

# TAX FACTS

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## Tax Relief

Taxes may be as certain as death, but the statutes by which they are laid are as fickle and varied as the wind. No legislator is so dull and unimaginative that he cannot suggest a new tax law. And as for reformers, their name is legion. In Nation, State and Municipality, in Congress, Legislature, and City Council the question is how to relieve industry from the crushing weight of taxation.

A most promising move for a rational change in the State revenue system is the proposal of the Tax Relief Association of California. This organization has prepared a measure to be submitted to the Legislature at the next session that would appear to have much merit.

The bill—which appears on another page—proposes to exempt from taxation two thousand dollars worth of improvements on land to each taxpayer, and all personal property. These reductions are to be made at the rate of 25 per cent per year.

This would appear to be a conservative, statesmanlike measure, worthy of careful consideration on the part of thoughtful citizens. In the first place, the proposed changes in present statutes are moderate. The limit of tax exemptions is small, and the period required for it to take effect is sufficient to allow business to adjust itself without undue hardship.

In the next place the changes in present taxes are made where they are most needed. The home-owner and small farmer must be encouraged, if this country is not to become a nation of tenants. The proportion of persons owning their own homes, and of farmers working their own farms has for years steadily decreased. To make home-owning and farm-owning easier, this measure of the Tax Relief Association proposes to exempt from taxation improvements to the extent of \$2,000.

In the third place it is proposed to remove taxes from industry. This means removing taxes from consumers, for taxes on industry are added to price, and are paid by those who use the goods. To tax machinery adds to the cost of the factory. To tax raw materials is to increase the price of the finished product. To tax money and credits is to raise the rate of interest on all money used in business.

To tax goods is to limit the amount produced. Before Prohibition, high license was used to restrict the number of saloons. The number of superfluous dogs is kept down by the dog tax. State banks are kept from issuing money only by the Federal tax of ten per cent on circulation.

Since we wish more wealth, and since taxing it tends to drive it away or prevent its creation, why tax it?

But, it may be said, we must have taxes. True, but the burden should fall as evenly as possible upon the people. To tax goods in production or trade is to tax consumers in proportion to the goods consumed. Since the poor spend practically their whole income, while the rich use only a part of theirs, a much larger proportion of wages of labor is taken in taxes than of the income of capital and privilege. The income tax tends to equalize the burden, but only partially, for the rich still save a large part of their income, while most of the poor spend all.

Again, the major part of taxes is laid upon the common or bulky things. Sugar, for instance, furnishes one-fourth of the tariff revenue. As one man will use about as much sugar as another, he will pay nearly the same tax. Hence, the revenue received by the government will constitute a much larger proportion of the income of the poor than of the rich. The lot of the poor is hard enough without adding an unequal share of the tax burden.

Whatever the perfect system of taxation may be, or whether there is a perfect system, the proposal of the Tax Relief Association is a step forward. If the results are satisfactory, another step can be taken. If the results are not satisfactory we can retrace our course, and try other means. It is quite clear that something must be done to remove the evils of the present system that is crushing industry.

Florida refrained from taxing inheritances in order that, as one legislator said, rich people could go to that State to die. What a fine thing it would be if California should untax capital so that the rich could come here to live. The price of capital, or interest, like everything else depends upon supply and demand.

Interest is lower in New York than in California because there is more money there in proportion to the demand. And one reason why there is so much money there is because it is not taxed. If we untax money in California more money men will come here to live, which will tend to lower interest and give to manufacturers of this State the cheap money enjoyed by their Eastern competitors.

It is a relief to see in this State, long bedeviled by impossible freak constitutional amendments, a measure put forth that sane people can support.

### "THE WORLD DO MOVE"

Thirty-eight years ago, when Henry George, Abram S. Hewitt and Theodore Roosevelt contested for the mayoralty of New York, the possibility of land value taxation seemed so imminent that leading Republicans deserted Roosevelt, and urged their followers to support Hewitt in order to make George's defeat certain. Within twenty years the New York Legislature granted the city power to build subways by a tax on land values,

and today the property owners on Sixth Avenue are voluntarily asking the authorities to change the elevated road in the street to a subway at their expense.

Commenting on this remarkable change in public opinion, the Christian Science Monitor of July 22, says:

It will no doubt surprise many of those who then opposed the taxing of land values to find that the City of New York is now contemplating the construction of a subway under Sixth Avenue, the cost of which is to be provided by taxes on abutting property that will be benefitted by the new transportation line. They will be further surprised to learn that, instead of regarding this innovation as confiscatory, the property owners along the proposed route are willing that they shall be taxed in proportion to the increased value of their land that is expected to accrue. Further than this, the corporation counsel of New York has rendered an opinion that the statute providing for assessing the cost of subways on the property benefitted is entirely constitutional.

