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THE PROGRESS OF LAND VALUE TAXATION IN WESTERN CANADA.

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“We do not think the single tax is either peculiar or advanced legislation,” said Hon. Arthur L. Sifton, premier of Alberta, to the Canadian Club at Winnipeg, May 27th, 1914.

Persons unfamiliar with western affairs would regard this as a startling statement to fall from the lips of the premier of a great new province. Hopes and fears altogether unwarranted would arise in the minds of single taxers and others. Fortunately or unfortunately, in Western Canada the exemption of buildings and business from municipal taxation has been called the single tax, to which it bears the same relation as an ant-hill does to a mountain.

The single tax involves the abolition of all taxes on food, clothing and shelter and the raising of all revenue, (municipal, provincial and federal) by one tax upon unimproved value of land. It would be well, if it were possible, to dissociate the municipal phase from the general movement. Certainly the practice of taxing land values only for municipal purposes has spread very rapidly in Western Canada.

For the sake of convenience I will deal with my subject by provinces commencing on the Pacific Coast and working eastward, thus reversing the process of events, for the exemption of agricultural improvements from taxation spread from Manitoba westward.

BRITISH COLUMBIA

A very interesting and informing report has been presented to the Legislative Assembly of British Columbia by the Royal Commission on Taxation, appointed in 1911. This report recommends the abolition of the poll tax and the taxes on

personal property and improvements. It recommends an increase of the income tax. The commissioners evidently recognize that income taxes put a premium upon lying. But "they have too firm a faith in the integrity of their fellow citizens" to suppose that they will attempt to evade the tax. The report calls attention to the significant fact that "The Provincial Government has seen fit for taxing purposes to divide the lands in British Columbia, privately held in fee, into two classes, according to the motive which prompted their purchase: (1) Lands for use or occupation; and (2) Lands held for an increase in value. It has also, in imposing rates of taxation, differentiated between various classes of land according to the use to which they were put. At present, land held for occupation or agricultural use is taxed at the rate of $\frac{1}{2}$ of 1 per cent; land held as "coal land" on which mines are worked, at 1 per cent.; if unworked, at 2 per cent.; land held as "timber land" at 2 per cent.; land held for appreciation of price only, at 4 per cent.; unworked Crown-granted mineral claims, at 25 cents per acre. The commission recommends that these taxes be maintained, but suggests that the assessment machinery should be improved in order "that the valuation of real property should be brought up, as near as possible, to its real value."

The Hon. Price Ellison, Finance Minister, stated in his budget speech (1913) that it was the intention of the government to enact the recommendations of the commission. He said, "Our aim is to reach a point where our revenues will be obtained from the natural resources of the province." To which all good single taxers will say amen.

Each municipality in British Columbia has local option in taxation. Victoria, Oak Bay, Saanic, Nanaimo, Prince Rupert, Vancouver, South Vancouver, Point Grey, North Vancouver, Coquitlam, Burnaby, Mission, New Westminster, Surrey, Langley, Matsqui, Sumas, Chilliwack City, Chilliwack Township, Kent, Merritt, Spillumcheen, Peachland, Kellowna, Summerland and Penticton have adopted land value taxation. The system is working well and spreading rapidly.

ALBERTA

In 1912 the Alberta Legislation amended the "Town Act" and made land value taxation compulsory throughout the whole province. The sudden change inconvenienced a few municipalities and caused some slight friction which was magnified by the press.

In response to an inquiry I received the following illuminating letter from the deputy minister of municipal affairs.

EDMONTON, ALBERTA, May 30th, 1914.

SIR: In reply to your letter of the 11th inst., I beg to say in reply to your first question that all the rural municipalities in this province collect taxes on land values only. Out of our ninety-eight village municipalities, ninety-seven collect taxes on land values only. Out of our forty-seven town municipalities, forty-five collect taxes on land values only. Out of our six cities two, viz., Edmonton and Medicine Hat, collect taxes on land values only. In addition these two cities have, of course, as all other municipalities have, a small revenue from licenses, then they have certain revenue from public utilities which are owned by the municipality. The city of Red Deer levies taxes on lands and a small business tax. The remaining three cities of Wetaskin, Calgary and Lethbridge, levy taxes on property as well as lands.

