

# TAX FACTS

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## What Shall We Tax?

**Should the legislators aid one group at the expense of another? Should the realtors' "taxation and special assessment programs" be given any more importance or attention than the pleas and suggestions of other groups?**

Legislators and commissioners are making a desperate effort to solve the tax problem. Money they must have or the government cannot operate, but what to tax and how much, they cannot decide. To them, taxation is not a science based on natural law, not a sane and simple method of collecting what the community itself has produced. It is a highly puzzling game, the object being to see how much revenue you can squeeze out of the citizens with the least squealing. In trying to determine this, the legislators and commissioners have turned from one thing to another.

Many are the suggestions that come from various classes, and just as we should expect, each class is most anxious to escape as much of the tax burden as possible by shifting it to the shoulders of someone else. Most active in this attempt to pass the buck are the real estate boards of the country. In November, the California Real Estate Association will conduct a series of conferences "with newly elected Senators and Assemblymen as invited guests, to discuss the taxation and special assessment programs drafted by the joint committee of the California Real Estate Association, and affiliated groups."

It would be expecting too much of human nature to suppose that any program drafted by a committee of the Real Estate Association would be other than favorable to the interests of the realtors. Unfortunately, whatever favors land speculation does incalculable harm to the interests of business and farming and labor. So much money must be collected as revenue. If the tax on land is lightened, the tax on something else must be increased.

The realtor says that the heavier the tax is on land, the harder it will be for anyone to hold unimproved land. On the other hand, an increased tax on business, either in the form of sales taxes or heavier taxes on personal property and intangibles, will certainly make it harder to conduct business. The question is, then, which deserves relief from increased taxation, idle land or active business? Men out of employment might prefer to have some of the lots literally taxed into use. It would mean jobs for them, preparing the land for improvements, erecting buildings on it, finishing and furnishing the buildings.

In view of the fact that idle land means unemployment, it would seem that any tax making it hard for realtors or others to hold land vacant would benefit the community much more than a tax schedule that would hamper business. One of the defense pleas made for pee-wee golf was that these little courses give employment. Nobody ever made that plea for a vacant lot, yet realtors say: "Don't make it hard for people to hold vacant land."

Consulting the realtors on the advisability of increasing or decreasing the tax on land reminds one of what Tom L. Johnson said about the secretary of the interior who went out to Chicago some years ago to investigate the beef trust. He returned to Washington and reported that there was no beef trust. He had asked the Armour's and they had said, "No." In making investigations, it is well to keep in mind that any group of people, be they realtors or farmers or candlestick-makers, will naturally sponsor measures favorable to their own interests.

## THE SAN FRANCISCO CONVENTION

By R. E. CHADWICK

Recently there was held in colorful and picturesque San Francisco a noteworthy convention that celebrated in the city of its nativity a great book and birthday of its author, a great American.

It was a convention held under the auspices of the Henry George Foundation of America, in honor of the man for whom it was named and whose plan for the reorganization of society in harmony with the American traditions of a free field and no favor, it is pledged to promote.

There was something of religious fervor about the gathering so often in evidence wherever idealists meet. Many confessed that upon their way to some Damascus of the soul, they had beheld a vision and experienced a new birth in freedom. The convention was a success. Every phase of taxation was discussed. Progress in tax reforms was reported. The announced determination of special interests to secure a reduction of the tax on realty was declared to be fraught with danger and all were urged to resist the proposal.

The tariff, income and sales taxes and all forms of direct and indirect taxation were earnestly reviewed. What was said to be the outstanding tax reform movement in the country was reported as centering about Pittsburgh and other Pennsylvania cities and communities. Speakers stated that all municipal revenues in that thriving city were raised by a tax upon the value of realty, improvements being taxed at half the rate of land. The results are encouraging and surprising, according to W. N. McNair, prominent Pittsburgh attorney, who told of the famous "Pittsburgh Graded Tax Plan" that is attracting so much attention.

According to Mr. McNair, there is no tax in Pittsburgh for local purposes on any form of credits, money or other personal property. The result is that merchants and manufacturers do not keep a weather eye open for the assessor. Stocks and inventories are not adjusted to reduce taxes for there is no tax on industry. The speaker said that in many instances manufacturers had closed plants located outside Pittsburgh, when necessity required them to curtail production, keeping their Pittsburgh plant open because of tax saving.

The surprising thing about the Pittsburgh situation, according to Mr. McNair, is that land is at a premium for the reason that buildings erected on it are taxed at half rate, and goods and machinery in the building are not taxed at all. "Naturally, an investor will pay more for land where goods are tax free than where they are taxed," said Mr. McNair.

Los Angeles might well take a leaf from the Pittsburgh book and offer tax exemptions to industry, thus stimulating the demand for land and leading to its use and the employment of men and money. What a battle cry for Realtors, "No taxes on industry!" What an appeal the slogan "No taxes on personal property" would have for investor, homeseeker or merchant.

