

TAX FACTS

*Published in
the interest of*

SOUND ECONOMICS
and
AMERICAN IDEALS

VOL. II

LOS ANGELES, MAY, 1923

NO. 1

How Much Taxes Do You Pay?

Does the \$8,460,011,587 paid in 1921 for the support of national, State and local governments in this country, include all that was paid by the citizens? Are we raising revenue efficiently and scientifically, or are we farming out taxes, after the wasteful manner of the Orientals? Does a tax collected from a public service corporation come out of the stockholders, or from the patrons? Is the merchant or manufacturer whose goods are taxed a tax payer or a tax collector?

In Oriental countries where the practice of farming out taxes prevailed, it was customary for the ruler to call upon his satraps or viceroys for certain sums. These men passed the demand on to their subordinates, who in turn called upon men still lower in rank, and so on to the lowest official. Each added to the original tax a fat commission for himself, and the poor wight at the bottom paid for all.

The injustice, the hardship, the wastefulness of that system can be imagined. A people who submit to such a method excite our compassion. We hold that the citizen should be taxed on a fixed scale, corresponding as nearly as may be to his ability to pay. When we depart from this principle it is to require the rich to pay a larger percentage of their income than the poor.

This is our theory. But does practice square with profession? Have we not, perhaps unconsciously, drifted into the Oriental method of tax-farming? Have we not in many instances levied a tax upon one man, who in turn collects it from another—plus a commission?

The Federal Government taxes all sugar brought into the country. This tax is not unlike the salt tax of Oriental countries in its universality, though it is much heavier. The Government does not collect a specific amount from the people who use sugar. Instead, it collects 2.2 cents a pound from the man who brings the sugar into the country (1.76 cents if the sugar is from Cuba) and

leaves him to recover the tax from the refiner, who passes it on to the wholesaler, who adds it to his price to the retailer, who collects it from the housewife. The housewife is the only taxpayer, the importer, the refiner, the wholesaler, and the retailer are merely tax collectors—and each adds a profit on the tax.

At the present time sugar that cost four or five cents abroad, and paid a tax of 2.2 cents a pound on entering the country (or 1.76 if from Cuba) is sold to the housewife at 12 to 15 cents. The Government received its 2.2 cents (or 1.76), but the tax-farmers are collecting enough from the people to qualify under the most grasping of Oriental rulers.

This principle of tax-farming applies to all taxes on trade, merchandizing, and industry. Not only is the tax on production added to the price of goods, and passed on to the consumer, but it falls upon the victim in proportion to the amount of goods he consumes, rather than according to his ability to pay. Thus a poor man with a large family—and the poor have the large families—pays more sugar tax to the Government, and to the tax-farmers, than the rich man who is childless.

A particularly flagrant instance of tax-farming is that of taxing public service corporations. A street car company is required to maintain part or all of the street pavement, and to pay in addition a tax on equipment or earnings. Manifestly, whatever

the company pays to the city, either in street up-keep, or in taxes, must come out of fares collected from passengers. Hence, if a fractional part of the nickel fare be taken by the city to meet public expenses, the burden of government, to that extent, falls upon the patrons of the company, not according to their ability to pay, but in proportion to the number of rides they take. That is, it falls upon the poor and rich alike as a head tax.

These taxes are tolerated by the people only because they do not understand their nature. No city council would venture to place the whole burden of government on the people in proportion to number, regardless of their means. Yet this is what is done by indirection when a tax is levied upon a public service corporation whose charges are subject to public regulation. The tax may amount to a hundredth part of one person's income, and to the ten-thousandth part of the income of another.

Does this practice square with our professions? If any taxes be levied according to ability to pay, or to benefits received, should not all taxes be so levied? If it be unjust to levy general taxes on the principle of taking from a poor man the same amount as from a rich man, then is it not unjust to tax public service corporations whose revenue comes from a uniform charge on individuals? If the public service corporation enjoys too large a profit, the fare should be reduced, or the service should be bettered. To take the same amount from a scrubwoman and a banker for the upkeep of a street is so repugnant to normal minded persons as to be condemned when understood. The function of a street car company is to carry passengers, not to collect taxes for the government.

The fractional part of the nickel street car fare that goes to the up-keep of a street may seem too small to be taken into account. But when it is realized that in 1921 the people of this country paid in taxes to the Federal, State, and local governments \$8,460,011,587, that a large part of that amount was collected through tax-farmers who added at least a third as much more, and that taxpayers are not confined to property owners, but include all persons who consume goods, it will be seen that the question of taxation is of vital concern to every citizen.

But it is useless to rail at the tax collector or the "tax-eaters." It is not the executive branch of the government that is to blame. The fault lies with the legislative branch,

and, back of that, with the voters themselves. In the last analysis it will be found that the people suffer from tax-farming and head taxes because they do not use their heads.

