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Progress Toward Land-Value Taxation Throughout the World

By BOLTON HALL

THE Utopias are not mere dreams; they are visions of what might be if we knew the laws of nature and lived in accordance with them. If goods were produced freely and distributed widely, there would be plenty for all, and the fear of poverty would disappear: all misery and crime that is due to poverty would vanish eventually, and with them, most of our violence and war.

The first condition for free production is easy access to the resources of nature: fields, mines, water power, building sites, oil fields—all those sources from which raw material and goods are obtained and made. Henry George proposed a plan whereby all those sources of wealth can be opened to every one who can work. Various peoples of the world have been working toward the application of that plan. Let us see how far we have progressed in this direction.

Outside the United States, the principal countries and states in which a measure of land-value taxation is applied are: British Columbia, Saskatchewan, Alberta, Manitoba; Argentina and Brazil; Denmark; New Zealand; Queensland, New South Wales, Victoria, South Australia, West Australia; Spain; The Transvaal, Cape Province, Natal, Rhodesia and South Kenya, which is west of Abyssinia.

Nowhere has land-value taxation for public purposes yet absorbed the whole economic rent of land, which is the aim of George's plan. Some have begun, others have made fair progress, but the important thing is that the principle, whether to small or large extent, has been put in operation, and prolonged experience has been gained to provide a decisive answer to the question: Can it work? How does it work in practice so far as tried?

The principle involved is payment in proportion to the value of the land. The landholder has to contribute to the public revenue only what the land (alone) would rent for apart from buildings or other improvements that are in or on the land. The assessment of land value is separately made, and the tax imposed abolishes or reduces taxation that would otherwise fall upon buildings and other improvements, or upon wages, trade and industry.

The separate valuation of the land by the tax assessors, apart from improvements in or on the land, is the first step towards taking what the land would rent for in lieu of taxes. This is more general in the United States than in any other country. The separate valuation was always the practice of intelligent "real estate" appraisers, but it was popularized for tax assessment purposes by Lawson Purdy, as President of the Board of Taxes and Assessments in New York City, and then followed by many progressive communities.

In all the score of countries named, the assessment upon which the land-value taxation is imposed is the capital value—the amount for which land could be sold apart from the buildings or other improvements on that piece of land.

In all cases these taxes on land value have broken up or tended to break up the great estates held for speculation and have helped to open land for the use of the people. Of course, they stimulate building and real estate transactions.

United States

PENNSYLVANIA.—A special law passed in 1913 enabled Pittsburgh and Scranton to reduce the city taxes on buildings and correspondingly to increase the taxation of land value. This was done in Pittsburgh by reducing the rate by 10 per cent on buildings, for the years 1914 and 1915, and by 10 per cent each third year thereafter, until the rate on buildings became half that on land value. The result of the transfer was that the city received from the publicly created land values an annual contribution of some $12,000,000 which had previously been exacted by taxing buildings, the total tax-revenue of the city being some $75,000,000.

CALIFORNIA.—The method by which the irrigation systems in California are financed is most important. The irrigation law originally provided for the taxation of both land and improvements. But in 1909 the law limited assessments in all new irrigation districts to land values only, and permitted the five irrigation districts then existing to adopt the new system by a majority vote of the resident landholders. Today more than 1,500,000 acres of California land in the most fertile valleys and the richest section of the state are operated under this Henry George system. It is an extensive application of the principle of land-value taxation.

NORTH DAKOTA.—North Dakota in 1917 provided for the assessment of land at 30 per cent of its selling value, and improvements on farm land at 5 per cent of their value, which would result in these improvements paying only one-sixth of the tax paid by land of similar value.

MINNESOTA.—From 1881 to 1897 the valuable iron mines of Minnesota paid nothing in taxes for local or state purposes. But in 1897 these lands were subjected to taxation by unanimous vote in the House, with only four negative votes in the Senate, despite the efforts of a powerful lobby. Since then they have paid several millions for schools, roads, township, village, county and city improvements.

Dominion of Canada

ONTARIO.—In all the cities of Ontario the capital values of lands and of improvements show in separate columns of the assessment lists.

WESTERN CANADA.—In the four Canadian Provinces of British Columbia, Saskatchewan, Manitoba and Alberta, land-value taxation for local purposes is partly in force. Improvements are relieved by taxing them only at a percentage of the assessed value (or they are exempted altogether), while the land is taxed on its entire assessed value. This results in improvements being taxed at a lower rate than land; and where the improvements are entirely exempt, the tax falls on the value of the land alone.

In ALBERTA, improvements are not taxed in rural municipal districts. In the cities, towns and villages the situation differs, and while everywhere land is taxed on 100 per cent of appraised value, improvements in the majority of cases are taxed at two-thirds of their value. Milk River derives the whole of its local tax revenue by land-value taxation, buildings and other improvements being exempt.

In SASKATCHEWAN, in all cases land is assessed and taxed on 100 per cent of actual value. In rural municipalities and villages 60 per cent of the fair actual value of improvements is taxable, but in rural municipalities all buildings used for farming purposes are exempt.

In MANITOBA also, so far as rural areas are concerned, local taxation on real estate is based on the land value, exempting farm stock and improvements. In the cities, as in Winnipeg, the capital city, improvements are taxed at two-thirds of value, and in Winnipeg the cost of the new water supply, more than $15,000,000, was met by a special rate on the value of the land alone.

In BRITISH COLUMBIA as a whole, eight city and three district municipalities assess land values only.

