

TAX FACTS

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Shall the Realtors Fix the Tax?

"If you wish to converse with me," said Voltaire, "define your terms." Scholastic debates are always governed by the strict rules of argumentation, but outside of that few discussions are ever intelligent or effective for the reason that the disputants fail to define their terms. How often a long-drawn and heated discussion suddenly wilts and evaporates when one of the arguers says: "Oh well, if you mean that—"

If a cause is worth discussing, there should be no doubt about the meaning of terms. Whether the realtors are poor logicians or whether they have an ulterior purpose in confusing the public mind in the use of such words and phrases as "home owner", "property owner" and "real estate" is not important, but it is probably true that they are very anxious that the public should not make a distinction between idle land and used land. Used land employs labor and produces wealth. Idle land does not, but it is a very good roulette wheel with which to gamble, and for that reason the realtors, and many others, do not wish to have the game interrupted for the sake of giving men jobs.

In the center of every community, there are valuable lots that are being held for speculation. They are not vacant, but they are occupied by old or small or poorly equipped buildings that will bring just enough money to cover the land owners tax bill. These buildings are known as "tax payers", and are not designed to fill the needs of the community. The lots on which they stand may be classed as unimproved along with the land that is actually vacant.

Between these lots are some that are being put to the best possible use. On them stand fireproof stores and office buildings, substantial homes and apartment houses. The lots occupied by these buildings receive no more service from the community or government than do the lots occupied by "tax payers," yet the owners of the improved lots pay the same tax on their land that

the owners of unimproved lots do on theirs—plus a tax on their buildings which are a great asset to the community because they are employing labor and producing wealth. Not only do the owners of buildings pay a tax on them in addition to the tax on their land, but the tax increases with the quality of the building. Fire departments tell us that we would save much life and property if we built fireproof houses and stores, but when we do, the assessor fines us for our thoughtfulness and humanitarianism by increasing our tax. The safer the building, the higher the tax. A "tax payer" shanty is seldom fireproof. It is a menace to the community.

As the owners of these vacant and poorly improved lots do not pay a tax in proportion to the benefit they receive, somebody must make up that deficit, and the merchants and manufacturers and the owners of buildings and homes have been elected to carry this burden. When they pay a tax on their land, they pay as just a portion of the expenses of government as do vacant lot owners, and they pay it again when they pay a tax on their buildings and their goods. This is sometimes referred to as double taxation.

The land speculators are so fearful of having their little game interrupted that they are throwing dust in the public's eyes by helping to organize distressed "property owners" to fight any increase in the tax on land. They talk about real estate and property without defining their terms which would necessitate making a distinction between land and buildings, which are the product of labor; between property owners who have improved their lots with comfortable homes and property owners who have left their lots to weeds or shanties, hoping to sell them in the future with great profit to themselves.

When anyone begins to talk to you about tax relief for property owners, find out what he means by "property owners" before committing yourself. In attempting to lighten the tax on

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THE TAX PROBLEM

PART III

If taxation is to be put on a reasonable, business basis, we must charge people for what they receive from the government and not according to what they get from their own labor. Determining how much benefit each citizen in the community receives from the government—city, state and Federal—is the easiest part of the whole game, it is the one thing we don't have to figure out, because it's already done.

How much would you have to pay for a lot fifty by a hundred feet in any God-forsaken spot you can mention? How much would you have to pay for the same size lot regardless of the buildings at the corner of Fifth Avenue and Forty Second Street, New York City? That is the key to the whole situation. Land value is site value. When people establish an organized government, they set territorial limits to which the power of this particular government may be extended.

If you want to enjoy the benefits of community service offered by Cranberry Center, you'll have to buy a lot inside the town limits of Cranberry Center. Living quarters, offices and stores can be multiplied to a considerable extent. In New York they shoot 'em up in the air indefinitely, but the land on which these buildings must rest is limited. The people who are first on the scene to take possession of this land can hold up future arrivals for higher and higher prices as the available lots are taken over. To receive the benefit of Cranberry Center's fire department, police protection, water pipes and ward politicians, you must live within its limits.

More than once a local paper has reported that a Los Angeles fire company sped like a whippet to extinguish a conflagration only to find that their territory ended at the northeast corner of the street while the burning house stood on the southwest corner. So the fire company sat on its truck and watched the house blaze. (This is not a joke. It's a fact.)

What was the matter? Why, all of the people who own lots inside of the Los Angeles city limits where fire protection is to be had, are asking such high prices for their lots that the less well-to-do must go outside the city limits where the price is lower in order to buy a homesite. Looks as if the value of government service was reflected in the price of the lots, doesn't it? The man could build a house, but he couldn't build a lot to put it on. The quantity of land is fixed. If he wanted to enjoy the service of the Los Angeles city government, he would have to buy a lot within the city limits, and the more service he wanted, the nearer he would have to be to the particular center that would best serve him. People who own lots in that particular spot know it.