In reply to your second question I may say that the legislation in force in regard to rural municipalities never provided for any other system of taxation than that on land values. Before we had rural municipalities we had local organizations known as local improvement districts. Taxes levied by these districts were levied on acreage basis and the local improvement districts that we still have still levy taxes in that way.

Under the old village act of the Northwest Territories when a village was organized, the system of taxation that came into force was a tax on land, personal property and improvements, but any village that so desired might petition and obtain authority to levy taxes on land values only. Many of the villages did so and at the session of the provincial legislature

of 1911 and 1912 the Village Act was amended requiring all villages to levy taxes on land values only. This legislation came into force February 16th, 1912. Our new Town Act came into force at the same time, and all towns carrying on business under that act are now required to levy taxes on land values only. I may say that one or two of our towns had under the authority granted them under the old municipal ordinance only levied taxes on land values, but the majority of them still levied taxes on personal property and improvements up to the time of the coming into force of our town act.

The one exception in regard to taxation in villages is provided for by special act on account of peculiar local conditions. With reference to the two exceptions in towns I may say that one of these is an old town established under a charter granted by the Northwest Territories and this town has not yet applied to come under the town act. The other is a town that is in peculiar circumstances and was given special taxation privileges by special act.

In regard to your last inquiry I may say that as far as our rural municipalities are concerned, the question of changing from taxation in land values to taxation on lands, personal property and improvements has never been raised and any such move would be strongly opposed by our rural population. With reference to villages and towns I may say that at the two last conventions of the Urban Union of Alberta Municipalities the question has come up in the shape of a resolution but the resolution has been defeated on both occasions. At the last convention there were only three votes cast in favor of the resolution asking for legislation permitting towns to revert to the old system of taxation. This should be an indication of how this matter stands.

With reference to our cities as you no doubt are aware, each of our cities carry on business under its own special charter granted by the legislature. The provisions of these charters are amended from time to time and the general tendency of late has been for the cities to ask for amendments reducing taxes on personal property and improvements, there

being less revenue raised from taxation on personal property and improvements in our cities at the present time than ever before.

Your obedient servant,
 (Signed) JNO. PERRIE,
Deputy Minister of Municipal Affairs.

The legislation referred to, passed in 1911-1912, contains the following clauses:

“All municipal and school taxes shall be levied equally upon all rateable land in the town.”

“All municipal taxes shall be levied equally upon all rateable land in the municipality according to the assessed value of such land.”

“Land shall be assessed at its actual cash value, as it would be appraised in payment of a just debt from a solvent debtor, exclusive of the value of any buildings erected thereon or of any increase in value caused by any other expenditure of labor or capital thereon.”

A proposal to levy a tax of five per cent upon the “unearned increment” of land values when the property is sold is under consideration in Alberta, and also in the neighbouring province of Saskatchewan, but so far as I am aware these proposals have not gone beyond the stage of serious consideration.

SASKATCHEWAN

The Legislature of Saskatchewan passed an act in 1908 providing for the taxation of land values only in rural municipalities.

At the 1913 session of the Legislature an amendment was made to the Rural Municipalities Act, by which each rural municipal council will levy a sur-tax of ten dollars per quarter section on the following lands, beginning in 1914:

“1. The land of any owner or occupant not exceeding 320 acres which has less than one quarter of its area under cultivation, unless such owner or occupant is an actual resident upon the said land;

“2. The land of any owner or occupant exceeding 320 acres, but not greater than 640 acres, which has less than one quarter of its area under cultivation;

“3. The land of any owner or occupant exceeding 640 acres, but not greater than 1,280 acres, which has less than one half its area under cultivation;

“4. The land of any owner or occupant exceeding 1,280 acres, but not greater than 1,920 acres, which has less than one half its area under cultivation;

“5. The land of any owner or occupant exceeding 1,920 acres.”

