

Federal Land Taxes in the United States

IS the present Federal Constitution broad enough to permit Congress to enact a Federal Single Tax? Have we ever had a Federal tax on land values? Would the procedure for valuation and collection be so involved as to discourage the plan?

Paragraph 3, Section 2, of Article I, U. S. Constitution contains the following: "Representatives and direct taxes shall be apportioned among the several States which may be included within this Union, according to their respective numbers, which shall be determined by adding to the whole number of free persons, including those bound to service for a term of years, and excluding Indians not taxed, three-fifths of all other persons." Paragraph 4, Section 9, of the same article, provides: "No capitation, or other direct tax, shall be laid, unless in proportion to the census or enumeration herein before directed to be taken."

Reference to the Debates of the Constitutional Convention fails to show why direct taxes were required thus to be apportioned. However, in the fifty-fourth number of the *Federalist*, Alexander Hamilton explains it. He shows that the rule for apportionment of members of the House of Representatives among the States and for raising direct taxes is the same. Commenting on the fact that the rule is not founded on the same principle in each case, he says: "In the former case, the rule is understood to refer to the personal rights of the people, with which it has a natural and universal connection. In the latter, it has reference to the proportion of wealth, of which it is in no case a precise measure, and in ordinary cases a very unfit one. But notwithstanding the imperfection of the rule, as applied to the relative wealth and contribution of the States, it is evidently the least exceptional among those that are practicable, and had too recently obtained the general sanction of America, not to have found a ready preference with the Convention."

We may agree that population is an unfit measure of the proportion of wealth and the contribution of the States. Yet we know that natural opportunities for the production of wealth have not been showered equally on all the States. Since men do tend to congregate and rear families where opportunity exists, there may be more reason for this as a basis for a tax on land monopoly than at first appears. Since all economists of repute agree that that land ownership is a monopoly, justice does not require that a tax on land values be laid as accurately as one on wealth, which is a product of labor. Certainly much less injustice is done Labor and Industry by using this as a test than by using other present methods of taxation. A comparison of the 1930 census of the U. S. with the 1930 valuation of real property (land values alone are not given) in the 1932 Statistical Abstract p. 205, will show

that the test is usable. If we want a better test, namely that of land values, we can amend the article.

Historically, it is interesting to note that Congress has levied taxes on land values in the United States, under the present Constitution, on five different occasions. This occurred in 1798, 1813, 1815, 1816, and 1861. The fact that recourse was had to this tax at the beginning of our financial history and in two war periods would appear to show its value in times of emergency.

The legislation of 1798 may be considered typical. In addition, it was adopted by men who actually wrote the present Constitution or were contemporary leaders in its framing and adoption. These men were familiar with the revenue schemes of the States of this period and the basis underlying them. A study of the two laws passed in 1798, then, should be a practical, inductive source of the interpretation of these Constitutional provisions. The first Act is entitled, "An Act to provide for the valuation of Lands and Dwelling Houses, and the enumeration of Slaves within the United States." 1 St. at Large p. 580. The second is entitled, "An Act to lay and collect a direct tax within the United States." 1 St. at Large p. 597.

Referring to the first Act, the "Act to provide for the valuation and Dwelling Houses," etc., we find procedure for valuation. Each State was divided into Divisions for purposes of valuations, and a Commissioner was appointed for each Division. The Commissioners of each State then met in a state-wide convention and divided their respective Divisions into suitable and convenient number of assessment districts, within each of which one respectable freeholder was appointed principal assessor, and a sufficient number of assistants to carry the Act into effect. The Commissioners, at this meeting, were to prepare regulations and instructions for the assessors.

The assessors, under the direction of the Commissioners, were to inquire after value and enumerate dwelling houses, lands and slaves in the following manner: Every dwelling house *above the value of one hundred dollars*, with the out-houses and the lot on which such buildings were located not exceeding two acres, was to be valued at the rate such property was "worth in money with a *due regard to situation*." All other lands and town lots, were to be "valued by the quantity, either in acres, or square feet, as the case may be, at the average rate which each separate and entire tract or lot is worth in money, in a due relation to other lands and lots, and, *with reference to all advantages, either of soil or situation*," etc. Other sections of the Act provide details as to form, penalties etc. (Italics are mine throughout).

In the second Act, the "Act to lay and collect a direct tax," etc., it is provided that "a direct tax of two millions of dollars * * * is laid upon the United States, and apportioned to the States respectively, in the manner following:"

(Figures in thousands of dollars).