THE HUMOR OF TAXATION

When Thomas Carlyle dubbed political economy the dismal science he had not heard modern ideas on taxation. At a recent class in general real estate, held under the auspices of the University of Southern California, the lecturer—an official of the Los Angeles Realty Board—stated that notwithstanding real estate and personal property in the United States are about equal, real estate pays 85 per cent of the taxes. As reported by the Times, he said:

Here in California, for instance, a widow left with a tract of uncultivated land valued at, say, \$25,000, if in Los Angeles County, would pay an annual tax of from \$300 to \$400. She may not have any income from which to pay this tax. . . . On the other hand, a successful physician or lawyer or corporation executive with an income or salary of \$25,000 or more a year, can live in an expensive rented home, invest his surplus in tax-exempt bonds, and pay not one cent of taxes (except government income tax), receiving all the benefits of a modern city and a civilized community.

It might occur to persons outside the real estate business that a widow with \$25,000 worth of vacant land, instead of mortgaging it to pay taxes, might sell it, and put the money in tax-exempt securities. She could then live in a rented house, and escape all taxes, after the manner of the physician or lawyer or corporation executive.

Surely Will Rogers never got off a better one. Dismal science indeed! The Sage of Craigenputtoch died too soon.

GOOD TAX ADVICE

"Don't tax earnings," advises Herbert Hoover. By taxing earnings, he points out, production is penalized.

What, then, should be taxed?

Hoover's reply follows:

"Tax inheritances, unearned incomes and unearned increment."

It is, according to Hoover, an unsound economic practice to tax a man because he works,—produces.

Can you find any flaw in that?

Assuredly you will not diminish production by not taxing it.

Nor will you reduce production by taxing unearned incomes.

And increased production is what gives more to each person, more food, more clothing, more automobiles and more homes.

Hoover has the right idea.—*The Record, Los Angeles.*

ENCOURAGE HOME-BUILDING

The New York law exempting new dwellings from taxation for ten years has been declared constitutional by the Court of Appeals, the highest court in the State. This law, which applied to dwellings begun within the year, was extended a second year, and now has been extended a third year, or until April, 1924. Of its effect, Mr. Lawson Purdy, former president of the New York department of taxes and assessments, writes:

"In the year before exemption, plans were filed for one-family, two-family, and multi-family dwellings to house 14,323 families. We ought to file plans annually, just to keep pace with the increase, for about 30,000. In the two years and one month, from February 26, 1921, to March 31, 1923, plans were filed to house 110,549 families in one- and two-family houses, and 99,838 families in multi-family houses. The estimated cost of these houses is an aggregate of \$936,388,000. The average cost per family in one- and two-family houses is \$4,490, and in multi-family houses, \$4,421."

INTERNATIONAL DEMOCRACY

When statisticians tell us that eighty-five cents of the dollar collected by the national government goes to pay past wars and preparation for future wars, and economists charge that taxation is strangling industry, the mere taxpayer may well give a little attention to international relations. If he would escape perpetual enslavement to war debts he must find a way to stop wars.

Much has been said and written on the subject. Learned men have laid down the laws of war. But little has been said of the laws of peace. Writers on international law speak of it as if it were a matter of place or time or magnitude. What is a crime if done by the individual becomes a virtue when done by the mass; and foreigners who are barred by tariff and exclusion laws, become citizens when their territory has been annexed.

"Democracy's International Law," by Jackson H. Ralston (John Byrne & Co., Washington, D. C.) is an inquiry into the relations of nations that should be read by every person who really desires to see the end of war. The author sets forth the natural laws that govern men in their personal relations; and by inescapable logic shows that these same laws should govern nations in their relations to each other. Wars must continue so long as these natural laws are disregarded. They will stop when justice obtains.

NOTES

"The Angel of Death may be as sure as the Tax Collector," says Uncle Cy, "but he don't come so often."

* * *

Judge Ben B. Lindsey says he is fighting evil, not people. Some reformers might profit by the Judge's example. Safety in an airplane depends not on the virtue of the operator, but upon his skill as a pilot.

* * *

One of the enigmas of the age is why labor-saving machinery does not save labor. The woman with a sewing machine in the sweat shop seems to work just as long and just as hard as her grandmother worked with a needle. Why?

Berkeley, San Jose, Oakland, and Sacramento, Cal., are making war on "For Sale" signs on vacant lots. There is an infallible way of removing these blots on the landscape: Tax the lot the same amount with a sign as with a house. The owner will do the rest.

* * *

Race prejudice will persist as long as two men seek the same job. Oppressive taxation of business decreases production and intensifies the struggle for employment. Free industry from its unjust burdens, and business will compete for men, and racial strife will tend to disappear.

* * *

The initiated measure transferring local taxes on buildings and personal property to land values at the rate of ten per cent a year received 29.39 per cent of the vote in the Denver election, May 15. A similar measure proposing to make the change all at once, received in 1915, 22.35 per cent; in 1917, 19.45 per cent; and in 1921, 18.54 per cent.

