

Whichever way is used it is certain that farmers who actually farm will be benefited by such a tax from the start, because it will result

THE TOLL OF LANDLORDISM



—Courtesy of Alfred N. Chandler, Newark, N. J.

labor for the production of wealth, but the conditions of prosperity in agriculture, in business, in trade, and in industry in general.

V

THE NEW YORK TAX EXEMPTION LAW

By EDWARD POLAK

(Register of Bronx County, New York)

Prior to September, 1920, the housing situation in New York City had become so acute that it amounted to a public emergency which led Governor Smith to call a special session of the New York Legislature to deal with this problem.

The Legislature created the Lockwood Committee to examine into housing conditions, and it was in session several months taking testimony from all sources. This testimony established the facts that it was well nigh impossible to procure apartments at any price; that families were doubling up; that the health laws of the City of New York were being violated, and there was grave danger to the health, morality and economic life of the community due to this intense overcrowding.

The Emergency Rent Laws which were passed stayed the wholesale evictions due to refusal or inability to pay the increased rentals,

which in many instances were double the original rents. But this did not provide greater housing facilities, which was the crying need of the ever increasing population.

The Legislature recognized that an emergency existed which culminated in the passage of a law exempting from taxation for a period of ten years buildings used for dwelling purposes only. This law was state wide and it was optional with the cities, towns or villages to adopt it. It is greatly to the credit of the City of New York that it took advantage of the law by passing the following ordinance:

The Law Exempting New Houses from Taxation

AN ORDINANCE in relation to the exemption from local taxation of new buildings planned for dwelling purposes in the City of New York.

TAKING IT ALL



—From The Chicago Daily News.

Be it ordained by the Board of Aldermen of the City of New York as follows:

Section 1. Pursuant to and in accordance with the provisions of Section 4-B of the Tax Law of the State of New York as such section was added by chapter 949 of the Laws of 1920, entitled "An Act to amend the Tax Law in relation to the exemption from local taxation of new buildings planned for dwelling purposes," it is hereby determined that until January, 1932, new buildings in the City of New York planned for dwelling purposes exclusively, except hotels, shall be exempt from taxation, as herein provided, for local purposes other than assessments for local improvements during construction and so long as used or intended to be used exclusively for dwelling purposes, or if a building of four

stories or more in height used exclusively for dwelling purposes above the ground floor, provided construction was completed since April 1, 1920, or if not so completed that construction be commenced before April 1, 1922, and completion for occupancy be effected within two years after such commencement, or if on September 27, 1920, in course of construction within two years after such act took effect.

Section 2. It is further ordained that such exemption shall be granted to the extent only of one thousand dollars for each living room, including the kitchens, but not including the bathrooms, in each such building, provided that the total amount of such exemp-

tion shall not exceed, for every single-family house coming within the terms of the statute, five thousand dollars of the value of the building, and for every two-family house coming within the terms of the statute ten thousand dollars of the value of the building, and for every multi-family house coming within the statute, and amount of the value of the building equivalent to five thousand dollars for each separate family apartment therein contained.

Home Building Activity Begins

After this law was passed plans began, as if by magic, to be filed in the City of New York for one and two family houses and apartment houses. The mortgage lending institutions that had refused for a long time to lend for building purposes opened their coffers and money poured into the mortgage money market. Builders who had been idle for years started building operations. Labor in the building industry became in great demand; wages began to rise, and the high wages and steady employment attracted a large number of skilled mechanics in the building industry from other cities.

The following tables showing the number of plans filed and buildings erected before and after tax exemption have been compiled from the Building Department of the five Boroughs comprising the Greater City of New York and proves that the Tax Exemption Law was the inducement for the erection of new buildings for dwelling purposes:

Plans Filed for Dwelling Accommodations from January 1, 1918, to February 25, 1921

BOROUGH OF BRONX

Year	Dwellings	Families	Cost	Tenements	Families	Cost
1918	38	49	\$ 197,600	24	742	\$ 1,728,000
1919	301	402	2,908,000	24	809	1,841,000
1920	390	523	3,677,900	58	2139	6,496,000
1921	216	270	1,323,012	23	880	2,762,750
Total	945	1244	\$8,106,512	129	4570	\$12,827,750

Plans Filed for Dwelling Accommodations from January 1, 1918, to February 25, 1921

