

## Rent Control by Taxation

By J. RUPERT MASON

**T**HE POWER vested in our State and Federal governments to regulate and control the economic rent that any private holder of land may keep for his enrichment has existed since the Republic was founded. It exists by virtue of the taxing power. It has been exercised only four times by the Federal government, first in 1798, and the last time in 1861 (12 U. S. Stat. at L. 292). But it has been exercised by the States and their counties, cities and other local units without interruption each year since the original 13 colonies formed the National government.

For a long time, it was the States which largely supported the National government, by means of taxes levied on land, in proportion to its assessed value as fixed by the local assessors. The fact that buildings and improvements were gradually included under these direct taxes on land values had the effect of lightening the contributions in support of government from the holders of unused land. This obviously stimulated land hoarding and speculation, and at the same time hampered building. But the land in neither case was exempt from the tax.

The power to collect the rental value of privately held land, whether used or held idle and waste, is "inexhaustive," except as that power may have been curbed by amendments to the State constitutions. But, in such cases, it is always within the power of the people to repeal any such restriction in the constitution, and also to repeal any provision in the constitution requiring the taxation of buildings and improvements along with the tax on land values, which is being levied each year by states, counties, cities, etc., sometimes called the "local property tax."

This annual tax on land values is not at all a tax on land, but only on the *value* of the land as fixed by the assessor. Its effect is to control the rent which private landholders, as such, can appropriate for themselves. This is so because the tax does not make the location or site value of the land any more or less favorable than it would be if untaxed.

Under our laws, no private interest is allowed to pocket any of this community created rent as a right. Our highest courts have ruled that no such right exists under our laws too often to need any proof. (See: *Providence Bank v. Billings*, 4 Pet. 514, 560; *Wood v. Lovett*, 313 U. S. 362; *State v. Aiken*, 284 N. W. 63; *Mercury Herald Co. v. Moore*, 138 Pac. 2nd 675.) Obviously, for every dollar collected by state or nation as a tax on the fruit of man's work (buildings, clothing, food, wages, etc.), more of the rental value of land can be appropriated by land title holders.

The more the value of the land is taxed, the less incentive there is for any interest to hold desirably located land idle or unsuitably used. The tax makes it advantageous for the holder to appropriately improve the land, or convey it to others on terms they can justly be expected to pay. There is no way the landholder can shift this tax in higher rent, to a tenant or anybody else. This tax cannot increase production costs, nor living costs. It offers an absolute antidote to inflation. All standard textbooks now agree this is one tax that cannot be shifted.