

To the Editor:

As an appraiser and former county assessor, I am naturally concerned with the practical application of the single tax. Ten years of experience in the field of real estate appraising has taught me that it is not always an easy matter to determine or measure annual ground rents. In the case of farm and urban lands the problem is not too difficult as we have a yardstick for measuring them. We at least can come close enough to measuring them for all practical purposes.

On the other hand when it comes to the taxing of mineral and timber resources on this basis, we run into difficulties which may be insurmountable. Other single taxers have come to this conclusion. To them and not to me must also be given the credit for first pointing out a practical plan for taxing such natural resources. So difficult is it to determine even the market value of mineral deposits, especially where they are unimproved that even the legislatures in mining states have provided for a tonnage or severance tax in the place of the general property tax. The State of Idaho, which is rich in minerals, is one of these. It would be even more difficult to determine the annual ground rents of mineral resources with no capitalized value to guide us. The fact is it would be impossible. A severance tax appears to be the only answer to this problem and to the problem of standing timber as well.

It occurs to me that we are also taking the rental value of such natural resources when we take the royalties and stumpage profits in taxation. Of course this would not be true of those mineral and timber resources that are not in use. As I see it, our unused timber and mineral resources do not present any serious economic problem.

In the first place if you were an assessor and the law required you to determine the annual rental value of unused mineral or forest lands, how would you go about it? By what economic formula would it be possible to measure such value? I know of no such formula. While the annual rental of land above the minerals and beneath the timber could be ascertained with a considerable degree of accuracy, it is quite another matter when the minerals and the standing timber are included. In this case we have nothing in the way of private transactions to guide us.

In the second place, if the annual rentals of such resources could be determined and taken in taxation, I am not sure that such a fiscal policy would be a good thing for the nation's economy. If the annual rent collected in taxes should be higher than present taxes on mineral lands and standing timber, and high enough to discourage the holding of such lands out of use, it might result in the premature removal of such timber and mineral products.

It is the opinion of many tax authorities and timber conservationists that even the present low ad valorem tax on standing timber is not in the interest of timber conservation. They believe that timber should be treated as a crop and like any other crop should not be subject to taxation until it is harvested. If my memory serves me correctly, a stumpage or severance tax has replaced the general property tax on timber in at least one or two states. Such a tax policy, as it relates to standing timber, has considerable merit. Of course we have raised a hypothetical question as there seems to be no possibility of assessing timber on an annual rental basis. Were

the assessor in such a case to make capitalized value the basis for determining annual rental value, it could only lead to the premature destruction of our forests.

One of the main arguments advanced by those who are opposed to a severance tax, is that it will be shifted to the consumer in higher prices. What they overlook is that annual ground rents are also paid by the consumer either directly or indirectly, for in the last analysis the user of land, whether he be owner or tenant, must pay the rent. In paying the rent he would be paying the taxes. This may be news to many single taxers who are confused by the fact that commodities can be produced and sold as cheaply on high rent land as on low rent land. Let us not overlook the fact that everyone uses land whether he owns it or not, and that everyone pays rent either to himself or someone else. The person who rents a house or a room in a hotel not only pays the rent on the house or hotel (interest upon capital) but also the rent for the use of the land upon which the house or hotel stands. He should pay it too, as he is the user of such land. Likewise a dentist or the merchant who occupies an office or business site but who does not own it, has to pay rent for the site as well as the building. As such land rent is one of the costs of doing business, the merchant and the dentist must and do pass it on to those

who patronize them. Under land value taxation the landlord merely becomes a rent collector for the state. I am sure few single taxers will dispute the soundness of this claim. The fact that a tax on rent cannot be shifted does not in any way refute this contention.

We might as well be frank about it and admit that if we are going to collect rent for public purposes from either timber or mineral resources, we must do it by means of a severance tax. Such a tax is practical and is even now being used for this purpose in the rich oil districts of Western Canada. It is putting oil royalties into the provincial treasury of Alberta that otherwise would be going into private pockets, and the community up there is being made richer by reason of this fact. What is good for Western Canada should be just as good for all other communities.

DON L. THOMPSON
Spokane, Washington