However backward Pennsylvania may be in other respects, it is progressing in the matter of taxation. The people of that politically blighted state have learned something of the potency and power of taxation and how it may be used to promote their prosperity.

When apprised of the Pittsburgh plan, a local merchant said: "Why should I be taxed upon my stock of goods? That is just the same as taxing money, for my goods are my money! Why should I be taxed for putting money in goods when a man who invests in a mortgage or keeps his money in a savings account escapes?"

As compared with Pennsylvania, the California tax system is something fearful and wonderful to behold. And how important it is to encourage industry. In these days of close competition a tax differential may determine the location of an industry or turn a loss into profit. They have discovered a way that is better than a protective tariff to stimulate production from the estates that were taxed nominally while lying idle.

There is only one way to end the persistent political war upon industry, declared convention speakers, and that is to lift the burden of taxation from production and place it upon land values. There it will stay. It cannot be shifted and will make it more profitable to use land than to hold it idle. Idle land means idle men, machinery and money with business depression and dark days of despair.

If there were no other achievement of the San Francisco convention than the presentation of the Pittsburgh plan it would have been worth while. Mr. McNair will remain for some time in the vicinity of Los Angeles and San Diego, and will address real estate and commercial bodies.

Mr. Jackson H. Ralston, of Palo Alto, submitted the following resolution which was adopted at the Conference. In substance, it declared that the realtors of the country were now endeavoring to reduce taxes on unimproved land by limiting taxation on real estate and shifting the burden of taxation to industry; that they failed to realize that real estate consisted of two elements—land and improvements; that a tax on buildings prevented the construction of building and one on land tended to increase the amount of land available for industry, as it renders it unprofitable to hold land out of use.

### OUR OWN DOG LOT

For many years the Wendell family of New York City provided the economists with a fine example of how a valuable piece of land may be held out of use at the whim of the owner. New York's million dollar dog lot is famous. On September 9th, the Los Angeles Times published the picture of an old four-room, brown frame house that occupies a valuable piece of ground in downtown Los Angeles. It is owned by "Miss Abigail Stark of 723 South Flower Street, who is believed to own the highest priced piece of real estate in Los Angeles devoted to single family residence purposes.

"The family using this residence is Miss Stark herself. For the past fifteen years she has lived there alone, impervious to suggestions that she sell the home site that has been in the family sixty years.

"Catherine Stark, her mother, purchased the property in 1870 when Seventh and Flower Streets were considered well out in the country.

Property in this vicinity sold in 1870 for a few dollars per acre, but now, with the development of this section, the lot is worth \$8,000 per foot or more, according to J. Francis Potter, manager of the Flower Street Improvement Association.

"To all of the many persons who have made offers for the land, Miss Stark has the same answer: 'It is my home. I don't want to sell it. If I want to live there, it's my business.'"

Hasn't the community also an interest in that "business"? What made the value of that land rise from a few dollars an acre to \$8,000 a foot? Obviously, it was nothing that the Stark family did, for the same little four-room house still stands and looks out on "a number of height-limit buildings, including Barker Brothers, the California Club, the Roosevelt Building, the Richfield Building and the Los Angeles Gas and Electric Corporation Building."

In the midst of these fine buildings and in the center of a commercial district, business at 723 South Flower Street is limited to a key-making stand and a bootblack stand, that grace the front of the little brown house. So it cannot be the labors and industry of the Stark family that has made this bit of property so valuable. The realtors tell us that it is increase in population that makes the value of lots go up. If that is the case, every man, woman and child that has been born in, or moved to, Los Angeles since 1870 has added his or her bit to the value of that land. The value belongs to the men and women of Los Angeles. Are they ever going to get it? Well, not while Miss Abigail Stark thinks it is her own business if she wants to use an \$8,000-a-foot lot for a two-bit house.

### WESTWARD HO!

In a talk before members of the Los Angeles Realty Board, Joseph Scott, Los Angeles attorney, expressed the opinion that the "elimination of fear is the only factor necessary to start business on an upward trend and keep it there." Mr. Scott urged the realty men to keep up their fighting spirit, "the same spirit that actuated the early pioneers and settlers of California."

It is all right to urge the realtors to emulate the pioneers. Our ancestors were a piratical lot. Usually it is the rest of us that are told to go in and win in the same spirit that the early settlers did. The pioneers had one great advantage. When they came to settle the West, the land was occupied by Indians. If a tribe hesitated to relinquish its hunting ground for a few strings of beads, all the pioneers had to do was to shoot their heads off.

California realtors, commonly known as Eskrow Indians, are not satisfied with a few beads, they want diamonds, and they get them, because it is against the law to shoot the head off of an Eskrow Indian and take his land. Land is just as necessary for each newcomer in 1930 as it was in 1849, and he must have it at any price. All he can do is to stand and deliver.

It is the Eskrow Indian who has the advantage. The tables are turned.

But what we are worrying about is hip-and-rum drivers.—*The Pathfinder*.