The aim of this bill is to tax the non-resident land speculator, and also to tax owners of large estates. It is heartily approved by the farmers of Saskatchewan who passed the following resolution at their last annual convention:

“That this convention heartily approves of the recent provincial legislation rendering it obligatory that all rural school and municipal revenues of the province be raised by a tax on unimproved land values;

“And, further, that we recognize that land speculation is one of the worst evils to-day existent in Saskatchewan, and we are therefore in accord with the recent ‘sur-tax’ provision, by which the speculator will be more heavily taxed than the bona-fide farmer;

“And, further, that we consider that the most equitable method of raising all public revenues is by a tax upon unimproved land values.”

These farmers evidently do not think that “the single tax will hurt the farmer.” The towns and cities of Saskatchewan have power to adopt land value taxation by easy stages. The Assessment Act of 1911 stipulates that buildings must be assessed at 60 per cent of their value, and land at its full value. Any city or town may reduce the assessment on improvements 15 per cent each year until improvements are totally exempt from taxation. Regina, the capital city, has this year reached the stage where buildings are only taxed on 15 per cent of their value. Practically all of the towns and cities in Saskatchewan are following the same policy.

MANITOBA

The Municipal Assessment Act of Manitoba states that all horses, cattle, sheep, swine, poultry and other farm stock (live or dead), grain, cereals, flour, the produce of farm or field, in store or warehouse, cordwood, and all farming implements and machinery used by farmers in the ordinary occupation of farming, and when kept upon the lands of bona-fide agriculturists or farmers, shall be exempt from taxation. The Manitoba Act also provides that agricultural land shall be taxed according to its value, allowing, however, considerable latitude to the assessor in fixing the value, with the result that the land is usually under-assessed.

An amendment is needed to compel the assessment of land at its actual value.

Winnipeg the capital city operates under a charter from the provincial government and has to apply to it before she can make any changes in her system of taxation. In 1909 an amendment to the charter was secured by which the assessment on buildings was reduced to two-thirds of their value, land being assessed at its full value.

During the municipal election of 1911, 24 out of 28 candidates declared in favor of land value taxation. The city council asked the provincial government for power to take a referendum vote upon the question. This was ignored, as was a similar request in 1913. A petition from the Union of Municipalities of Manitoba for a change in the assessment act, which would permit the reduction of taxation upon buildings in the cities and towns, received the same treatment. So although Manitoba led the way in the practice of untaxing agricultural improvements some twenty years ago, she has not progressed so rapidly as her western sisters.

RESULTS

A few words about the results of land value taxation may not be unwelcome.

The building record for the first eight months of 1912, covering 52 cities in Canada, furnished striking testimony of the effi-

cacy of land value taxation. Medicine Hat, a small city of 5,608 inhabitants, stood first in the percentage increase in the eight months, with 408 per cent. The Legislature of Alberta, passed a law to compel all municipalities in that province to adopt the system of land value taxation. The City Council of Medicine Hat was not content to wait, so applied for and obtained a special act, by which all taxes upon business, buildings and personal property were abolished, and the whole of the municipal revenue raised by a tax on land values. There is no doubt that the phenomenal increase in building operations was principally due to this change in the system of taxation. In Edmonton, the capital city of Alberta, which this year abolished the last vestige of the business tax, and now raises the whole of its revenue by land value taxation, there was also an enormous increase in the number of building permits issued. The figures are \$10,250,562 for 1912, against \$2,706,780 for 1911, an increase of \$7,543,782. The figures for Victoria are \$5,781,255 for 1912, against \$2,197,920 for 1911, an increase of \$3,583,336. For the sake of comparison, I include the building record for Winnipeg, which is a much larger city, but still lags behind in the matter of mending her tax system. We have, it is true, abolished all taxes on personal property, and in 1909 the assessment of buildings was reduced to two-thirds of their value, but we are still hampered with a tax upon buildings and a business tax. To show the effect these have in the way of holding back the city, it is only necessary to compare the building record of Winnipeg with Victoria and Edmonton, which are much smaller cities. The figures for Winnipeg are \$16,298,600 for 1912, \$13,911,900 for 1911, an increase of only \$2,386,700 as against the larger increases in Victoria and Edmonton. The population of Winnipeg according to the census of 1911 was 136,035. Victoria had 31,660 inhabitants, and Edmonton 24,900. These are hard facts which should shake the opposition to Single Tax in any part of the world. No man can look these figures squarely in the face and say that land value taxation will not work.

