

News—Domestic.

MASSACHUSETTS.

ARGUMENTS BEFORE THE LEGISLATIVE COMMITTEE—SPEECHES MADE BY MESSRS. FILLEBROWN, ISIDOR AND CROSSMAN.

A Joint Special Recess Committee on Taxation, consisting of four senators and eleven members of the lower house, has been holding, during the heated term, two or more hearings weekly, which later may increase in frequency.

The Legislative order originally charged the committee to consider the expediency of legislation within the scope of the following bills: (1) A bill concerning collateral legacies and successions. (2) A bill to provide for the taxation of goods, wares and merchandise, where situated, etc. (3) A bill to impose a tax on legacies, successions and transfers, etc. (4) A bill to provide for taxing the transfer of stocks. Also by amendment "to consider the expediency of any other legislation in amendment of, or in addition to, the general laws of the commonwealth relating to the assessment and collection of taxes."

The session of August 22d was given to the Single Tax. Following is the *Evening Transcript's* report, which was somewhat fuller than that of the *Herald* and other papers.

"Charles B. Fillebrown, of Boston, addressed the committee at length on the Single Tax theory, and sought to demonstrate to them that the landowner of today who has purchased since the present tax was imposed escapes taxation upon his investment, and that the burden of a land tax cannot be made to survive a change of ownership by sale and purchase. For illustration, Mr. Fillebrown assumed to purchase a piece of land worth \$6,000, and a house costing \$6,000. If the piece of land were free from all incumbrances, and assuming the current rate of interest to be 5 per cent., the value of the land for use, or as Mr. Fillebrown termed it, the "ground rent," would be \$300.

But assuming that there was a mortgage of \$2,000 on the land, the purchase price would be \$6,000 less this amount, or \$4,000, and the interest on this amount \$200, plus the interest on the mortgage, \$100, would still make the ground rent \$300. Still further, assuming that the land is taxed for \$100, Mr. Fillebrown contended that this tax reduces the actual selling price of the land, just as the interest on the mortgage does, so that the actual cost of the land is only \$2,000, the value of the equity which remains after both mortgage interest and tax have been paid, and so it follows that under the present system, the selling value of land is an untaxed value, and land

owners who invest to-day are exempt from taxation, not indeed upon their land, but upon its annual use value to them, or, in other words, upon their investments.

In the case of the house, if it were free from tax, but mortgaged for \$2,000, it would cost to buy only \$4,000, and it would cost to use only the interest on the purchase price, \$4,000 at five per cent., plus the interest on the mortgage, \$2,000 at five per cent., or \$300, the same as in the case of the land. But with a tax of \$100 (which the user must pay, either as rental or as a direct tax), the annual cost of the house to the user would be \$400 instead of \$300. The moral of his argument, he said, was that a tax upon land is a part of, is included in and comes out of ground rent, and is no burden to the user; while a tax upon a house is a clear addition to house rent and comes principally out of the user of the house.

His theory is, he said, the Henry George theory, which he admitted has not been adopted anywhere upon a large scale, but claimed that the trend of legislation everywhere is along the lines laid down by George. He denied that the adoption of this method would result in a rise of house rents, and insisted that it would cause a reduction instead, by the amount of the tax on home. He would wipe out the tax upon personal property and levy it upon land instead, as under the present system the landlord escapes taxation entirely.

Continuing Mr. Fillebrown declared that the tenacious pursuit of personal property, by doomsday and other drastic measures, is simply an effort to reach, by hook or by crook, people's incomes. Inasmuch as this effort is, in the majority of cases, ineffectual, the operation of the tax is disproportionate and unequal, and hence unconstitutional.

The Single Tax it is thought would accomplish the same object automatically, and more fairly, by paying public expenses out of an income which the community maintains, same as a farmer lives upon produce of his own raising.

Ground rent does not come out of the "income of wage earners" in the sense of reducing their wages, but all other taxes, local, State and National, except the ten million now taken from rent, do subtract just so much from Boston wages, broadly defined as the profits of industry. If these same taxes were taken from the forty million of Boston rent now privately appropriated, nobody's earnings would be reduced thereby, and the distribution of wealth would be just so much more proportionate and reasonable.

