LAND VALUE TAXATION IN NEW YORK AND PITTSBURGH

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That land value taxation in practice in New York City and its vicinity is efficient in respect of substantial accuracy of the assessment of values as well as in collecting a greater amount of public revenue than is elsewhere collected in any similar area in the world from the same source, was, I think, sufficiently made evident by the paper of Mr. Lawson Purdy, which I had the honour to read to the Conference a few days ago.* This success is due, in a large measure to the fact that under the American system the local tax when once levied becomes a lien *in rem* (that is against the particular parcel of land) and not *in personam* (that is against the owner or lessee). The city authorities are, therefore not at all concerned with the identity of the persons interested in the ownership of the land which is held to pay the tax. Every lot of land is shown on official maps and has a tax number.

There may also be special assessments for benefit levied for public improvements affecting that particular lot number. This expression may sound like Greek to non-American ears. Suppose a piece of land lacks some public improvements like paved streets, water-mains, and sewers, and the government decides to install one or more of them. The cost thereof is apportioned among the lands benefited thereby, and the city government usually does not pay any part of it. This is called a special assessment for benefit and is levied against all the lot numbers affected thereby, even though the land may not be improved by a single building. This also carries interest at the rate of 7 per cent. Note that in the case of special assessment for benefit it is the land and not the building that is assessed. *In thus collecting for public improvements solely from the value of the land increased by such improvements, our government tacitly adopts one of the fundamental principles of single tax philosophy.* . . .

The tax is levied against a number and not against a name. If the tax is not paid within 30 days after it becomes due, interest at the rate of 7 per cent per annum begins thereon. It may remain unpaid for three years. During that time water rent (if the lot is built upon) may also be unpaid. Like most American municipalities, New York has its own potable water system, which cost it upwards of 300 millions of dollars. An annual rent is charged for the use of the water, the amount of course varying with the quantity consumed, though there is a minimum charge. This also becomes a lien on the tax number.

When the three years have elapsed and the landlord has failed to pay one or more of his annual taxes or water rents or one or more of the special assessments, the City Treasurer (called Comptroller in N. Y. City) adds together the various amounts, besides accrued interest, and gives notice through advertisement of his intention to sell the aggregate sum at a stated time and place. This is now called a tax lien, and is struck down to the person who is willing to pay the city its face value and to charge the landlord the lowest rate of interest. He then receives what is termed a transfer of tax lien. To all intents and purposes, the transfer of tax lien is a first mortgage, having priority over all other mortgages, leases, judgments and every other claim except the right of the City to collect future taxes. The principal of this mortgage is due in three years and the interest is payable semi-annually. If the payments are not met the holder of this lien or mortgage can go to Court and begin a suit for foreclosure. He makes every person who has an interest whether as owner, mortgagee, lessee or what not, a party defendant. Usually the suit is settled before judgment. If not settled, judgment is entered and the real estate is sold at public auction to the highest bidder. . . .

In 1925 the real estate of New York City was valued for taxation purposes at $11,901,348,553. This is almost 12 billions, or as our British friends would say, 12 thousand millions. About half of this, $5,561,718,975 consists of land value. Theoretically, real estate is assessed at its full market value. In practice it is found that the assessment averages only 70 per cent of such value. It is evident, therefore, that the land values of that city aggregate 2 thousand millions of dollars. The rate of the tax in 1925 was $2.70 on each hundred dollars, and the amount of the tax collected from land values alone is 150 millions of dollars. It may be of interest to note that a dozen years ago two-thirds of the assessment of real estate in New York City consisted of land values and only one-third of buildings values. The great activity in the building market since the Armistice, coupled with the high cost of labour and materials and with the higher rate of taxation on land values, has now brought building values to a parity with land values. . . .

It is unfortunate that I could not procure official figures for all the sections for the same year: but these are " boom " times for N. Y. City vacant land speculators and my figures are, therefore, understated. Indeed, a few days before I took ship to join this Conference, I was unofficially informed that the assessment of real estate in the City of New York for the year 1926 had been increased by $1,096,000,000, of which about one half is land value.

But New York is not all of the United States, any more than Copenhagen is all of Denmark.

Some cities in my country have taken more steps towards the single tax than has even my native city. Notable is the case of the city of Pittsburgh, in the State of Pennsylvania. In 1913 that State passed a law which is popularly called the Pittsburgh graded tax plan. The two outstanding features are :—

1. The entire tax revenue for municipal purposes is derived from taxes on real estate. There are no taxes levied by the city government on any other form of property or on incomes.

2. The municipal tax rate on buildings is fixed at one-half of the tax rate on land. *The National Municipal Review* for December, 1925, contains an article by Percy R. Williams, a member of the Pittsburgh Board of Assessors. He denies that the plan is single tax, but carefully refrains from denying that its successful operation will logically lead to the adoption of that philosophy. Indeed, he states that " there are even now indications that, within a few years, steps may be taken to extend the partial exemption of improvements."

There have been five triennial reductions of the rate of the tax on buildings, so that now it has reached the legal limit by being only half of the rate on land values. True, the rate on buildings has actually increased, for it was 89 cents per $100 in 1913 and is 97 cents per $100 now. But while the rate on land values in 1913 was the same as on buildings, 89 cents, it is now more than double, $1.95. Land thus pays about $10

* Mr. Purdy's paper is in type for *Land & Liberty*, and we hope it may appear next month.

per thousand more than buildings. There is ample room for the extension of the law, for buildings are still taxed at the full rate, in Pittsburgh, for other than municipal purposes. The municipal revenue is only 15 millions while the school district and the county of Allegheny in which the city is located, raise 17½ millions by taxing buildings and land at the same rate. Mr. Williams says: "The facts cited show how far Pittsburgh is from the single tax either limited or unlimited."

