HOW CAN THE SINGLE TAX BE COLLECTED

Inquiries are often made as to how the Single Tax can be collected. Back of this question lie several other questions, the answers to which can be better made when there exists a wide-spread and strong sentiment for the taking of economic rent for public purposes. No one can successfully prophecy just the form the statutes will take in any State or country when that time shall have arrived. It is inexpedient to lay down a programme for legislation, most of which may be long deferred. There would inevitably be differences of opinion concerning the details of any such programme, and such differences of opinion might lead to a lessening of the effort to secure popular approval for the principles laid down by Henry George.

Without attempting to outline a programme of legislation now for the raising of all revenue by a tax on land values for the United States, the State governments, county governments and local governments, it may be appropriate to outline some of the practical objections that are made by those who oppose an exclusive tax on land values.

The law that is universal in the United States for the assessment and taxation of real estate contemplates its assessment at market value. It is alleged, and truthfully so, that an increase in the tax on land values tends to reduce the market value of land. It is argued that on this account any great increase in the tax on land is impracticable because the assessed value will decline so much that the tax rate will be so high as to be impossible. Some Single Taxers have suggested that it would be better to adopt rental value as the basis of taxation so as to avoid this decline in the basis for taxation. Some have suggested that net rent plus taxes be capitalized at the current rate of interest for such property and that this capital sum should be used as the basis for taxation. It is apparent that if this plan were adopted the amount of the tax would not affect the taxable base except in so far as a heavy tax on the value of land should cause a shrinkage in rental value due to an increase in the market supply of land.

It is quite possible in theory to adopt rental value as the basis for taxation or to adopt the capitalized rental value in the manner already described. Either of these plans involves some change in the accustomed habits of thought of the people of the United States and Canada. The difficulty due to a decline in the market value when the tax increases is more apparent than real. Under-assessment in the United States is so common that people are accustomed to the idea of tax rates rising even above six or seven per cent. In such places a mere increase in the assessed value of land and a decrease in the assessed value of buildings could proceed until buildings were entirely exempted from taxation without increasing the tax rate at all. Probably all local revenue does not now on the average exceed fifty per cent. of the rental value of land alone. If the interest rate is assumed to be five per cent. on the average, a tax rate of five per cent. upon the market value of the land as reduced by the imposition of the tax would take fifty per cent. of the rental value. For example, if the rental amounts to $1,000 a year, the untaxed capital value would be twenty times $1,000. or $20,000. A tax rate of five per cent. on the reduced value amounting to $10,000 would yield $500. Thus the tax would be $500. and the net rent, after deducting the tax, would be $500. The capital value would be twenty times $500. or $10,000.

The natural procedure to change the existing system of the General Property Tax for local and State purposes would be to reduce or abolish the tax on personal property and improvements, increasing the tax rate as might be necessary to raise the required revenue. It has been shown that the tax rate would only have to rise as high as five per cent. in order to take one-half the rental value. Progress beyond that point would involve a considerable increase in the tax rate, but that increase might be gradual, and would not necessarily attract any more adverse comment than does a raise in the tax rate applied to the classes of property now ordinarily taxable.

It may be interesting to note that a two per cent. tax rate on actual market value takes theoretically more than one-third of the rent. A tax of one-third takes approximately two-thirds, and it would require a tax rate of 15 per cent. to take three-fourths of the rent. To use the same illustration, if the net rent, including taxes, amounted to $1,000. and three-fourths of the rent were taken it would leave a net rent of $250. $250 capitalized at five per cent. amounts to $5,000. 15 per cent. of $5,000. equals $750. Thus the tax would be $750. The tax rate 15 per cent. The market value $5,000. and the net rent $250.

The process of reaching the Single Tax would be exactly that described by Henry George when he said that all that is necessary is to abolish taxes on everything except the value of land. The progress of this process might be very different in one State or country than in another. The taxes to be abolished would be different, but the process would be the same.—EDITOR.