A Dollar - And - Cents Proposal

By Walter Fairchild

On July 5, 1938 Councilmen Charles Belous and Hugh Quinn of Queens, introduced in the New York City Council two bills, one providing for two tax rates, one on land value and the other on improvements, and the other for grading the rates so that beginning with the second half of 1939 nine-tenths of all real estate taxes shall be raised from land value and one-tenth from improvements.

The Graded Tax Committee, 11 Park Place, New York City, has issued bulletins explaining the advantage of shifting taxes from improvements to the site. Bulletin No. 2 shows how this benefit works out in dollars and cents. Copies of these instructive bulletins can be had on application to the committee.

New York spends annually about $600 million for services.

The city must get this back.

It gets back 80% of these expenditures from the tax on real estate.

The total taxable valuation of real estate is $16 billion, divided (a) land, 8 billion, (b) improvement, 8 billion.

The tax rate is approximately $3 for every $100 assessed valuation. The tax levy therefore produces ($16 billion x 3) about $480 million annually.

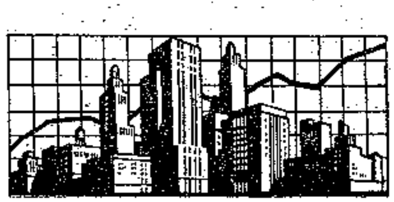
The Graded Tax Bill proposes to untax the buildings and to tax the value of land, thereby unburdening labor and industry. Land value will be required to yield the entire amount of the municipal budget. Eight billion dollars is the present assessed land value, or what it will sell for. Twelve billion dollars is the "use land value," or what the sites are worth in producing "economic rent," without deducting the annual tax levy. To meet the budget expenditures it will be necessary to raise the land tax rate from $3 a $100 to $4 a $100. This therefore, will produce the $480 million required.

Who can object to this? Those whose main interest lies in the unimproved land they hold, such as: (a) vacant sites, (b) slum sites where the building is only half the worth of the site, (c) underimproved sites occupied by tax payer buildings.

Who would favor this reform? (a) The home owner who improves his property on the average of $5 of improvement to $1 of site, (b) the apartment house owner who improves his lot at the rate of $5 of improvement to $1 of site, (c) the industrialist who improves his site at the rate of $6 of building cost to $1 of site, (d) the public utility which spends $16 of improvement value to $1 of site value and loads the cost on the consumer in the rate base, (e) the office building owner who improves his property at the rate of $2 improvement value to $1 of site, (f) the tenant on whom the tax on building falls and who pays "the freight."

The best parts of Manhattan Island are under-improved or have building values that are less than the over-all average of the city, which is $1 of improvement to $1 of land value. In some of the blighted areas on the west side of Manhattan, the ratio of land to improvement value is 40 to 1. The city gives full service in making these sites valuable and does not receive back any of the amount in taxables except on the unit of land value.

Who will benefit? (a) Every improver of real estate will benefit in the next assessment to the extent that his improvement exceeds the value of the land. (b) Every tenant—of home, office or industrial space—because the new houses that will become economically possible by relief from burdensome taxes will increase the supply of such space, thus decreasing rentals. (c) Every worker in the building trade, from architect to common labor, because the increased tax on land value will force owners to improve their holdings. (d) Every citizen in the city, because increased production in the building industry will stimulate all business. (e) The whole country, for the supplies for these new buildings, to say nothing of food, raiment and amusement of the workers, come from all parts of the country.



Here's an example showing the difference between the present method of taxation and the Graded Tax Plan, for an average home worth $5000.

(a) Present method:

At 5 to 1, site value is ...	833
Building value	4,167
At $3 per $100, site tax is	25
Building tax	125
Total Tax	150

(b) Graded Tax Plan:

Tax on building	$ 000
Tax on site	50
Saving to homeowner	100

This saving is equivalent to relieving the home of a $2000 mortgage at 5%. Industrial and apartment house owners will benefit in the same way. The slum owner and land speculator will, for the first time, pay his share of cost of government.