

The Problem of Tax Delinquency

By Paul Peach

Every evil thing breeds fresh evils, and depends upon this progeny for its own survival. The evil offspring of our system of taxation and land tenure are so numerous, and of such variety, that our attention is drawn to the more spectacular of them, more or less to the exclusion of the rest. A recent publication of the TAX POLICY LEAGUE (June, 1933) contains a discussion of tax delinquency; a problem which has little appeal to the imagination or the emotions, but is nevertheless of importance in public finance, and has theoretical aspects of much interest. The TAX POLICY LEAGUE report contains a statistical summary, a discussion of suggested remedies, and a bibliography.

We infer easily that a profitable property is not likely to be behind on its taxes, and the statistics confirm this guess. In the communities studied, vacant lots account for proportions of total arrears ranging from "slightly more than half" in Westchester County, N. Y., to 96% in the town of Tonawanda, a suburb of Buffalo. Such vacant, delinquent parcels are most numerous near the outskirts of cities and in their suburbs, and are usually in subdivisions which have failed to jell. Land speculations such as these result in a loss to at least some of the speculators; real estate men are often at much pains to remind the public that their operations are not invariably profitable.

A collateral fact, which they sometimes emphasize with comparative mildness, is that the heaviest losses fall upon the community in which the speculation has taken place. Taxes upon such properties are often uncollectible, and the indebtedness which the people incur in order to provide the new subdivisions with streets, water mains, sewers, and other facilities, must in general be liquidated by new taxes. Foreclosure sales offer no remedy in the majority of cases, because of the low market value of the land and the inordinately high court costs involved.

When taxes upon land fall into ar-

rears, the immediate effect is to increase the tax rate. The revenue, which was to have been collected from the delinquent properties must be obtained from some other source; this means, in most cases, new taxes upon production, new levies against wages and interest. The expense of policing and maintaining the new subdivision is another drain upon the rewards of capital and labor. The cost of the elaborate but necessary bookkeeping is a further charge. Mention has already been made of the public debt. Such gravy as may be upon the producer's potatoes is licked away by myriads of taxes; the potatoes themselves are at the mercy of his landlord; if by a miracle a steak appears upon his plate, his rent is raised; and at last, ruefully contemplating an empty dish, he folds his hands, production stops, and depression sets in.

The report of the TAX POLICY LEAGUE recognizes the fact that land speculation is a major cause of tax delinquency, and mentions several possible remedies. One is that we pass a law against it. Whether the speculative urge can be curbed by a new prohibition amendment re-

mains to be seen. Another suggestion is that foreclosure proceedings be made more simple and inexpensive. It does not seem certain, however, that speculation would be discouraged by throwing upon the market thousands of parcels of land for whatever they could be made to fetch at a forced sale. The alternative of stamping out speculation by taking the profit out of it is not mentioned.

The writer has no desire to impugn the high-minded altruism and public spirited generosity of real estate operators; but one may yet be permitted to doubt that they would continue the speculative subdivision of land into building lots if the venture promised no reward but the approbation of a grateful public. If all profits accruing to land were paid into the public treasury, if the entire economic rent of land were collected as a tax, then land would be subdivided as the necessity arose, and not before. Taxes upon land which is being used in a manner consistent with its value are practically never in arrears, even nowadays. With the elimination of land speculation, we might reasonably expect the problem of tax delinquency to vanish.

The Freeman

A Monthly Critical Journal of Social and Economic Affairs

Published monthly by THE FREEMAN CORPORATION, a non-profit corporation, at 211 West 79th St., New York City.

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Entered as second class matter, Nov. 15th, 1937, at the Post Office at New York, N. Y., under the act of Congress of March 3rd, 1897. Subscription rates: single subscription, fifty cents a year, five or more, forty cents each.

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