* * *

The United Committee for the Taxation of Land Values, London, has called an "International week's conference on the taxation of land values to be held at Ruskin College, Oxford, England, 13 to 20th, August, 1923." A series of meetings of exceptional interest is promised in this historic spot. Persons expecting to attend should address the Committee at 11 Tothill Street, London, S. W. I.

* * *

The cost of maintaining all forms of government in this country in 1921, according to a writer in *The Budget*, was:

Federal government	\$4,666,671,594
State governments	1,008,540,232
County governments	592,068,972
City governments	2,192,730,698
Total	\$8,460,011,587

* * *

"Americans," says *Scrutator*, in the *Chicago Tribune*, "are destined to hear more about taxes in the next eighteen months than they have probably heard in all their lives. There are two reasons: first, taxes have reached the point where nearly everybody feels them day by day in every way; second, taxation has, for this reason, become the political pivot upon which national and local policies are bound to swing."

* * *

"The farmers regained in 1922," says George E. Roberts, in *National City Bank Bulletin*, "a part of what they lost in 1921, but in January, 1923, farm products had but 68 per cent of the purchasing power over other things that they had in 1913." Congress has arranged to lend him on easy terms money to make up the difference. But it has done nothing to enable him to pay it back. "Borrowing money on what's called 'easy terms,'" says Will Rogers, "is a one-way ticket to the Poor House. Show me ten men that mortgage their land to get money, and I will have to get a search warrant to find one that gets the land back."

IN MEMORIAM

FRANK D. BUTLER

TAX FACTS

Published Monthly
at 420 American Bank Building,
Los Angeles, Cal.,

by
The Los Angeles Single Tax League

EDITOR.....STOUGHTON COOLEY

Subscription per year 50 cents

Vol. II. Los Angeles, Cal., May, 1923 No. 1

BACK TO THE CONSTITUTION

Every believer in democracy will commend the California legislature for making compulsory the teaching of the Constitution of the United States in public and private schools, colleges and universities of the State. Ours is a government of law, not persons. The Constitution is the embodiment of that law. It is the expression of the will of the people, and contains within itself provisions for its orderly change or amendment when the people find changes advisable.

Anarchy, Bolshevism, I. W. W-ism, or any other arbitrary rule of a minority, has no place in this country. A resort to violence merely delays real progress. When every child is taught the rudiments of the Constitution the citizen will not so easily fall a prey to the glibtongued but shallow-thinking demagogue. Reason, not passion, is the only safe guide to democracy.

CO-OPERATIVE SELLING AGENCIES

The spectacular drive of the Sun-Maid raisin growers in the sale of \$2,500,000 stock to tide the members over a slump in the market has drawn attention to the growing spirit of co-operation. Not only is the Raisin Growers' Association itself an indication of the recognition of the mutual interests of the members, but the willingness of the banks and towns-people to take their stock in this moment of peril is evidence of a finer feeling among business men.

But while this spirit of co-operation and mutual sympathy is to be commended, it is well to recognize its limitations in overcoming economic obstacles. Unity between the crew and the master of the ship is necessary for safe navigation; but the rocks and reefs must be noted if shipwreck is to be avoided.

To steady the market, cut out needless middlemen, and raise prices, for the grower is commendable as far as it goes; but it is

not a complete and all-sufficient policy in itself. Bettering the market, and increasing the returns to the raisin growers means inevitably the planting of more vines, and the raising of more grapes.

Planting more vines means increased demand for raisin-growing land. This demand means the advance in available land until the price gets so high that it no longer pays to plant new vineyards. The net result of it all will be that the gain to the growers from co-operative marketing will ultimately be passed on to the owners of the land in the raisin-growing territory.

This will be a boon to the present land owners. They will be able to sell or lease and retire. But it will leave the last man who buys at the top price no better off with all the advantages of the co-operative selling agencies than the raisin growers were at the beginning.

Fruit growers and farmers must learn, as all other producers must learn, that useless middlemen are not the only obstacle to the full enjoyment of the fruits of their labor. A solution that relieves only the present growers who are owners, and does not relieve the growers who lease, or who buy at the top of the speculative boom, is not a final solution.

Business cannot be said to be sound until it is self-sustaining, that is, until it lives by doing what it is designed to do, without the aid of monopoly or special privilege. Producers, whether they be growers or manufacturers, are now burdened by heavy taxes for the support of government. Land speculators are taxed lightly while profiting by the advantages of public service and the industry of the producers.

As long as producers must support the community, including the land speculators, while the speculators amass fortunes because the producers bear that burden, there can be no permanent relief to industry. There may be many things to be done before society has been brought to an ideal state, but it is clear that so large an element as taxation, national, state, and local, must be equitably adjusted among the citizens.

The wealth and sustenance of the nation is produced on used land. Not a man is employed, not a bushel of grain is raised on vacant land. How can it be, then, that the men who use the land fail to make a living, while speculators who employ no labor, and produce no wealth reap their millions? The answer is: taxes on industry. To remedy this condition: take the tax off of industry; increase the tax on land speculators.