houses from rates" without also remitting rates on land, so that the entire subject would be rate-free; and in any considerable housing scheme the exemption would have to apply to a whole district. The municipality would not get a penny of revenue from that area. This is simply to subsidize some occupiers at the expense of all the rest and to increase the already intolerable burden of the rates now levied on all existing houses, shops, factories, mills, and other buildings and improvements. In fact, the present rating system would be more firmly established, with all its penalising

effect on industry and resulting poverty and unemployment. Meanwhile, nothing would be done except to give a new stimulus to private traffic in the value of land.

It may be, as Mr. MacTaggart says, that land for the new class of housing can be easily got for £200 an acre. That may be the price now in some district he has in mind. We will not quarrel with his figure although we have records of far higher prices than that in many industrial districts. In Glasgow itself the price paid for 828 acres acquired by the Corporation for housing purposes was £283,339, being an average of £342 per acre. If that was the average, much of the land must have cost a great deal more.

But whatever the prices of land may be now, or may have been under the late municipal schemes, we have to consider how they will be affected in the future by a plan that would remit taxation when houses were built, and would levy no countervailing rate or tax on the value of land. With rate-relief in prospect landowners would begin to stand out for higher prices and before they were accommodated the builder would have to suffer all the vexation of exasperating delay, with housing shortage growing more and more acute. In the end, if the landowner did not get the cash value of the rate-relief, the builder certainly would not get the land.

As to New York, we would point out once more that separate valuation of the land enabled the authorities to grant relief only in respect of the structure of new houses, while still taxing the value of the land. Accordingly, as any district is developed, public revenue is derived from the value of the land on which the houses are built and in increasing amount as the land is re-valued in harmony with the annual re-assessment of the whole city. But what is more important, all vacant land is subject to the general rate of tax at 6½d. in the £ of selling value. Thus, while a special (and temporary) stimulus was given to building by exempting new houses from taxation for a period of years (if they were commenced before a given date), the tax on the value of vacant land has held speculation in check. These are the governing factors in the recent building activity in New York. Why does our correspondent choose to overlook them?

The contrast between the New York housing policy and the Pittsburgh legislation is this. In New York the tax-exemption applies only to houses begun before 1st April, 1923. After that date, no more new houses will get the tax-relief, but all new houses will be taxed at the full rate; the special stimulus will be withdrawn from building and the present activity will subside. In Pittsburgh no special privileges are created for a particular class of house-owner. The taxes\* on all buildings and improvements (new and old) are being gradually reduced and the tax on land values is being correspondingly increased. Last year the rate of tax on buildings was three-fifths the rate of tax on land values and Pittsburgh had the greatest building programme in its history. The transference of taxation in Pittsburgh from improvements to land value is continuous. It applies to buildings that will be constructed hereafter, as to all improvements. It will operate this year and next year, and from 1925 onwards there will be further relief to improvements and correspondingly more taxation will be levied on land values. These are the secure prospects of encouragement to building that New York does not possess. Pittsburgh is enjoying the benefits of a straightforward measure of land value taxation, without which any schemes of rate-relief in this country would be disastrous if not futile.—A. W. M.]

A general meeting of the Governors of George Heriot's Trust, Edinburgh, yesterday approved of a recommendation to sell 4.90 acres of ground at Logie Green to Mr. F. A. Lumley for £2,700, on certain conditions.—GLASGOW HERALD, 13th March.

\* Other than school taxes—see special note on Pittsburgh assessments, p. 59.