

What Is a "Taxpayer"?

The frequent use in real estate columns of the term taxpayer—without the quotation marks that indicate unusual use of a word—suggests that its meaning is well-known. Yet we have found it necessary to define the word, even to those who are familiar with the idea.

A taxpayer is a structure that yields an income sufficient to pay taxes on both land and building values. It may have been forced into existence by a high land value tax, or it may be an old building situated on land that has gone up in value, but on which the taxes have not been increased enough to force the landowner to make more efficient use of the site. Thus, a taxpayer may be a new one- or two-story building, or even a billboard, on Broadway, or a dilapidated house in a slum area.

In real estate circles the taxpayer is identified by its purpose—a structure to help pay taxes. Its antonym would be (in real estate parlance) a "rent payer," a building large enough to bring a revenue above taxes, or built for income. The taxpayer, which may bring an income above taxes merely because the land tax is so much below the rent produced by the site, is not built with income in mind; it is built for speculative purposes. The landowner expects of it enough to pay the taxes until he finds a customer who will pay him, in purchase or in rent, the price he has put upon the land.

It is obvious that the higher the tax upon the land value the more income must be derived from the building. If all the rent of land were publicly collected the resulting structures (or other productive uses of land) would reflect the economic needs of the sites. There would be no taxpayers—since there would be no land values to speculate with. Thus, every valuable site would have on it a structure of value commensurate with the value of the site, and every owner would look for an income from the use of the structure, not from the eventual demand for the site.