There are, of course, other factors that enter

into the desirability of certain parcels of land—scenic beauty for homesites, fertility of soil for farms and orchards, but when you analyse land values, you find that these are really negligible quantities. The most productive farm in the world would be of little value as a source of income if the farmer couldn't get his cauliflower to market. He must be in touch with some center of population. That is your site value. Some of the beauty spots of the world we fly to only for brief respites from the hub-bub of civilization. During the rest of the year, we want to be where we can enjoy the plumbing and the traffic cops and the ballot box.

The difference between the price of a lot in town and one out of town is the value of the service rendered by the town. Let any realtor explain to you the advantages of buying a certain lot. He will tell you how near it is to the public school, to the library, what good fire and police protection you will have. In short, he knows exactly what the benefits of government are worth to the owner of that lot, and these benefits will be reflected in the price he asks. Some of that price is inflated or speculative value. The difference between real value and inflated value would soon adjust itself under a scientific system of taxation, but the grading of the new value would always follow the same plan, always a matter of location.

People do not live together in groups and communities unless there is some advantage in doing so. The value of land exists only where there are people, and these people can carry on their activities best where there is well organized government. In order to enjoy the benefits of this government, people must occupy land within its jurisdiction, and the amount of benefit received varies with the location within these limits. A spool of thread or a sack of flour is worth no more on the Broadways and Main Streets of our towns than in the outlying districts, but the lots are. It is the land, and not the products of labor, that receive value from the presence of population. What could be more reasonable, more business like, more just, than to tax the thing that is benefited by the community instead of the thing that is not benefited?

A tax may be levied for the purpose of obtaining revenue or as a prohibitive measure, but the effect of taxation is always the same. It always prohibits. If placed on industry, it retards it and makes it more difficult for both labor and capital to function. If placed on land, it cannot decrease the amount of land on the earth's surface for that is fixed, but it can lessen the amount of desirable land that is being held out of use by making it unprofitable to own land without using it. Putting this land to use would give men jobs, give them wealth, give them homes, it would give them real and permanent prosperity.

—N. C.

"IN OLD ARIZONA"

"Where is the money coming from," gasps the *Arizona Taxpayer's Magazine*. It seems that Arizona, in company with forty seven other states, is confronted with the problem of raising funds with which to carry on its governmental work. Nearly fourteen million dollars is needed for the next two years, and dollars don't grow on sage brush or in gopher holes.

"If this money is not coming from new taxable wealth," says the *Magazine*, "which for the time being seems non-existent, where is it coming from? From the farmers, who find the market for all that they produce depressed to such a point that they cannot continue to operate profitably? From the live stock industry, facing the same situation? From the railroads, whose volume of traffic has shrunk to a fraction of normal? From the mines, with metal prices at their lowest levels in thirty years, and with their operation reduced to mere skeleton operations?"

"Can the home-owners and business men of the state supply the answer to the question? Most of them have sustained severe cuts in income during the past year. Scan the mounting list of delinquent taxpayers, and know that it is one thing to levy taxes and another to collect them." And again our questioner says: "Where is the money coming from?"

Taken in the abstract, that is a very common question that has bothered many a man and woman, through many a generation. There is no reason why it should bother a legislature. The value of the service that the Arizona Government gives to its people is measured and quite plainly stated in the value of the land in various parts of Arizona. The services of government are worth more in Phoenix than they are in Twin Buttes. How can you tell? Because the land

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real estate, what the realtor actually wants is a lighter tax on unimproved or poorly improved land, thus increasing the tax burden for industry and home owners, for someone must meet the expenses of government.

When home owners and business men will look about them at the vacant and poorly improved lots in their neighborhood, and say, to themselves: "That man is receiving just as much benefit from the community as I am, but he has done nothing in return. I have built a comfortable home on my lot (or store or factory or office building as the case may be.) The construction of it helped the business industry, its upkeep helps society in many ways. Why should I pay heavier tax than he does?"

When home owners and property owners will ask themselves questions of that nature, we will say, a la Hollywood, "Then came the dawn."

owners ask more for their lots in Phoenix. They know it is worth more. Now if the people pay for these benefits in proportion to what they get, and not what they have, there won't be any trouble. Judging from what the *Arizona Taxpayer's Magazine* says, they have tried nearly every way they can think of, and still they haven't got the money and don't know where to get it. Why not try the right way, just for a change?

BEAVER DAMS AND HOOVER DAMS

To work like a beaver is proverbial, but how much work could a real, first class beaver do if his fellow beavers claimed the logs he wanted to work on and the stream he wanted to work in? Even a beaver must have something to work on and with if he is to live up to his reputation. You never heard of an unemployment problem among beavers for the simple reason that you never heard of a log-and-stick monopoly among them or a controversy about the dam sites in beaverdom. They have never elected a president who vetoed the right of any beaver in the colony to make use of the sites that nature provided for their dams. Now if we could just turn Mussel Shoals over to the beavers, or elect a president who knew as much about employment and natural resources as a beaver does "or sumpin."

Speaking of Latin, Palestine is a Holy Terra.—*Tampa Tribune*.

