

How much revenue would the  
"single tax" produce?

## Could Land Values Support All Areas of Government?

By JOHN A. ZANGERLE

WITH THE HUGE LEVY of our United States income tax, the American people are becoming more tax conscious—and they welcome proposals for amelioration of tax burdens or improvement in administration. Forty or fifty years ago, brilliant economists advocated zealously the single tax on land values—and the abolishment of all other forms of taxation. Scholarly and profound thinkers urged the absorption of all economic rent through taxation of land values, believing that ground rents would be sufficient to meet all governmental needs. In the light of present astronomical needs, this scheme is now even more alluring than it was half a century ago. But the question is: Would the economic rent of land prove sufficient to cover the present revenue needs—national, state, and municipal?

Let us estimate the present economic rent in the nation, using as a basis Cuyahoga County tax figures (Cleveland, Ohio). The assessment of land values last year was about \$500,000,000, excluding public utilities which represented about \$250,000,000, for a total of \$750,000,000. This assessment includes all classes of land, tenant-occupied and owner-occupied, factory and residential, vacant and occupied, farm and commercial.

### Assessed Values and Economic Rent

But as land is assessed at less than its true value—perhaps averaging 50%—under Cuyahoga County's outmoded sexennial assessing system, the sales value may have been equal

to \$1,500,000,000. Eight and one-half per cent (5% for the investor and 3½% for taxes, the approximate present rate) may be regarded as a fair average economic rent demanded by investors, which applied to the estimated gross value, \$1,500,000,000, equals \$127,000,000 as the estimated economic rent of Cuyahoga County. As the population of Cuyahoga County is generally regarded as being 1% of that of the United States, we must multiply by 100, making a total possible \$15,000,000,000 as the assessed value of land, and \$12,700,000,000 as the national economic rent.

For additional evidence, let us take the very thorough reports of the New York City Tax Commission, which may be regarded as fairly reflective of true values. Assessments of New York City lands for the fiscal year 1951-52 totaled \$6,781,000,000. The economic rent may be regarded as 8% (investment rate 5% and taxes at about the going rate) or about \$540,000,000. Multiplying by 19, the approximate ratio of its population of the United States, gives us \$10,300,000,000 as representative of the total economic rent of so-called "ordinary real estate." To this may be added about 3% for public utilities and about 10% for special franchises, making a grand total of less than \$12,000,000,000, as representative of the aggregate economic rent in the United States. This compares with \$15,000,000,000 deduced from Cuyahoga County data and further compares with Uncle Sam's yearly budget of about \$85,000,000,000 to \$90,000,000,000.

### Editorial Comment

THAT MUNICIPAL SERVICES ought to be supported, in the main, through the taxation of community-created land values, has long been advocated by THE AMERICAN CITY. Recent months have witnessed definite trends\* in this direction—especially the Pennsylvania law of 1951, under which the 47 "Cities of the Third Class" of that commonwealth now have the right to reduce their taxes on improvements and to collect a larger percentage on site-values.

Some extremists go so far as to claim that a single tax which would collect the entire economic rent of land would provide funds ample for all branches of government—national, state, and local.

Believing, as this magazine docs, that such exaggerated claims handicap sane progress, we are glad to publish the accompanying comments written for THE AMERICAN CITY by two of America's foremost elder statesmen in municipal and county tax administration—John A. Zangerle, former assessor of Cuyahoga County, Ohio, and Lawson Purdy, for many years President of the Department of Taxes and Assessments of the City of New York.

\* See THE AMERICAN CITY for August 1951, page 5; February 1952, page 7, and page 119 of the present issue.

The estimate of economic rent is no doubt liberal, in that the New York City tax rate in relation to actual values is greater than the average rate. Also, "public utilities" include personal property in some states although they are herein included as land values; they also include all buildings. On the other hand, New York land values may not represent full values and may offset these excesses. It is furthermore to be stated that the New York area is a congested area, hardly average of conditions in the United States. The farming and southern states will not show the economic rent of New York City or of Cuyahoga County. It is also doubtful that "taxes" which are herein treated and considered as economic rent should be so considered. These are usually deducted as an "expense," thus lowering the capital value of income-producing property. There is no reason to believe that the taxes will be capitalized into value in any attempt to absorb all economic rent.

### States and Municipalities Need It All

It is fair to assume that single taxers had in mind mainly state and local taxes, as our national government at that time had not yet instituted the great needs of a welfare state, had no mind to war, past or future, standing army, defense, governmental pensions, etc. But state and local taxes take about \$19,000,000,000; more than the economic rent as computed. The single taxers never figured that this rent would have to

be high enough to replace our extraordinarily high income, inheritance, admissions, gross-receipts, or sales, motor-vehicle, gas, excise, etc., exactions. These taxes had not yet arrived in their lifetime. Furthermore, the above liberally estimated economic rent involves perfect 100% assessing—something that has never existed, is not accomplishable, and cannot be realized by human beings under the most drastic administration.

There is no reason to believe that land would be better assessed under one scheme than another.

It is apparent that the "single tax" is a misnomer, that it could not defray even Uncle Sam's greedy appetite of about \$90,000,000,000 per year. May I add, however, that the main thesis of the single taxers, viz., that all local taxes be levied on land, and that buildings be exempted from taxation, is reasonable and desirable—

worthy of sincere efforts of thoughtful students. But the thought that present land values are enough for all tax purposes must remain a dream.

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