BOROUGH OF MANHATTAN

Year	Dwellings	Families	Estimated Cost	Tenements	Families	Estimated Cost
1918	4	5	\$ 215,000	9	395	\$ 1,780,000
1919	19	27	1,904,500	44	1801	13,575,000
1920	22	25	1,503,500	22	1134	13,565,000
1921	11	16	251,250	9	363	2,762,912
Total	56	73	\$3,874,250	84	3693	\$31,682,912

**Plans Filed for Dwelling Accommodations from January 1, 1918, to
February 25, 1921**

BOROUGH OF BROOKLYN

Year	Dwellings	Families	Cost	Tenements	Families	Cost
1918	1971	2961	\$14,614,415	106	1940	\$ 6,176,210
1919	2610	3892	19,019,765	108	1710	5,167,000
1920	3418	4449	21,964,300	150	1265	3,858,000
1921	794	1194	6,511,005	44	630	2,772,300
Total	8793	12496	\$62,109,485	408	5545	\$17,973,510

**Plans Filed for Dwelling Accommodations from January 1, 1918, to
February 25, 1921**

BOROUGH OF QUEENS

Year	Dwellings	Families	Cost	Tenements	Families	Cost
1918	892	797	\$ 2,833,650	4	23	\$ 49,000
1919	5870	6260	24,440,209	45	536	2,886,500
1920	3665	3635	22,145,213	23	77	1,750,000
1921	810	1038	4,615,035	18	161	698,184
Total	11237	11730	\$54,034,107	90	797	\$5,383,684

**Plans Filed for Dwelling Accommodations from January 1, 1918, to
February 25, 1921**

BOROUGH OF RICHMOND

Year	Dwellings	Families	Cost	Tenements	Families	Cost
1918	509	535	\$ 531,841	..	...	.....
1919	1365	1433	3,338,391	..	...	.....
1920	1299	1364	3,676,314	..	...	.....
1921	207	221	652,606	..	...	.....
Total	3380	3553	\$8,199,152	..	...	.....

**Plans Filed for Residence Buildings (All Boroughs) Since Tax
Exemption Law Went Into Effect**

1921

(Feb. 26, to Dec. 31)

	DWELLINGS			TENEMENTS		
	No. of Bldgs.	No. of Families	Estimated Cost	No. of Bldgs.	No. of Families	Estimated Cost
Manhattan	135	305	\$ 3,015,300	108	4,489	\$ 33,185,000
Bronx	2,418	3,235	15,876,149	274	10,583	39,334,900
Brooklyn	9,527	14,225	78,142,075	524	7,565	33,267,500
Richmond	2,389	2,650	7,831,164	...	.....	.....
Queens	9,724	12,456	55,380,420	215	1,935	8,378,200
Total	24,193	32,871	\$160,245,108	1,121	24,572	\$114,165,600

1922

	DWELLINGS			TENEMENTS		
	No. of Bldgs.	No. of Families	Estimated Cost	No. of Bldgs.	No. of Families	Estimated Cost
Manhattan	40	58	\$ 2,447,976	169	8,240	\$ 56,690,000
Bronx	3158	4,616	24,741,575	416	15,438	58,803,000
Brooklyn	12,521	18,709	99,508,205	1218	14,513	56,366,300
Richmond	2,346	2,663	8,298,836	4	179	910,000
Queens	15,738	29,944	94,354,850	398	5,478	19,379,400
Total	33,803	55,990	\$229,381,442	2,205	43,848	\$192,148,700

**Plans Filed for Residence Buildings (All Boroughs) Since Tax
Exemption Law Went Into Effect**

1923

(9 mos. ending Sept. 30.)