N. H. \$ 77.7	N. J. \$ 98.3	Ky. \$ 37.6
Mass. 260.4	Penn. 237.1	N. C. 193.6
R. I. 37.5	Del. 30.4	Tenn. 18.8
Conn. 129.7	Md. 152.5	S. C. 112.9
Ver. 46.8	Va. 345.4	Ga. 38.8
N. Y. 181.6		

By referring to the 1930 U. S. Census figures on the populations of these States, we may compare the proportions these States would now pay. For example, New York, with a population four times as large as North Carolina would pay four times as much of the tax as North Carolina, whereas in 1798 North Carolina paid more than New York.

The Act further provided that the tax should be assessed on dwelling houses, lands and slaves, according to the valuations and enumerations provided for in the first statute above referred to, and "in the following manner: Upon every dwelling house which, with the outhouses appurtenant thereto, and the lot whereon the same are erected, not exceeding two acres * * *, shall be valued in a manner aforesaid, at more than one hundred, and not more than five hundred dollars, there shall be assessed in the manner herein provided, *a sum equal to two-tenths of one per centum on the amount of the valuation.*" * * *. If the value was between \$500 and \$1,000, the tax rate was increased to three-tenths of one per cent; if between \$1,000 and \$3,000, to four-tenths of one per cent; if between \$3,000 and \$6,000, to five-tenths of one per cent. In like manner the rate was likewise increased so that properties worth \$30,000 or more were taxed at the rate of one per cent of the value. Each slave was arbitrarily taxed 50 cents.

The Act then provided, "And the whole amount of the sums so to be assessed upon dwelling houses and slaves within each State respectively, shall be deducted from the sum apportioned to each State, and the remainder of the said sum shall be assessed upon the lands within each State, *according to the valuations* to be made pursuant to the act aforesaid, and at such rate per centum as will be sufficient to produce the said reminder." Other sections provide details.

Considering the above statutes, we find: First. Congress did not levy the tax on land considered by area, but rather on land value. Second. Congress chose to classify lands into two classes: lands with dwelling houses, and lands, including town lots, not so improved. This illustrates the power of Congress to classify lands and land values or any other species of monopoly or property for taxing purposes. Should Congress decide to exempt buildings and other improvements or homes and farms under a certain value, it has the power to do so. Should it decide to tax deposits of minerals or urban land, site value or land value in general, it may. Third. Not only was the tax placed on land values, but the rate was progressive. This out-Georges the Georgists. This method, perhaps,

is the answer to the much heralded doctrine of "ability to pay." It permits a heavier rate on a vacant or inadequately improved lot worth \$10,000 than on one worth \$100. Fourth. Most singularly, Congress left the rate on lands and city lots without dwelling houses to be set by a contingency; i.e. at a sufficient rate to raise the remainder of the money needed. This proves that it is not necessary that every detail in the procedure and results of taxing land values need be known in advance. Application of this plan permits a uniform rate to be levied on land values of sites adequately improved or used, in all the States, with a provision that the remainder of the quota of each State be raised by a tax rate sufficient, when applied to vacant or inadequately used lands or other natural resources, to raise the amount. The fact that the last named rates are not uniform in all States is not a substantial objection, because they are applied against monopoly and sloth and not against industry. Fifth: The Act illustrates the old American custom of penalizing home owners to help speculators in lands and city lots, by making possible a lower rate on these last than the rates on lands improved with dwellings. This is not the result of a taxation of land values but rather on the method used in this particular Act.

Hence, the writer concludes that a Federal Single Tax is permissible; if not the only tax, why should it not be used to take the place of some of the numerous taxes on labor products?

It is submitted, however, that the requirement of apportionment cannot be evaded by levying the tax on the privilege of owning or using land, as probably could be done in England. English land titles are based on the feudal system with the King as absolute owner, the occupiers holding possession of various estates subject to the duty of rendering rent or services in return to the King. The theory in the U. S. is that the rights of the King at the time of the Revolution were acquired by the people of the several States. Public lands west of the Alleghanies were ceded by these States to the Federal government, which in turn granted titles to settlers. The courts generally have held, since we never had feudal tenure here, that the government conferred absolute ownership or "allodial" titles, i.e. titles free from rent or service and opposed to feudal holding. Although this is the general view, it is subject to criticism at least in the case of titles in the original thirteen States, in which the titles theoretically, at least, were in the King of England until the Revolution. Feudal tenure with its duties was not abolished in England until 1660, and in those original States which accept the Common Law existing up to 1607, considering the taking of title by the Cabots in the name of the King, the rule would seem to be wrong.

Furthermore, the U. S. Supreme Court has held that the question of whether a tax is a direct tax (requiring apportionment) is to be determined not by the theories of economists alone but with regard to historical consideration.

