

What Taxes Do To Farmers

by WOODROW W. WILLIAMS

I HAVE been studying Henry George and the single tax for many years, and if you will bear with me I think you will agree that this tax reform could be of great help to the average family-type farmer.

For instance, one of my neighbors is semi-retired. He was nearly 65 when farmers came under the social security system. But he was not ready to retire, so he continued farming until his six qualifying quarters were up. Then he sold most of his livestock, put his machinery in the barn, and reduced operations to hold his labor income below \$1,200. He rented several of his fields, but this income did not endanger his social security payments.

Among his left-overs was a mow of chopped hay. As this is difficult to transport it might be considered unmarketable. But in Ohio it must be listed as personal property, and is taxable. So my neighbor thought he would solve his dilemma by getting some cattle to eat the hay and thus market the hay through the cattle. But here another problem arose. If he bought the cattle toward the end of the year he would have to list them for taxes, since January first is listing date. If he got them after the first he might not have the hay all fed by the next January. So he took some care to get cattle of the size that would be ready for market prior to the next January. This is what taxes mean to farmers in Ohio in a truly tax retarded economy.

Another retired neighbor had an old log barn, perhaps a hundred years old. It was serviceable to a degree for sheltering a wagon or piece of farm machinery. He was shocked at his tax statement after a re-appraisal of property, but he did not study long. He made a deal to raze the old barn and have it cut up for firewood. And he couldn't

replace it for that would have made his taxes higher than ever.

Some states have abolished the personal property tax but not Ohio. While household goods are exempt, a farmer's chattels — his livestock, machinery, stored grain and hay, and so on—must be declared for taxes. A ruling some years ago relieved a farmer from listing grain in his bin on which he had obtained a non-recourse loan from the Commodity Credit Corporation (sometimes called a price support loan). Such loans are made to help the farmer hold his grain for a better price, since often the price at the glut of harvest time is quite depressed. Naturally the farmer who is pressed for funds will find it difficult to wait to sell his grain and must sell at a loss. It should be remembered that this government subsidized service, like all others, tends to push up the price of land, and thus helps the landholder rather than the operator. But many farmers who are not pressed for cash, and who are holding their grain for a more favorable market, have been getting a loan on it merely to avoid paying the personal property tax.

Now this personal property tax in Ohio is quite a thing. If a farmer, who often must be a jack of all trades even in our highly specialized day, owns such carpenter's tools as a power saw, drills, hammers, etc., he must list them as personal property. This assumes that he uses them occasionally in repairing or constructing buildings.

His brother living in the village or city may have a basement full of expensive tools which he uses as a hobby, for making children's toys or gifts for his wife's club. He pays no tax on these since they are not considered to be used for production. Of course if his brother is a carpenter he pays a tax

on his tools the same as the farmer—for either is taxed if he falls in the category of producer.

When I was a boy my father could easily get repairs for his machinery at the local village blacksmith shop. Later he deserted the blacksmith, who was usually also a farrier and often a veterinarian as well, and went to the garage mechanic who fixed the early cars and made repairs to farm machinery. Today we have increased mechanization of farms and this has diverted a great number of people to the already congested cities. It has also sent the price of lightly taxed farm land higher and higher, so that the farmers who are still able to operate must farm more land in order to pay for the expensive machinery. Some already see that as they pay more for their land they have less reward for their work and less to apply on the debt contracted for their large scale equipment.

Meanwhile the small towns also are having a rough time. Our local hardware man has given up and now works for Penny's in Lima. His wife and a hired clerk will continue in the store until fall, when he will close it and his wife will go back to teaching school. This means that my neighbors and I will have to travel farther for bolts, nails, wire and other things which we need almost daily. You may be sure that taxes have quite a lot to do with the many changes of this kind. A hardware merchant, like any other, must pay taxes each year on his stock, even though much of it may move slowly, for he must keep his inventory up or lose business. As usual, the more efficient he is the more tax he pays.

In this day of increased specialization the farmer faces the necessity of being more self reliant than ever. The small town repairman complains that he can't earn a living, or can't resist the call of the city with big wages and less responsibility. His wages will be cut down by deductions, of course, but if

he tries to keep his business he is deluged with forms to fill out to take care of sales taxes—and if he hires a helper he must hire a bookkeeper also to figure workmen's compensation, withholding taxes and social security payments.

Some thirty years ago Ohio began to license barbers. We were told this would insure better haircuts and more sanitary barber shops. But it drove the small town shops out of existence, so the few farmers who are left must travel farther to get their hair trimmed. Since licensing is a form of tax, this is one more way in which taxes are affecting the farmers.

In the 1958 Yearbook of Agriculture, entitled *Land*, there is a section on "How Taxes Affect the Land and Farmers." The author, Frederick D. Stocker, shows that the tax system bears on the tenure of land, affecting the balance between large and small holdings, between owner occupants and tenants, and between older and younger operators. He states that the social security law made it possible in 1955 for many, 65 and older, to receive benefits after only a year and a half of taxable earnings and suggests that as a larger proportion establish eligibility, more farms may be transferred from older to younger hands.

His prediction may be partly coming to pass, but at the same time many farmers are reducing their operations so the "labor" income will remain below the \$1,200 restriction. Some will farm a part of their acreage and rent out the rest until they reach age 72, when they can earn as much as they wish without being taxed. Not many are able to make much at that age, however, since even with all our labor saving inventions, farming is still hard physical work.

Whenever land is held back from the market the price tends to increase. So the younger family farmer is hit again, this time by the social security tax.

Is there any prospect for relief? A fifteen-member study commission was authorized by the last session of the Ohio General Assembly to prepare recommendations for the next session in January. Hearings are scheduled for Toledo this month, Zanesville in August, Lima in September, Chillicothe in October, and Columbus in November. "Studies" of this kind have been made every two years for the past decade and all I can remember having been accomplished was elimination of the use of prepaid sales tax receipts

which were in use in Ohio for 25 years. I intend to request an audience at the Lima hearing, however, and will try to convince the committee that the biggest need in taxation is straightening out the grossly inequitable assessments—especially nominal assessments on vacant and under-used land, both rural and urban. Because of a considerable amount of publicity it is possible that some attention may be given to the suggestion. We hope for more than a token hearing and believe this may be our year.

An address by Mr. Williams at the annual conference of the HGS in St. Louis.

EXEMPT POLLUTION CONTROL EQUIPMENT

Air pollution control may be expedited by the practical inducement of exempting all control equipment from taxes. The New York State Assembly, and later the Senate unanimously passed bills to exempt control equipment installed within the next seven years, provided it is certified by the State Air Pollution Control Board. The anticipated program also gives local communities the option of exempting such equipment from property taxes and allows an industry to depreciate the cost of equipment in a single year.

If both bills are signed by the New York Governor, a factory owner installing \$1 million of control equipment could deduct that amount from his gross income when paying state income taxes, and would never have to pay property taxes on the improvement of the factory.

If this exemption were extended to new buildings as it was in 1920 in New York, it would have the same favorable effect on slum clearance.

When Kul Bhushan was in the U.S. two years ago at the international conference, he invited friends to send books to a library he was starting in the New Era College at Nairobi. This was later named the John F. Kennedy Memorial Library. On visiting Africa, Senator Robert Kennedy called at the college and is shown here with Kul Bhushan looking over some of the documents in the library.



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