Even though it is Mr. Williams' opinion that the "Pittsburgh tax experiment is really a moderate tax applied in a very conservative manner," he adds that "friends and opponents of the graded tax alike agree that the higher land tax has been influential in inducing those who held large tracts of land idle to sell at more reasonable prices, because the holding of vacant land for long periods is becoming unprofitable." Of course this led to a "boom" in building. In 1913, the last year under the old tax system, there were 3,461 permits for new buildings of an estimated cost of $13,870,955. In 1924, the buildings more than doubled (8,285) and the value of the new buildings almost trebled ($34,256,450). . . .

Mr. Williams says: "It is the home owner who stands out as the chief beneficiary of the graded tax." He then gives facts and figures showing that, notwithstanding the general increase in the rate, the typical home is actually paying less tax than it did in 1913, while the typical skyscraper is actually paying more. The reason, of course, is that the home is on land of low value while the office-building is on land of high value.

Mr. Williams concludes his able article as follows: "The expediency of the graded tax plan lies in the fact that it means tax relief for the majority of taxpayers and that it encourages the improvement of real estate, thus stimulating the development of the community. The justice of the graded tax plan rests upon the fact that land values are socially created, growing with the growth of population, and the extension of public improvements, and are, therefore, in a peculiar sense, a natural and logical source of public revenue." . .

The allied Boards of Trade of Allegheny County (in which Pittsburgh is located) are circulating a pamphlet. One of the interesting statements is a comparison of new building permits per one thousand of population issued by Pittsburgh between 1914 and 1920, with those issued for the same period by seven of the largest American cities. The balance in favour of Pittsburgh ranges from 25 per cent. to 238 per cent. In big black letters this pamphlet states: "All taxes other than land taxes are a deadlock on both labour and capital. It will never be known how great a measure of civic and industrial prosperity is really possible until the burden of taxation is removed from the personally-created values of industry and enterprise and placed where, in all equity, it belongs: on the community-created values of land. . . ."

New York, unfortunately, still taxes thrift and industry by taxing mortgages, machinery, etc., and still imposes that class nuisance taxes called licenses. In that respect Pittsburgh is far in advance. She has struck shackles from capital and labour by raising all her revenue from real estate and the greater part of that by taking a large slice of the economic rent. I firmly hope and verily believe that I will live to see the day when that great American city will not only abolish the remnant of the tax on buildings but will go further than mere revenue demands by taking the entire economic rent.

I will make bare mention of a few more facts showing that the light is beginning to penetrate. Two-thirds of the revenue is derived from land values in Portland, State of Oregon, and in Houston, State of Texas. In San Diego, State of California, the 1919 assessment figures were as follows: Personal property 9 millions; buildings 6 millions; land values 72 millions.

I may have wearied you with my numerous citations of figures; these were necessary in the discussion of the subject assigned to me. I would have preferred the philosophical and ethical rather than the fiscal side of the teachings of Henry George. But we must always remember that the Prophet himself, who honoured me with his personal association forty years ago, showed that the road to freedom and happiness is travelled by keeping step with the march of public opinion.

The case against the deer forests does not rest on the testimony of urban Socialist agitators, but on that of men belonging to the landlord class and without any anti-landlord bias. The Lochiel of that day and his fellow Commissioners, all of the landlord class, in 1884 wrote as follows: "Who would admit that Scotland should be made a wilderness, even if the inhabitants were provided with better lands and more lucrative occupations elsewhere? No one could contemplate the conversion of the whole extent of good pasture land and of possible arable land at a moderate elevation in the Highlands into forest without alarm and reprobation."

Since 1884 about 2,000,000 acres of such lands as the Commissioners describe have been converted into deer forests and the inhabitants extirpated.

In Denmark, where Parliament does its work, the land under the plough has increased, and the holdings are all small. Denmark is the best cultivated country in Europe, and, according to the Report of the Balfour Committee on Industry and Trade recently issued, Danish real wages are the highest in Europe, and 50 per cent higher than British wages.—J. M. Macdiarmid (*Glasgow Herald*, 2nd September).

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For the past half century, save for the abnormal war years, farming had not paid a return on the capital and labour expended comparable with that obtainable elsewhere. It had been said that even American farmers of the Middle West, who cut prices for all the world, *made no profits during the past half century, except those derived from the accretion of land values.*—Sir Daniel Hall at the British Association, 9th August.

The speaker urged that organization will have to be introduced into the industry. Three was no suggestion of organizing the "accretion of land values" out of the hands of the monopolist into the public exchequer. The relief from the burden of rates and taxes which the agricultural landowner in this country enjoys is at the expense of industry in general. As for the farmer, he should know by this time that the lower the rates the higher the rent, and that the subsidy is not for him.

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Agriculture is a parasite upon the general industry of the country to-day. Agriculture is relieved of a great part of the rates that it ought to bear, and last year, when the Chancellor of the Exchequer raised the rates of duty upon estates, he accepted an Amendment moved by his friends behind him exempting from that increase of Death Duties the value of agricultural estates. Agriculture has always been the pampered darling of the Party opposite, and the explanation of that is that they know or believe that in the agricultural interests they have their main electoral support.—*Right Hon. Philip Snowden, M.P., in the debate on the Finance Bill* (Second Reading), 28th May.