Granted that the ownership and use is in justice a privilege, yet ownership of land has been considered by such monopolists as Lord Coke and other builders of our legal concepts as a sacred right of property. Federal judges, backed up by a public opinion which has not considered these questions, would probably hold the tax on the privilege a direct tax. When civilization has a keener sense of justice and a better understanding of privilege, then it will not make any difference about this problem. We will do away with such restrictions and see to it that our governments have power to provide revenues by legitimate means.—J. EDWARD JONES.

Robert Schalkenbach Foundation

WITH the death of Mr. Byron Holt on Dec. 11, 1933, three vacancies existed in the membership of the Foundation. Mr. Pleydell had passed away in May, 1932, and Mr. Charles T. Root had resigned recently because he planned to spend part of each year on the west coast.

At a meeting of the trustees on January 19, it was announced that nominations had been received for the three vacancies, and that the names of Mr. Raymond V. McNally, Mr. Henry George Atkinson, and Mr. Albert Pleydell (son of the late Arthur C. Pleydell), had been placed in nomination by Mr. Purdy, and seconded by many members of the Board. An election was held and these gentlemen were duly elected members and trustees of the Foundation.

John J. Murphy who served as vice-president since 1927, stated that he would be glad to stay upon the board of trustees, but that he was resigning as vice-president. A vote of thanks was given to Mr. Murphy for his generous and untiring services to the Foundation.

Mr. Philip H. Cornick was nominated for the office of vice-president, and upon vote, duly elected as vice-president of the Board.

Mr. Hennessy stated that since no president had been elected he would continue to serve as president, and hoped to devote an increasing amount of time to the plans and work of the Foundation. At the same meeting, the secretary was given the office of executive secretary.

A very pleasant evening followed, on January 20, at the Hotel Holley, Washington Square, where dinner was served to thirty-eight guests who joined the trustees of the Foundation in welcoming Messrs. McNally, Pleydell, and Atkinson to the board. Mr. Hennessy presided, and explained the educational nature of the work carried on by the Foundation; how, in 1926, the books of Henry George were almost out of print and how over a period of years they had been published and distributed by the Foundation; how other appropriate literature was prepared and circulated, and how by advertising within the modest limits available to the Foundation, thousands of

people became acquainted with the writings of Henry George, and were from that point led on to active work for the Georgist Cause.

Lawson Purdy spoke, and then the three new trustees addressed the guests in turn. Mr. Hennessy also introduced the wives of the three trustees to the group.

Among the many interesting guests of the evening was Henry George III, of Wilmington, who spoke briefly of his renewed interest in the work that is being done.

Mrs. de Mille, Mr. Cornick, Mr. Stephens and Mr. Fairchild were among the trustees who made speeches of welcome to the new members, as did Mr. Geiger and Miss Schetter. Mr. Hennessy concluded the evening's proceedings with two amusing Irish landlord stories. Besides those mentioned above, there were present Mr. and Mrs. Albert Firmin, Mr. and Mrs. McDowell, of Tennessee; Mr. Harry Weinberger, Mr. Otto Dorn, Mr. Harry Maguire, Mr. Leonard, Mr. Bell, Mr. Egan, Mr. G. H. Atkinson, Mr. Roger Stephens, Mr. Donald Stephens, Mr. Ware, Mr. Hendrickson and guest, Mr. Hellyer and guest, Mr. Bittenheim, Mrs. Geiger, and Mr. Joseph Dana Miller.

The secretary reported to the Board that since the inventory date, May 1933, 3,000 books have been distributed; 27,500 pamphlets and 30,000 or more pieces of advertising.

Two new advertisements of the pamphlet "Moses" have been inserted by the Foundation in *The American Hebrew* and *The Young Judean*, as an experiment in attracting the interest of Jewish men and women in Henry George's famous lecture. A special letter is written to each inquirer who answers the advertisement, and the reading of "Progress and Poverty" is suggested. The results thus far have been encouraging.

Orders from bookdealers continue to come to the office daily, showing that there is a background of interest outside the Single Tax ranks, in Henry George's books. The two most popular titles are: "Progress and Poverty," and "Social Problems." In a campaign among bookdealers, 350 books were sold from September to date, at a circularizing cost of \$47.

A Christmas letter and folder explaining the books available, and offering special rates for quantity gift orders, was sent to 5,000 people on our main list, early in December, and also to some 2,000 additional special names. About 330 books were sold including 36 copies of "The Philosophy of Henry George." We would like to remind readers that those who buy books or pamphlets from the Foundation are really making a contribution to the general progress of the cause, as all monies taken in are spent for further publication, or for definite propaganda activities, which increase the Foundation's scope and usefulness.

A special letter to 166 librarians in Pennsylvania has been sent, enclosing the pamphlet "Steps to Economic Recovery," and suggesting that there might be more of