	DWELLINGS			TENEMENTS		
	No. of Bldgs.	No. of Families	Estimated Cost	No. of Bldgs.	No. of Families	Estimated Cost
Manhattan	72	134	\$ 1,088,000	139	6,762	\$ 42,278,500
Bronx	3,083	4,746	27,889,100	309	12,455	48,963,500
Brooklyn	10,242	14,950	76,643,305	1774	17,171	71,761,800
Richmond	1,723	2,124	7,711,143	...	.....	.....
Queens	13,254	16,696	82,095,835	282	3,821	17,509,000
Total	28,374	38,650	\$197,427,383	2,504	40,209	\$180,512,800

Total

	DWELLINGS			TENEMENTS		
	No. of Bldgs.	No. of Families	Estimated Cost	No. of Bldgs.	No. of Families	Estimated Cost
Manhattan	247	497	\$ 6,581,276	416	19,491	\$132,153,500
Bronx	8,659	12,597	68,506,824	999	38,476	147,101,400
Brooklyn	32,290	47,884	256,293,585	3516	39,249	161,395,600
Richmond	6,458	7,437	23,841,143	4	179	910,000
Queens	38,706	59,096	231,831,105	895	11,234	45,266,000
Total	86,370	127,511	\$587,053,933	5,830	108,629	\$486,287,100

Law Is Held Constitutional

An attack upon the constitutionality of the Tax Exemption Law was made by an action brought in the spring of 1922. The case was decided in March, 1923, by Mr. Justice Tierney of the Supreme Court who held that Section 4-B of the Tax Law was unconstitutional.

This decision created a great deal of confusion and excitement among builders, tenants and the mortgage lending institutions. An appeal was taken to the Appellate Division of the Supreme Court which rendered a unanimous decision that the law was constitutional. The further appeal to the Court of Appeals unanimously sustained the constitutionality of the Tax Exemption Law.

Law Is Extended

The benefits of the Law were so marked that the Legislature extended it to April, 1923.

Owing to the large profits of builders of tax exempt houses and the exclusion of them from the operation of the Emergency Rent Laws, the local authorities thought it unwise to grant multi-family houses the same tax exemption as heretofore, so the law was extended until April, 1924, with an amendment exempting multi-family houses in the amount of \$15,000 only. This has been a hard blow to the principles of tax exemption and seriously affects the production of the much needed multi-family houses in New York.

There are still numerous plans filed for one and two family houses, as the original provisions of the Tax Exemption Law applying to them was not altered, but the number of plans for multi-family houses was materially decreased as the incentive for building them is lacking.

Emergency Still Exists

That an emergency still exists in New York City for those who can only pay rent on a basis of from \$5 to \$15 per room, can be easily ascertained by any one trying to procure an apartment at these rentals. The only class of apartment of which there is a surplus is from \$20 per room and upward. There are considerable apartments at that rental due to the Tax Exemption Law which induced the erection of a large number of high class apartments. Prior to the enactment of the Tax Exemption Law, apartments could not be had even at that rental; in fact they could not be had at any price as they did not exist. But now that there is a surplus of this class, rents are beginning to recede.



—Warren in the Chicago Tribune.

While the rent problem has been solved for the people of means, the rent situation is still acute in New York City for the great mass of our people.

I am informed by a Municipal Court Judge that there are more dispossession proceedings instituted for non-payment of rent than ever in the history of the city, because apartments cannot be had to meet the incomes of the majority of the tenants, so they are obliged to rent apartments above their ability to pay.

Untaxed Buildings Only Housing Solution

The Tax Exemption Law expires April, 1924, and only an extension of the original provision of the law can relieve the situation.¹

Governor Smith recently appointed a committee which sat in City Hall of New York City for several days to hear testimony of competent witnesses stating their observations of the conditions existing in housing in the city.

The coming session of the Legislature will determine the issue whether an emergency still exists and this determination will no doubt be based on the testimony before the Governor's committee.

Some of the testimony was most harrowing in its details, notable that of a trained nurse of the Health Department of the City of New York who testified that owing to the high rents, thousands of little children were undernourished, as there was not enough left after paying the rent to buy food for proper nourishment. The number of families that were doubled up and those to be evicted for non-payment of rent were shown to be numerous.

Most of the buildings being completed are those for which plans were filed under the original Tax Exemption Law. When these are completed there will be very few apartment houses erected, and over-crowding will be as bad or worse than ever.

Those who were responsible for the deleted Tax Exemption Law which curtailed the exemption of taxes on multi-family houses to \$15,000, will soon realize their error and will be obliged to rectify it before long.

If the original Tax Exemption Law is not extended after 1924,¹ the same congestion will take place as before and people will pay any rent to secure housing facilities. We are several years behind in building operations and it needs some inducement to the building trade to build sufficient houses to catch up with this shortage.

