

The Capital, Museum of Fiscal Practice

By Frank B. Lord

Taxation in the District of Columbia affords an interesting study for those who are concerned with economics and the public welfare. The system employed for the raising of revenue is so archaic, unjust and obsolete as to be comparable only with the practices followed by the governmental dictators of the Middle Ages who sent out their agents to collect as much as the people would bear, and frequently more than they could bear. It would not do credit to the political economists of the Stone Age.

The Congress has sole power in the matter of providing revenue for the District of Columbia and full authority in determining the manner of its disbursement. At the present time it is engaged in preparing a tax law for the District, and it is providing no improvement; instead it is fixing a system of taxation that is even more objectionable and more burdensome than the one it supercedes.

Roughly, the status is this. It costs upwards of forty-nine or fifty millions of dollars a year to run the government of the District of Columbia. This sum is now raised chiefly by a tax of \$1.50 per hundred on realty, land and improvements, a tax on personal property, a tax upon intangibles and various levies upon public utilities, banks and other organized forms of wealth.

Some years ago when the sum was not so large as it now is, the Congress contributed from the Federal Treasury, one-half of this amount. This was a voluntary contribution, as no law authorized it. Later a statute was passed providing for a forty percent contribution from the Federal Treasury. Of late years however, this law has been ignored

and the Congress has simply added to the District revenues a lump sum, now running as low as \$5,000,000 a year. Meanwhile the Federal Government is steadily taking land upon which to construct its public buildings, thus removing it from taxation, and thereby increasing the amount that must be raised from local taxpayers.

Last year the Commissioners of the District of Columbia, appointed by the President and confirmed by the Senate, and in whose selection the people of the City of Washington have no voice, found themselves in a jam with a deficit of some five or six millions of dollars in their budget. The matter naturally came up in the Congress and various provisions were suggested to meet the deficit, including an income tax, a sales tax, increased taxes upon gasoline and other commodities, as well as a business privilege or license tax, each of which was bitterly opposed by the public insofar as it was enabled to present protest.

Through the efforts of Representative Bigelow of Cincinnati and Senator McCarren of Nevada a provision was inserted in the tax measure, in the Senate, calling for a tax of \$1.70 per hundred on the value of land, leaving the tax at \$1.50 on the value of improvements, and making slight changes in other taxes. The amount which this would have raised would have met the deficit.

Immediately, there arose a howl from the real estate ring that has long ruled Washington. It was charged that this provision would prove the entering wedge for the hated Henry George social land value taxation system. It was pointed out that the owner of unimproved property, or only partially improved property on Pennsylvania Avenue, for example, would pay a larger tax than highly improved property on Connecticut Avenue, and that was unthinkable. The result was that the Bigelow-McCarren amendment was stricken out, in the conference between the two Houses, on the measure, and taxes were increased on production all along the line. The most objectionable phase was the imposi-

tion of a tax upon a man for the privilege of carrying on legitimate business.

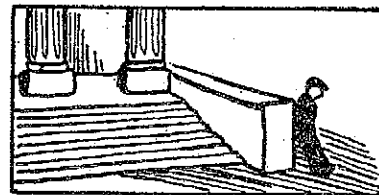
Now, the matter is again in the Congress, because of the great dissatisfaction caused by the business privilege tax, and it is proposed to reduce the rate of this sort of taxation and to meet the accompanying loss of revenue by the imposition of an income tax which is likewise producing loud lamentations of protest.

Let me cite a few instances of the manner in which the vicious District tax system works.

One of the largest department stores in Washington is located on a leased site. Its owners pay \$75,000 a year to one woman for the rent of the land upon which they conduct their business. They also pay all the District taxes upon it and other governmental exactions, make all the improvements, which have been extensive, and when the lease expires unless renewed, all of these will revert to the owner of the land. Every woman who buys a spool of thread, a yard of ribbon or a fur coat makes her contribution to the owner of the ground and receives no return.

When the National Press Club building, the largest privately-owned office structure in Washington was being projected, an examination of the records showed that 120 years ago when the population of Washington was 15,000, the land upon which it stands was rented for \$600 a year which would capitalize it at \$10,000. When the Press Club corporation purchased the land, and the population of Washington had increased to half a million, it paid practically \$3,000,000 for it. Thus, the owners of the land gained three millions of dollars by holding it while the population of the National Capital was increasing from 15,000 to 500,000.

I have a house which for tax purposes is assessed at approximately



\$10,000—\$2,000 on the land and \$8,000 on the improvements, although the law requires full valuation for tax purposes and I paid \$13,500 for it. My tax under the \$1.50 per hundred rate, accordingly, is around \$150 a year.

If the land values in the District of Columbia were taxed at \$6 per hundred, exclusive of improvements, the sum thus raised would equal or exceed the amount derived at present from all other forms of taxation, and

the Federal Government would not be called upon to make any contribution toward District expenditures; if the tax were fixed at \$4 per hundred and the Federal Government were to be taxed a like amount upon its landed holdings, approximately the same amount would be raised in revenue.

In the first instance my taxes would be \$120 a year, and in the second instance only \$80. Similar benefits would accrue to practically every home owner in the city of Washington. This would be due to the fact

that, according to the statement of Lt. Col. U. S. Grant III when in charge of public buildings and grounds, that there are in Washington, exclusive of parks and public spaces, seven thousand acres of unimproved land. All of these acres are being held for speculative purposes and speculative advance which will come as the city continues to grow.

Here is a factual example of the way social land value taxation would operate if applied to the District of Columbia.