Both Russia and China seem determined on a war of self-defense.—*Louisville Courier-Journal*.

What makes the average oldster so mad is that the impertinence of youth is frequently so darn pertinent.—*Philadelphia Inquirer*.

It is said the Mexican revolution cost \$15,000,000, but we doubt whether they could get that for it now.—*New York Evening Post*.

An exchange has an editorial asking, "Can War Settle It?" War can't settle anything—it can't even settle its bills.—*Jackson News*.

Millions of Chinese starving; Kansas wheat farmers worrying about their surplus. How wonderful civilization is.—*Manila Bulletin*.

They haven't the Daughters of the Revolution in Mexico, but we fancy the mother must live down there somewhere.—*Boston Transcript*.

A man suing for divorce out West charges that his wife kissed him only when she wanted money. What an affectionate woman.—*Greenville Piedmont*.

There are poor people in the Tennessee mountains who live in such delapidated shacks that every time it rains, they have to go out and get in the sedan.—*Kay Features*.

Woolworth's stores in Scotland have been burned down. It is alleged that several excited Scots had narrow escapes from falling masonry while selecting wedding presents.—*Glasgow Eastern Standard*.

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EDITORSTOUGHTON COOLEY

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MR. BABSON TALKS OF TAXES

For some years, Mr. Roger Babson has been gathering statistics and trying to help the business men of the country find the high road to success. It would be very strange, indeed, if so eminent a statistician failed to note the effect of taxation on business, or did not realize that a tax for revenue levied on business has exactly the same effect that a nuisance tax does when levied on dogs or undesirable objects of any kind.

In the November issue of the National Municipal Review, New York, Mr. Babson expresses his views on this important subject. He says, in part: "Business men in picking out a location for manufacturing or merchandising seek the city where taxes are most rational and shun the city where taxes are most confiscatory. Likewise among the communities themselves, here and there you find a city which has the intelligence and foresight to realize that it can attract the most substantial and desirable type of citizen, only as it offers him sane taxation.

"Taxation is a theme for which the average man has small relish and usually a positive distaste. On the practical side, taxation has been turned over as the prey of politicians; while on the theoretical side it has been relegated as the sport of theorists and those whom we rudely call "cranks" and "nuts".

"Danger signs should be heeded alike by business men who are being taxed out of existence and by their customers whose purchasing power is being stealthily confiscated.

"Temporary hard times the public can withstand and survive. The evil of taxation, however, is not periodic but cumulative. It is persistently and increasingly sapping our economic strength."

Mr. Babson is right, the evil of taxation is, indeed, "persistently and increasingly sapping our economic strength." Our present depression is acknowledged by those who keep track of such things as the worst this country has seen. Like every previous hard times, like the existence of poverty in our palmiest days, this deplorable situation is the result of conditions brought about by unscientific taxation. Mr. Babson says further that the average man has no interest in the sub-

ject of taxation. No, unfortunately, he has not, but if we did only the things that we like to do, our lives would prove as impracticable and transient as the butterfly. It is high time that Mr. Average Man gave a little serious thought to this very important subject.

Capital, as well as labor, must function freely if we are to have real prosperity. It cannot do this if it is hampered by taxes. Taxes increase the cost of the products of labor and make it harder for the merchants and manufacturers to sell their goods. Their customers suffer because they must purchase less than they want or need. If the realtors succeed in having the tax on land decreased, the tax on industry will have to be increased in one way or another, and industry is in no condition to receive added burdens in the form of increased taxes.

It is hardly fair to say that "on the theoretical side it (taxation) has been relegated as the sport of theorists and those whom we rudely call "cranks" and "nuts". Our present system of taxation could be worse only if the realtors and land speculators had their way in making it more burdensome for industry and home owners. There are many people who have studied taxation and find that it can be laid on scientific principles that when it is made to conform to natural law an equitable production and distribution of wealth will inevitably follow. If these people appear to the average man as cranks or nuts, it is because he is too lazy or too indifferent or too dull to study the matter for himself. There is nothing mysterious about sane taxation.

If the average man were to study our present method of levying taxes on industry, he would find them piled like Ossa on Pelion from the time the raw material leaves the hands of the first producer until it reaches the consumer "whose purchasing power is being stealthily confiscated". There is a strange belief current among "property owners" that they are the only ones who pay taxes. It is impossible to purchase anything from shoe blacking to radios without paying taxes. Those who do not own land or homes or buildings of any type are constantly paying taxes as they purchase the necessities or luxuries of life. To place taxes on business and manufacturing is to limit their buying, and to limit their buying is to limit business and manufacturing, so we go running around in circles like headless hens.

If we heed the danger signs, as Mr. Babson suggests, we won't divide our time by two, devoting one half to complaining of hard times and the other half to playing bridge. We'll divide it by three and put the third portion to work studying the tax question—without the help of the realtors. The evil of unjust taxation brought us to a very serious pass, it will require sober thinking on our part to effect a real salvation.