Why Not a Tax on L.V.T.?

STATE AND LOCAL TAXES—A Handbook on Problems and Solutions, Department of Research, American Federation of Labor and Congress of Industrial Organizations, Washington, D.C., 1958.

Reviewed by
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THOSE of us who customarily think of taxes as the annual bite from our incomes by the federal government may be surprised to learn that state and local taxes (spending) support about two-thirds of public expenditures for civilian purposes—education, health, agriculture and welfare. In 1957, $290 billion was spent by states and localities for civilian purposes and only $190 billion by the federal government including grants in aid.

This handbook analyzes and appraises these many complex and confusing taxes as to bases, rates, methods of assessment when used, loopholes, and the amounts collected, with percentage relationship of each to total revenue, also comparison among the various states.

The basis of appraisal is ability to pay i.e., a government "should require a relatively higher tax from those whose economic capacity is greater than that of others." Taxes are progressive if conforming to this principle, regressive if they take a larger proportion of a small income than of a larger one. Other factors to be appraised are tax consciousness, or the payer's awareness of payment for government services; ease of administration; whether they bear lightly on production of goods and services; and provide adequate yield for required services, including the strength of borrowing power by the lower levels of government. Without judging these factors it must be pointed out that two of the canons of taxation are omitted, namely, they must be certain and must bear equally—unless ability to pay can be so construed.

Property (real estate throughout the U.S.A. plus tangible and intangible wealth in some states) provides the largest share of revenue for localities. It is admitted that real property is hard to hide but such taxes are adjudged regressive because productive property usually is given preferential treatment and in some places is exempt; and because they bear heaviest on lower and middle income homes. Infrequent assessments by untrained local assessors also lead to favoritism and inequity.

The tax most favored for increased revenue and fairness is the graded income tax at all governmental levels. Revenues thus built up during prosperous years could be used during a depression when incomes decline. This tax to be equitable, would have to be revised in many states as to rates, exemptions and deductibility and in several states would have to be legalized.

There is nothing new in the suggestions offered, nor do they provide any relief for the taxpayer.

In this detailed analysis of various types of taxes no mention is made of the graded tax plan applicable in Pittsburgh and Scranton since 1913 which provides that improvements be taxed at one-half the rate applicable to land. If all taxes must ultimately be paid out of someone's income why not recommend an increased tax on land values which are everybody's earned income and which increase in value with increase in population? Surely a land value tax meets the requirements of a progressive income tax, without its disadvantages.