Walter Isidor, of Boston, protested against the inheritance tax, as rich men would leave their property in trust and thus escape the law. He thought it would be wise to allow people to assess their own valuation upon land, with a law that the

city or State could seize the land at any time, at the assessed valuation.

W. B. Crossman, of Boston, said landowners have no right to profit by the increased value of land or of franchises, a value due to the congregation of people."

At a hearing on Sept. 27th on the general subject of taxation, Mr. Fillebrown opened by saying:

"I have heretofore referred to two or three principles which are as necessary to a good system of taxation as a regulator is necessary to a watch.

(1) All taxes are spent upon those things which make and maintain the value of land.

(2) The selling value of land, which in Massachusetts is more than a billion and a quarter dollars, is practically untouched by taxation.

These two principles I have tried to make plain by somewhat elaborate argument and illustration. The question was asked by a member of the committee:

"Could not the owner escape a new tax upon his land by adding it to his tenant's rent?"

The answer was that 'he could not, and the authorities were quoted as overwhelmingly in support of this position, but the reason why was not given you. I would now like to offer in a few words some of the reasons why a tax upon land cannot be shifted upon the tenant.'

The balance of Mr. Fillebrown's remarks are contained in the following report of the hearing taken from the *Boston Herald*:

"Ground rent is fixed by competition, and not by taxation. Ground rent is the gross income from the land; the tax is a charge upon the land just the same as a mortgage interest. Land might be mortgaged for nearly or all its worth, yet the owner could not add such interest charge to his tenant's rent. A tax is in the nature of a mortgage or a lien by the State, and is simply the name of that part of the ground rent which is taken by the State; the other part going to the owner as interest. What ratio these two parts bear to one another has no effect upon the whole total rent figure, which is always the sum of these two parts, and is, as a rule, 'all the traffic will bear.'

'Putting more tax upon land will not make it worth any more for use. Take a piece of land for which the landowner gets \$1,000 rent from the man who uses it. The owner, let us say, now pays over to the city \$100 of this \$1,000 in taxes. Is there any indication that this \$100 has any influence in fixing the present rent at \$1,000? Let us suppose that next year the city should decide to take another \$100 in taxes, could the owner add this to the rent, making it \$1,100? Let us suppose that the following year the tax should be increased by another \$100, and so on by annual increases, until, for extreme illustration, the tax is

\$1,000, or equal to the entire rent, will this make it possible for the owner to raise his tenant's rent to \$2,000? Is the land worth any more after the imposition of each added tax? If the tax could be added to the tenant's rent, why should landowners oppose the tax? Still more conclusively, if the tax can be shifted, why should the selling value of the land be reduced by an increase of the tax? A tax is an incumbrance. Why should it be added to rent any more than mortgage interest, which is an incumbrance of a similar nature?"

Mr. Fillebrown was questioned regarding increases in land values in cities caused by the gradual shifting of business centres from one section to another. He believed that when this occurred the landlord was justified in raising the rents and the assessors were also justified in increasing the values. The assessor came along a year or two behind the growth and found the rents established for a period. The landlord had attended to that without considering the probable tax. The assessors cannot value a piece of property by the amount of income derived from it. Two owners may have equally good locations and one showing better business ability may get a better income from his property. The assessors have to decide what it would bring in the open market."

WEST VIRGINIA.

TAX REFORM IN THAT STATE — THE GOVERNOR FIGHTING PRIVILEGE, UNAIDED BY HIS PARTY.

The course of the taxation controversy now going on in our state is well worth the attention of all radicals interested in this subject.

As matters now stand the assessment of land is made separately from the improvements on land; that is number one.

The county takes all the direct taxes after this year, except 5 per cent for state school tax fund. That's number two. The state tax commissioners are now trying to tax the franchises of public utility corporations by basing the value of the roads and other monopolies on their gross earnings. They will fall down there, but it takes the fight into the legislature this winter. Our state constitution permits, and the tax laws also direct, the valuation of intangible values for taxation, but the legislature did not directly say so when framing the last tax law. This means a big fight in that body this winter.

Our governor, a strong Republican, but really of democratic instincts, is leading the fight almost single handed.

I suggested to him that if he offer the masses an exemption clause on personal property and make up the shortage caused by this by a tax on public service franchises it would enlist the ignorant or indifferent