

# Lets' Coordinate Our Facts!

By SELIM TIDEMAN

**I**T SEEMS curious that Georgists should seek Australia and other distant countries for illustrations of the effects of land value taxation.

I wish to bring out some facts about real estate taxes in Chicago and its tributary area. I believe that these facts will correspond closely to the situation in most of the country.

Land and improvements are valued separately and anyone may obtain the valuation placed on any piece of land by inquiry from the Board of Assessors. He can also obtain the aggregate valuation of all land and all real estate improvements in Cook County as separately compiled. The tax rate is the same on both but is 70 per cent higher than the 2.11 per cent quoted in the July issue of The Henry George News for Camberwell, Australia, where only land values are taxed. Generally, the assessed value is higher than an owner can obtain for his land if he needs to sell it. It may be somewhat less than what an interested buyer would be willing to pay; but an interested buyer is only rarely available. The 1952 rate is 3.60 per cent of the assessed valuation.

I have a particular piece of land in mind, well located in a good community within the city. The assessed valuation is \$21,090; the tax \$788.30. The owner has tried intensively for three and a half years to sell it for \$25,000 without receiving an offer at any price. Improvements comparable with those surrounding the property would cost from \$150,000 to \$300,000 and an interested investor must be found.

This tax rate is quite effective in forcing land on the market. If the owner had the \$22,000 instead of the land, he could invest it in improved real estate to produce 8 per cent or \$1,760 a year which, added to the taxes, shows a cost for carrying the lot to be \$2,548 yearly, based on the assessed valuation.

But here is the crux of it. If the owner is in the 20 per cent income tax bracket he can keep \$2,038 of this income and saving. If his other pretax income amounts to \$60,000 he is in the 80 per cent bracket and can keep only \$510. Besides, men in this bracket usually have funds invested in bonds at 4 per cent so that his net cost of keeping the lot vacant would be, with full deduction for taxes, only \$333 a year, or one-sixth as much as though he were in modest circumstances. He could then afford to speculate because if he later realized a profit in the sale, no matter what bracket he is in, he would only have to give up 26 per cent of the profit. If his income exceeds \$100,000 he would be in the 90 per cent bracket and his yearly cost would be only \$167 for taxes and lost investment income. Ownership would give him an excellent inflation hedge at nominal cost.

At this point let me say that taxation of land that is vacant is no more than a corollary objective of the George philosophy. That land in use, which is by far the greater area, should be taxed at its full value and improvements exempted, this is the greater part of the program. Not that a revolutionary improvement in our economy would result from this, but we must hold to the principle that man-made things in use and socially useful capital must be exempt from taxa-

tion and that all socially produced value must be taken by the government. If this value is not adequate, other sources of income must be found but they should preferably be in the nature of wealth in course of passage from the raw material state to the hands of the consumer—not a capital levy on wealth that has reached its ultimate destination and, in the course of production and acquisition, has paid its full duties.

Income is a type of wealth that is in transition but after taxes have been paid out of income it is illogical to tax the property that is acquired out of the remainder left to the taxpayer.

## No Limit to Production

We have yet to discover the limit to our productive capacity and we can tap production for more wealth simply by working harder or more efficiently. But when a given product has reached the ultimate user, whether it is a coat, a house, or a lathe, to tax it is like taking the buttons off the coat, bricks out of the house, or the back gear off the lathe.

The facts that I have cited earlier in this article are important and our presentation of the philosophy of Henry George must be in the light of facts of everyday experience. It is no use to say "we must abolish the income tax." If that is what we want to do we must start with a program to advocate repudiation of pensions and veterans benefits, repudiation of the national debt; we must oppose defense expenditures and foreign aids; we must involve ourselves in every issue before the country. We must oppose all subsidies and federal do-gooding and the tremendous federal bureaucracy.

After all this has been accomplished we can talk about abolishing the income tax; but perhaps we are not agreed on this full program.

War, debt and pension obligations do not increase land values, hence we have no right to expect that a land value tax should or could carry these costs.

But if we are serious about land value taxation as a fundamental principle, difficult as it seems, there is no escape from the necessity of advocating that taxes paid on the value of land shall not be deductible for income tax purposes.

I believe it is generally acknowledged that this nation's economy is better than that of any other nation. It is also a fact that land values in this country, including vacant land, have traditionally, and do at the present time, carry a higher rate of taxation than in any other country. These two facts should be coordinated in our minds and we must, in the light of the philosophy of Henry George, make every effort not to lose what we have and to work improvements as we can.