The difficulties in securing the enormous amounts of capital for the construction of new transportation systems, experienced by many great cities, will practically disappear if the system proposed in New York shall be generally adopted. On its face it would seem to be a perfectly fair proposition that a public improvement which will greatly increase the value of abutting property should be paid for by assessments on the increased values. The owners of the abutting land certainly cannot complain if they are called upon to pay part of their increased revenues for the construction of improvements which will directly benefit them. That land values which have been created by other activities of the community should be taken in taxation for public purposes may not seem so obvious, but the changed attitude of property owners in New York is at least significant as showing that the basic idea involved is finding general acceptance.

### TAX RELIEF AMENDMENT

Sec. 5 (a) Except as hereinafter provided, every resident, not a corporation, of the State of California, owning improvements on land in the county in which he is a resident, shall be entitled to have the total assessed value of said improvements, as assessed for purposes of taxation, reduced by a sum not exceeding Two Thousand Dollars, or by such lesser sum as shall equal said total assessed value of said improvements, such reduction to apply upon the assessment of such of said improvements as shall be specified by or on behalf of said person by affidavit, provided, (1) that the said specified improvements shall be located upon one contiguous parcel of land, (2) said specified improvements shall be located in the municipal or local tax district in which said citizen is resident at the time of making said affidavit, and (3) said affidavit shall be in such form as may be approved by the State Board of Equalization until otherwise provided by law.

(b) The total reduction in assessed value allowed any one person, under the above provisions of this section, for the following years shall be as follows:

For the first year following the first Monday in March, 1927, Five Hundred Dollars;

For the second year, One Thousand Dollars;

For the third year, Fifteen Hundred Dollars;

For the fourth year, and thereafter, Two Thousand Dollars.

(c) Except as otherwise in this Constitution provided, personal property shall be taxed for the purposes of the uniform tax provided for in Section 1 of Article XIII as follows:

For the first year following the first Monday in March, 1927, said personal property shall be taxed on the basis of three-fourths of its assessed value;

For the second year on the basis of one-half of said value;

For the third year on the basis of one-fourth of said value;

For the fourth year and thereafter personal property shall not be assessed for or taxed under the uniform tax provided for in Section 1 of Article XIII, or under the provisions of Section 8, Section 9, or subdivision (e) of Section 14, Article XIII, nor shall personal property be taxed upon any valuation basis, but this section shall not be construed as prohibiting a tax, whether specific or on a valuation basis, upon personal property, in the form of an inheritance tax, an income tax, a sales tax, an excise tax, a corporation tax, or other special tax or license authorized by the laws of the State of California.

(d) The provisions of this section shall not be construed as affecting any exemptions from taxation elsewhere in this Constitution provided and not specifically covered by the provisions of this section.

(e) The term "personal property" as used in this section does not include chattels real.

(f) Nothing in this section shall affect any tax levied or assessed prior to the first Monday in March, 1927, and all laws in relation to such taxes in force at said time, shall remain in force as to such taxes until changed by the Legislature. The provisions of this Constitution in conflict with this section are hereby repealed.

(g) All the provisions of this section shall be self executing, but legislation may be enacted to facilitate their operation.

## A PROPHET IN HIS OWN COUNTRY

Forty years ago, in an article in the Nineteenth Century for April, 1884, the Duke of Argyll made an abusive attack upon the economist, Henry George, in which he contemptuously styled him the "Prophet of San Francisco." In the intervening years "Progress and Poverty" has been translated into all the principle languages, and has had a far greater circulation than any other economic work ever written. And in every country in the world earnest men and women sit down at memorial dinners in honor of this self-same "Prophet of San Francisco."

The friends and admirers of Henry George in Los Angeles and vicinity will observe the custom by dining at Paulais, 741 S. Broadway, September 18 at 6:30. Dr. G. Bromley Oxnam and other noted persons will speak.

TAX FACTS will send to any address the new abridgement of "Progress and Poverty" for one dollar. With TAX FACTS for one year, \$1.25.

## BOOKS

Persons who appreciate the bungling of statesmen in the post-war settlement of international affairs will enjoy reading "The Sin-Eater's Hallowe'en, a Fantasy in One Act and Two Scenes" by Francis Neilson. Published by B. W. Huebsch, Inc., New York; price \$1.50.

## NOTES

Some of our Presidential timber is mostly bark.—*Nashville Banner*.

I believe in the taxation of land values only.—*Supreme Court Judge Brandeis*.

As soon as you get it yourself special privilege becomes your right.—*Columbus Dispatch*.