The World Over

Without going into details, the following instances show the general trend of change in world-wide systems of taxation.*

DENMARK.—In this agricultural country all local authorities (towns, counties and rural parishes) raise a proportion of their revenue by land-value assessment.

QUEENSLAND.—Brisbane, the capital city of Queensland, Australia, levies all tax rates on land values. So does every other local authority throughout the state.

NEW SOUTH WALES.—The city of Sydney and its 40 metropolitan boroughs and the other municipalities and counties in the state levy taxes on the capital value of land alone, buildings and improvements being entirely exempt.

Part of the cost of the Sydney North Shore Bridge is met by a special land-value tax levied annually (at one cent on $5 levied up to 1933, and two-thirds of a cent on $5 levied up to 1939).

NEW ZEALAND.—Wellington, the capital city of New Zealand, taxes only land value, buildings and improvements being entirely exempt from local taxation. Eighty-five other boroughs, counties, and independent town districts also have carried this system into full operation for local purposes, and 66 more (out of the total of 265) levy the main part of their rates on land values. Wellington adopted a land-value tax for all purposes in 1927.

THE TRANSVAAL.—Johannesburg, the largest city, levies the whole of its local tax rates on land value alone. Pretoria, the capital, takes all but a small part of its revenues from land value. The real estate taxes in ten other towns include land values only. In the remaining 14 towns the greater proportion of the tax rates fall upon land values.

CAPE PROVINCE.—The 1913 ordinance established a Government Valuation Department, which now makes all the valuations throughout the Province. Two towns (East London and Cambridge) at once took advantage of these powers, Cambridge placing all its tax rates on land values, while East London gets practically all its rate-revenue the same way, with the rate on improvements only 1/24 of that levied on the value of the land.

NATAL.—The city of Durban levies its local taxation so that the rate on buildings and improvements is half of that on the land value of each property. This measure of land-value rating has been in operation since 1923.

KENYA.—An ordinance of 1921, applying to the town of Nairobi, provided for a complete system of rates imposed on the selling value of land apart from improvements, for the revision of valuation. Rates in any one year may not exceed 2 per cent. The rates in Nairobi have been levied since, year by year, on land value only.

NIGERIA.—S. Vere Pearson in "Growth and Distribution of Population," says: "There is an illuminating contrast between the conditions in the northern and southern portions of Nigeria, although both have the same money system, which is thoroughly orthodox. The difference between the two sections that causes the difference in the welfare of the people is that in the southern portion our familiar tax system prevails, and houses and their contents are taxed; while in the northern portion, the Government is supported from the rental of land and there seem to be no taxes on labor products. In the south there is unemployment and distress; in the north there is a high degree of prosperity that is shared by all classes."

NOTE BY THE AUTHOR.—The foregoing summary is based upon data in the information Bureau of the United Committee for the Taxation of Land Values, as compiled by A. W. Madsen, B. Sc., of London, England, except as to California, North Dakota, Minnesota, and Nigeria, supplied by Joseph Dana Miller, Editor of *Land and Freedom*, New York City.

* For convenience all currencies have been translated into dollars at $5 to the British pound.

London County Council Urges Land-Value Taxation

AT its meeting on July 14 the governing body of England's metropolis—the London County Council—adopted a resolution in favor of national legislation to empower local authorities to levy a rate on site values.

The Finance Committee's report on which this epoch-making resolution was based is an illuminating document. It describes how rates (local taxes) are at present levied and in how many respects such taxation is unjust and operates inequitably; how, by taxing buildings and improvements, the present system handicaps trade and penalizes industry; and how unfair is the burden which falls with the greatest severity upon those least able to bear it. The effect of the present system in exempting undeveloped and underdeveloped land, however valuable it may really be, from contribution to the rates is illustrated in the difficulties with which the London County Council, like other local authorities, has to contend in the acquisition of land for public purposes—a handicap not only to public authorities, but to builders and business in obtaining land for development.

In its report the Finance Committee has given some striking instances of the London County Council's own experience.

In the case of nine purchases of lands for parks the total price was £107,868. The same land had been assessed for rates at an annual value of £988, so that the purchase price was 109 times the rateable value (or more than five times the capital value).

In the case of eight purchases of land for cottage housing estates the total price was £932,908. The land had been previously assessed at an annual value of £7,391, making the purchase price 126 times the rateable value (or more than six times the capital value).

Even this does not show the whole of the abuse, since very much of that land, whatever its rateable value, was exempted as "agricultural" under the Agricultural Rates Acts, and since 1929 such land has paid nothing.

The report describes the bills that have been introduced in Parliament to remedy this state of affairs and the action that the Council has itself taken from time to time. It concludes with an emphatic declaration in favor of the rating of land values. Reference is made to the extent to which this principle has been adopted in New Zealand, Australia, Denmark and other countries. The final recommendation is:

(a) That the Council is of opinion that the present rating system is inequitable in its incidence, that site value is a subject peculiarly suited to local taxation by reason of its arising from community influences including local expenditure, and that it is accordingly desirable that the present burden of local expenditure should be transferred either wholly or in part from rates to a rate upon site value.

(b) That His Majesty's Government be informed of the opinion expressed in the foregoing resolution (a) and be urged to introduce legislation at an early date to empower local authorities to levy a rate on site value.

The report is signed by Mr. Charles Latham, the Chairman of the Finance Committee. Its adoption places the great influence of London in the forefront of the municipal agitation for the rating of land values, which in recent years has been supported by no fewer than 230 British local authorities.