Not only will tax exemption be the means by which greater numbers of houses can be provided for poorer tenants, but it will supply

THIS CONDITION WILL EXIST—



—SO LONG AS THIS LASTS



¹) As we go to press we are informed that Governor Smith of New York has signed the bill continuing the Housing Tax Exemption Law for another year.—EDITOR.

better houses for them at lower rents—as more of the better houses are produced rents will naturally be lowered all the way down to the poorest houses.

No Need for Rent Regulation

It will not be necessary to limit the rent nor the size or style of the rooms in tax exemption apartments by statute laws as has been proposed. The inexorable law of supply and demand will do that. When builders and mortgage loan people find there is a surplus of apartments at \$20 per room, they will turn their attention to erecting cheaper grades of houses which are now in demand, such as will rent from \$14 to \$18 per room. When there is a surplus of these they will build houses that can be rented from \$10 to \$13 per room, and so all the way down the line, until they have met the demand of the poorest tenant who can afford to pay only from \$5 to \$8 per room. To erect cheaper houses, the builder will very naturally seek cheaper lots in the poorer neighborhoods and will build smaller rooms with fewer improvements to meet the requirements of the poor man's purse. When there is little demand for high priced material for high priced apartments, the building material manufacturers will have to produce cheaper material to meet the demand of the cheaper priced apartments or stop manufacturing which they cannot afford to do.

City Revenue Not Decreased

That the city's income is decreased, as has been claimed, due to exemption, and that public improvements are retarded, is disproved by the facts. The city's tax revenue since tax exemption, has increased more than heretofore, and public improvements have also increased, and yet the tax rate has varied but slightly and the assessed valuations on real estate have only increased normally.

The total assessed valuation in Greater New York for 1923 was \$10,596,065,573. Each year there is a steady increase in taxes, most due to the erection of new buildings. There was a greater increase under exemption than before according to the report of the Tax Department. Following is their report from 1917 up to and including 1923:

1917.....	\$ 8,259,549,000
1918.....	8,339,638,851
1919.....	8,428,322,753
1920.....	8,626,122,557
1921.....	9,972,985,104
1922.....	10,249,995,030
1923.....	10,596,065,573

It will be seen that there has been a greater increase in the taxable property under the tax exemption than there was without it.

A Significant Question

Let us assume for the time being that the tax exemption laws will not be extended beyond April of next year. What will follow? Most of the builders who have not actually begun operations will practically discontinue building and all vacant apartments will be filled quickly due to the natural increase in population, etc. Pre-tax exemption conditions will again prevail with tenants sharply competing with each other as before for vacant apartments, with a decided increase in rents.

And so we go around and around in an uneconomic circle, as it were. We do not seem to comprehend the logic of events by which like causes bring about like effects.

Would it not be the height of wisdom to encourage an industry on which prosperity so largely depends, and which will provide decent homes at a fair rental for our inhabitants, and can it be more encouraged than by continuing to exempt buildings from taxation?

VI

THE SALES TAX IN CANADA

By H. ARCHIBALD HARRIS, C. P. A.

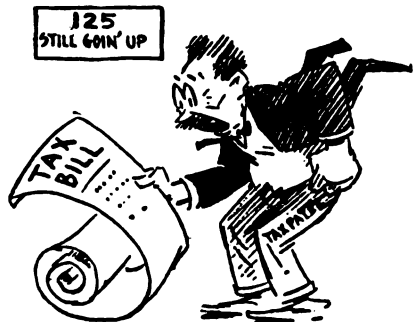
(Tax Counsellor for the Illinois and Indiana Bankers' Associations)

[A full and complete account by Mr. Harris, of the operation of the Canadian Sales Tax Law will be found in the American Review of Reviews for December 1923.—EDITOR]

Anticipating that a strong effort will be made to pass a sales tax law in the United States, I made a three month's trip through the Dominion of Canada, accompanied by the economic writer Mr. W. B. Swindell. I interviewed virtually every class of citizens which Canada possesses, from the boys who shined our shoes up to ministers of the different departments and heads of the big industrial concerns.

Is the Canadian Tax Simple?

One of the main contentions for the sales tax in the United States has been that it is simple. If the views of dozens of citizens in different classes of enterprise may be taken as a basis for judging the simplicity of this tax we may say with absolute positiveness that



—From The Chicago Daily News.