From now on maybe our mean temperature won't be so mean.—*Arkansas Gazette*.

Job had boils, but he escaped athlete's foot, B. O., halitosis, and the future shadow.—*Tampa Tribune*.

The varieties of endurance contests may yet include endurance in some useful activity.—*Springfield Republican*.

A Memphis man has a family Bible 315 years old. We don't know anything that gets less wear.—*American Lumberman*.

If the Government wishes to do something practical for the farmer, it might furnish mortgage-blanks free.—*Syracuse Post-Standard*.

A good President is the one who happens to be on the job when you are having a run of good luck.—*West Palm Beach Post*.

It ought to be a relief to President Hoover to know that he is not one of the fifty-nine men who rule the United States.—*Miami Herald*.

When you see a dog leading a man, you know the man is blind. But if the man is leading the dog, you know the man is married.—*Judge*.

This language of ours is peculiar. For instance, a Philadelphia head-line said this: "Passengers to quit sinking ships."—*Savannah News*.

The trouble with Strong Man Rufe, as illustrated in South America, is that it is a challenge to other strong men.—*Philadelphia Evening Public Ledger*.

Now if Mr. Hoover finds a peculiarly annoying itchy place under that hair shirt, he won't have to ask anybody. It'll be Senator Norris.—*Macon Telegraph*.

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## THE TORONTO CONVENTION

The August number of the Los Angeles Realtor brings an interesting account of the Toronto Convention of the National Association of Real Estate Boards. Naturally, the convention was for the purpose of discussing the problem of selling real estate. The answer seemed to be: make it easier for the prospective buyer.

"There are," said Mr. Alvin Dodd of Chicago, "10,000,000 families in the United States whose normal incomes are less than \$2,000 and who compose potentially a market for new homes. There are many millions more between \$2,000 and \$3,000. These families want modern homes. If you bring the prices of homes within their reach they will respond splendidly and immediately."

There are two items to be considered by the prospective home owner, the cost of the house and the price of the lot upon which it is to be built. Apparently, the speakers at the Toronto Convention confined their attention entirely to the first proposition. Ernest P. Goodrich, consulting engineer of New York City, was one who made specific suggestions about the use of metal walls, cork slabs, factory built staircases and the like, but not one word about reducing the price of the land.

When asked if two dollars was his rock bottom price for a lamp, Andy replied: "Sho' that's down in the rocks." If the realtors, city planners, consulting engineers and other students of the housing problem would begin "down in the rocks," if they would consider the problem of the lot before they come to the house, they might build an economic structure that would be a credit to themselves and a benefit to humanity.

"Residential building," said Mr. Goodrich, "has been averaging a total of \$2,700,000,000 a year for the past four or five years. If only one-fourth of this amount could be saved, the saving, through application of modern research and modern engineering principles to home building, would amount to approximately \$700,000,000 a year, or more than \$5.00 for every man, woman and child in the United States. . . . A reduction in building costs of even twenty-five per cent would increase the potential number of home owners fifty per cent."

What is the first thing that would happen if you increased the number of potential home owners fifty per cent? Every man, woman, widow and orphan that owned a lot would say: "Real estate is picking up. We'll get a good price for our lot now."

What effect would this have on the potential home owners? The more the lot owners boosted their price and the more others hung on for a still higher rise, the more Mr. Home Owner would have to pay for a lot on which to build his cheaper house. All that he saved in cheaper materials or construction would be swallowed up in the increased price of the land.

The surface of the earth remains the same, but the number of available lots for home owners is constantly varying. An increased demand for land may even tend to make it scarcer, for when the land gamblers see that the cards are favorable to them, they don't want to leave the gaming table until they have made the largest possible winnings.

The \$700,000,000 a year that Mr. Goodrich wants to save for the home owners would simply be switched from the carpenters and bricklayers and lumber companies and keyhole manufacture to the land owners. Anything that will simplify or cheapen home building will increase the demand for lots on which to put the homes, and an increased demand for lots will send land prices up. Surely no real estate agent will deny that.

"Over-development of subdivisions, the cutting of raw land into building sites in advance of real demand, obviously piles up the final cost for land for home building. This is a great difficulty today in connection with the item of land cost." It may be well to note that when a development company cuts raw land into building sites and offers it to the public, it lays particular stress on the fact that buying lots in a newly opened territory is a sound investment. Consequently, the lots are bought up by people who do not intend to use them, but merely to speculate with them. It is not surprising that the final cost to the home owner piles up.

Perhaps Mr. Goodrich came nearer to facing the real struggle when he said: "Building codes will generally have to be revised and generally against the protests of vested interests." Now, if he had said that tax laws which permit speculation, or gambling, in land would have to be revised "and generally against the protests of vested interests," he would have gone to the root of his problem.

All of the struggles that have been made for human liberties since the world began, have been made "against the protests of vested interests," and old man Vested Interests is a mean boy.

N. C.