This may be the dawn of a new era, but it feels more like the morning after.—*Columbia Record*.

As is usually the case, both parties tried to build their platforms entirely of springboards.—*Life*.

Americans are people who feel rich because they charge one another so much.—*Stanford Advocate*.

The trouble with politics is that there are too many politicians who are plum crazy.—*Ashville Times*.

The thing that makes the seat of government uncomfortable is the tax.—*Martin's Ferry (Ohio) Times*.

We positively will not mix in Europe's affairs, except at intervals to settle her disputes.—*Associated Editors (Chicago)*.

We are not going to waste any sympathy on the hairpin manufacturers; we did it with the corkscrew makers.—*Columbia Record*.

One of the main objections to another war seems to be that it would be followed by another peace.—*Norfolk Ledger-Dispatch*.

The politician who can blow hot and cold has been replaced by the statesman who can blow wet and dry.—*New York Herald-Tribune*.

The taxation of land values means only that that which gains by the rates (taxes) should contribute to the rates.—*A. J. Balfour, England*.

Land values, and not production or improvements and personal property, should bear the weight of taxation.—*Senator Ladd, North Dakota*.

A statesman is one who wants to do something for his country; a politician is one who wants his country to do something for him.—*Manila Bulletin*.

The burden of municipal taxation should be so shifted as to put the weight of taxation upon the unearned rise in value of the land itself, rather than upon the improvements.—*Theodore Roosevelt, Century Magazine, Oct., 1913*.

# TAX FACTS

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EDITOR.....STOUGHTON COOLEY

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## COURTESY AT THE DOOR

"Positively no peddlers, agents or solicitors. Don't knock or ring." The new battlement to protect one's castle from invasion. Bewildered and harassed housekeepers rise against the army of bell ringers, and in order to guard against the importunities of frauds and nuisances they slam the door in the face of the deserving and useful.

The little enameled plate bearing the words noted above is appearing on so many front doors in Los Angeles as to make the thoughtful pause. It is in a way a mute measure of Christian fellowship. It is a reversal of the laws of hospitality. It prompts the Times to say:

The effect upon many worthy persons—ex-service men and others—is easily imagined. Balked, discouraged, insulted, they feel that the world is cold, and it may be that some of them turn to the "easier way." In some sections of the city practically whole streets are placarded with the unkind prohibition—to speak generously of it.

It is sometimes by the little things that we can judge men and institutions. When a stranger in New York, struck by the magnificence of the churches on Fifth Avenue, and the eloquence of the ministers in the pulpits, noted that the doormats of the nearby houses were chained to the doorposts, he wondered if the churches were having the influence on the morality of the community they were supposed to have.

To imagine a city in which there was not a door at which a man or woman could knock or ring and be greeted kindly is to conceive of a city without a soul. On the other hand, to live in a city where the quiet of home is interrupted by the never-ending line of peddlers, solicitors and mendicants is to make one long for the solitude of the wilderness.

Why, then, is resort had to this occupation? It is at most one of the minor

interests in life. Why, in the light of all the wants to fill, should any normal person willingly confront the enameled legend, "Don't knock or ring"? The answer must be that no person of spirit does willingly do it; it is necessity that drives him.

But why, in the highest civilization known, and in the richest country and busiest city, should there be such necessitous persons. Are there not the wants of a rapidly increasing population to meet, a population that will double in a few years? Are there not houses to build, factories to construct, and buildings to erect, to say nothing of the labor to man them? Has any one—save the very rich—more than he wants?

If it were a land of inhospitable climate, sterile soil, or a place otherwise ill-adapted to the needs of man, we might expect the weaker to fare poorly. But such is not the case. It is a land blessed with every natural advantage, as though nature in tempting man Westward had saved the best till the last.

But a salubrious climate and fertile soil are useless without man. Given good living conditions and raw materials and man can easily satisfy all his wants. Why doesn't he? For the reason he doesn't knock or ring at the doors bearing the enameled plate. Man cannot work or even live without occupying land, and while there are vast quantities of unused land in this region, both inside and outside of Los Angeles, each piece and parcel is protected by the legend, "Keep Off." Those are not the words actually on the sign. The sign says, "For Sale," but what it means is, "Keep off till you make terms with the owner," and those terms are on a sliding scale. As more people move into the neighborhood, and more improvements are made, the price or rental rises; and it is always as high as the ablest people will pay.

When the government, representing all the people, permits non-productive speculators in vacant land to capitalize for themselves the values created by the community, and seeks its revenue from the values created by productive individuals it is only natural that the weaker members of the community should be forced to the humiliating necessity of ringing doorbells, and that the housewife should seek to protect herself by a resort to inhospitality.