

HOW SALES TAXES HIT WAGES

By Harry Gunnison Brown

During the last few years there has been a very wide adoption of sales taxes. There have been two main reasons for this. One reason has been the desire to provide relief for the unemployed and distressed during years of depression. The other has been the desire to lighten the taxes on property, especially real estate.

In this latter connection, we must absolutely not forget that real estate is NOT just one thing but is TWO things. It includes land AND improvements. The improvements are due to the labor and thrift of individuals. The land is a result of geological forces; and the value of the land is chiefly a by-product of community growth and development. Whatever may be said in favor of relieving from taxes the owners of houses, barns, fences, fruit trees, stores and factories, which cannot come into existence except through labor, the same arguments cannot be used in favor of relieving community-produced land value of taxation and thereby allowing private individuals to appropriate this community-produced location value to their own pockets.

Are we to adopt a tax system—the sales tax—that is a heavy burden on the poor, merely in order

that such community-produced location value may be appropriated by private individuals?

Sales taxes drive a wedge between prices to consumers, on the one hand, and the outlays of producing companies for such expenses as wages, on the other. When such taxes are levied, either prices to consumers must rise or the expenses of production, such as wages, must fall. If the expenses of production are lowered, as by reduction of wages (the largest production expense), there is clearly a tax burden on wage earners. Probably the idea that the widespread adoption of taxes on production and sales actually reduces the money put into workers' pay envelopes scarcely ever occurs to any wage earner. Yet this must be the case. Production and sales taxes may be fairly spoken of, therefore, as taxes that are levied directly on the pay envelope. If a considerable part of the price paid by consumers is taken by the state in taxation, there must obviously be less of the price remaining to pay the workers; the workers must obviously not be worth so much to the companies that employ them; and they must either accept lower wages or suffer a large degree of unemployment.

But if, instead of any measurable fall in the expenses of production, there should be a rise in prices to

consumers—and unless the one result occurs the other must occur—this also would be a burden on wage earners. What real difference does it make to the worker whether the number of dollars in his pay envelope is measurably reduced or, the number of dollars in his pay envelope approximately the same, prices rise so that each dollar buys less? In either case, his wages measured in the necessities and comforts of life are definitely reduced. Besides this clear burden, there is, in the case of sales taxes, an additional nuisance burden to both merchants and consumers.

One of the arguments advanced for sales taxes is to provide relief for the poor and unemployed. Relief for the poor by burdening other poor! The subtraction from the wages of some workers to provide relief for others may, and probably often does, put some of the workers who are thus taxed, into a position where they, too, need relief, though they may often fail to get it.

Why is the community-produced location value of land so sacred a source of private income that we must be forever trying to relieve the recipients of this income from taxation and resorting, for schools, police, courts, roads, and aid for the poor, to taxation not only on thrift and enterprise but on wage earners' incomes and on the pitiful incomes of the very poorest of them?