PAPER READ BY FREDERIC C. LEUBUSCHER, AT
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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 sufficiently made evident, I believe, by the paper of Mr. Lawson Purdy, which I had the honor 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 land tax when once levied becomes a lien in rent (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. If the tax is not paid within 30 days after it becomes due, interest at the rate of 7% per annum begins to run 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.

During those three years 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 instal 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%. Note that in the case of special assessments 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.

Incredible as it may seem to you, the landlord is sometimes glad to pay such assessments, for often the value of his land is increased several times the amount of the special assessment.

Well, the three years have elapsed, and the landlord has failed to pay one or more of 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.

It seems to me that the New York system of ignoring all persons claiming ownership, or part ownership, and assessing and collecting the tax from the land itself, should have favorable consideration by the Conference. Not only is it just and practicable, but it is employed by a municipality that collects more of the economic rent than any other government in the world.

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% of such value. It is evident, therefore, that the land values of that city aggregate 8 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 was 150 million dollars. It may be of interest to note that a dozen years ago two-thirds of the assessment of real estate in New York consisted of land values and only one third of building values. The great activity in the building market since the armistice, coupled with the high cost of labor and materials, and with the higher rate of taxation on land values, has now brought building values to a parity with land values.

But the city of New York is greater than its corporate limits. There are large areas outside the city proper the majority of whose inhabitants do business in New York. To all intents and purposes they are citizens of New York City. The metropolitan area of the city contains approximately nine million inhabitants. This outside section consists of the counties of Nassau, Westchester, Rockland and Suffolk in New York State, and the counties of Bergen, Essex, Hudson, Morris, Passaic and Union in the contiguous state of New Jersey.

The local tax assessors of the various municipalities in these N. Y. State counties in 1923 assessed the real estate at $1,182,855,368. Almost one half of this, or say, $500,000,000, consisted of land values. The rates varied, but averaged $3.97 on each hundred dollars of assessed valuations. The aggregate amount collected from land values in this section was, therefore, approximately 20 millions in 1923.

In the contiguous New Jersey metropolitan area land was assessed in 1924 at $911,304,115 and buildings at $1,504,452,789. The tax rate varied among the municipalities, but averaged slightly over 4%. The aggregate amount of the tax on land values in this section was, therefore, over 36 millions.

Adding the 1925 figures of N. Y. City proper ($150,000,000) to the 1923 figures of the New York metropolitan area ($20,000,000) and to the 1924 figures of the N. J. metropolitan area ($36,000,000) we have the tremendous total of $206,000,000 of economic rent collected in one year. The area of New York City comprises only 258 square miles. This comparatively small tract of land was last year worth, exclusive of buildings, 8 thousand million dollars, and returned to the people who had created that value, 150 millions in economic rent.

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 l913 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 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 17.5 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. William's 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, when the tax rate on buildings was only half that on land, the number of permits more than doubled (8285) and the value of the new buildings almost trebled ($34,256,450).

Opponents of the Pittsburgh plan claim that the rich man's skyscraper and not the poor man's cottage is the chief beneficiary. That would not be a valid objection even if it were true, for the capital used in the construction of the skyscraper is usually furnished by savings banks in which are deposited the savings of the working man; and the wages paid to the mechanic employed in the construction of the skyscraper help to build the poor man's cottage. However, the statement is false in fact. Says Mr. Williams: "But 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 favor of Pittsburgh ranges from 15% to 238%. In big black letters this pamphlet states: "All taxes other than land taxes, are a deadlock on both labor 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."

The time allotted to me will not permit a discussion of other signs of progress on my side of the Atlantic. I will merely allude to a few of them. You have undoubtedly read that, in order to solve the problem of the acute housing famine in New York City, that municipality a few years ago exempted from taxation for a period of 10 years $5,000 of the cost of construction of all new single family dwelling houses and $1,000 per room, but not to exceed $5,000 for each apartment, in a multi-family dwelling. This has led to the construction of new dwelling houses that would not have otherwise been built, amounting in value to several hundreds of millions of dollars.

New York, unfortunately, still taxes thrift and industry by taxing mortgages, machinery, etc., and still imposes that class of nuisance taxes called licenses. In that respect Pittsburgh is far in advance. She has struck shackles from capital and labor 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 honored 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.