So much has been written about the effect of land value taxation in Vancouver that one hesitates to add words to words, and figures to figures. The fact that the system of taxation is decided each year by the city council, and that this year it took only 2½ minutes to decide in favor of land value taxation speaks volumes. No single instance can be quoted where any municipality in Western Canada has tried land value taxation and returned to the old general property tax.

EXPERT TESTIMONY

It would hardly be fair to conclude this paper without putting in evidence the opinions of some men who can speak with authority about the effects of the new system.

The Mayor of Vancouver writes:

DEAR SIR: Replying to yours of October 21st, 1913, I might state that there is no great dissatisfaction with the system of taxation in vogue in Vancouver. While there may be a difference of opinion as to the exemption of improvements, so far as I can find out the electors of the city of Vancouver are, by a tremendous majority, in favor of our present system of exemption.

We are having no great difficulty in financing civic business, either; in fact, I know of no city in Canada which has less trouble than we have, and any trouble which we have had has not been due to the exemption of improvements, but to the fact that we had borrowed too much money for local improvements without selling the local improvements bonds. I may also state that our assessed value of land within the city is not more than 50 or 55 per cent of its actual selling value, so that we have a large margin to go and come on.

Yours truly,

(Signed) T. S. BAXTER,

Mayor of Vancouver.

The Mayor of Victoria writes:

Victoria, B. C. May 11th, 1914.

DEAR SIR: I am duly in receipt of your communication of the 5th inst. In reply I beg to state that the burden of

taxation in this city has been removed from improvements, and placed on land values. Although this change has given an impetus to building and has resulted in the erection of a large number of splendid modern business blocks on what was formerly vacant property, I do not think, that up to the present time, it has had any material effect upon manufacturing enterprises. There is no tax on public utilities in this city, and the main sources of revenue are the tax on land, business licenses, and a "Road Tax" of \$2.00 per year.

When this system was first introduced it had many bitter opponents, but those who were its strongest opponents at one time, are now, many of them, staunch advocates of it. I should say that, generally speaking it meets with approval, and in my own personal opinion is of benefit to the community.

Yours very truly,

(Signed) A. Stewart,

Mayor of Victoria.

The Mayor of Edmonton, Alberta, writes:

Edmonton, Alberta, May 9th, 1914.

SIR: I am in receipt of your communication of the 5th inst., with regard to system of taxation in operation in our city.

As far as I am aware, the single tax schedule which we have adopted is as popular as it is possible for any system of taxation to be. We have abolished the poll tax, income tax, floor space tax, on industry, and at present derive the revenue for current expenses of the municipality from direct tax on land values alone. The object of this system in a growing community is to encourage building and other industries, and to discourage the holding of large plots of land for purely speculative purposes.

In times of financial stringency, when the real estate boom is ended, the full value of the single tax is apparent; when land owners are forced in self-protection, to erect on their property some kind of building to mitigate their tax bills.

In my own personal opinion the system of land value taxation is of distinct benefit to the community, and will bear

favorable comparison with any other system that may be designed to eliminate the defects of Western land development.

Your truly,

(Signed) W. J. McNAMARA,

Mayor of Edmonton.

No useful purpose would be served by multiplying these testimonials. Land value taxation has taken root in the fertile soil of Western Canada, and it is growing; it will grow.

Practically all of the rural municipalities west of the great lakes, exempt improvements from taxation, a majority of the towns and cities are moving in the same direction; British Columbia now gets part of her provincial revenue from the taxation of land values, Alberta, and Saskatchewan propose to do likewise; the federal government leases mineral claims, timber limits, etc., instead of selling them; the principle that the land belongs to all the people is thus recognized in all departments of our government, municipal, provincial and federal, and there is a constant demand for a fuller application of this principle. Will land value taxation develop into the single tax? An increasing number of us sincerely hope so. We have no dread of what is called for by the instinct of mankind. Nor think we that God's world will fall apart, because we tear a parchment more or less.