

PITTSBURGH AND SCRANTON

In 1910 Pittsburgh had one of the most inequitable systems of taxation in the country. There were three classifications of real estate, urban, rural and agricultural. Urban embraced the closely built-up district and paid the full tax rate. Rural embraced these suburban districts and paid two-thirds of the full rate. Agricultural embraced large tracts of vacant land and paid one-half the full tax rate. Also "agricultural" land was frequently assessed at much less than its value as vacant land for building purposes. Valuable tracts were used for pasture, although surrounded by built-up districts, and enjoyed both under-assessment and one-half the general rate.

To make matters worse, each ward of the city was a separate school district, and the expenses of its schools were paid by taxes on the property in the ward. As a consequence, the wards with a preponderance of small homes and a large number of children, had a very high school tax rate, whereas in the downtown business districts, with enormous land values and scarcely any school population, the school tax was negligible.

The tax rates paid on different properties varied from 7.85 to 25 mills on the dollar. The low rates were paid almost entirely by large "agricultural" holdings, while the high rates fell on small residences and congested tenement neighborhoods.¹

The awakening came in 1909 when the Pittsburgh Board of Trade launched a movement to abolish the three classifications. Other civic organizations joined in the demand for tax reform so that in 1911 the Pittsburgh Civic Commission, the Allied Boards of Trade, the Chamber of Commerce, the Pittsburgh Teachers Association and the Federation of Women's Clubs massed their forces before the State Legislature and secured from it abolition of the classifications and a new school code which provided a uniform school tax rate throughout the city. A bill was also put through exempting machinery from taxation in second class cities. This latter enactment was the beginning of the policy of exempting

¹Citation from article by Shelby M. Harrison in the *Survey* for July 1st, 1911.

industry from taxation, which was closely followed up in 1913 by what is known as the Graded Tax Law for second class cities.

Shortly after the Legislature of 1911 adjourned, the Pittsburgh Civic Commission began a thorough analysis of the taxation system of the city with the end in view of lifting the burden of taxation from industry and placing more of it upon the great land holders of the city, who were impeding the city's progress by holding the land at prices prohibitive to industries and residents. To bring about this result the committee which made the investigation, recommended that all buildings in the city be taxed at a rate 10% less than land values the first year, 20% the second year, 30% the third year and so on until the tax rate on buildings would be one-half that on land values, at which time it was expected that the plan would have so far justified itself, that at one more step buildings would be entirely exempted from taxation. The report of the committee, together with its recommendation, was printed and widely circulated. The attention of Mayor Magee was enlisted and his support to a bill embodying the recommendation of the committee was secured, so that in 1913 the bill was introduced into the Legislature as an administration measure. However, before passage it was found necessary to modify it so that instead of reducing the rate on buildings 10% each year it was reduced 10% each triennial assessment or every three years. In this shape the bill was passed, and became a law. Effects of the law were almost immediately apparent, many properties which would not have paid a sufficient return under the old system were built upon and improved profitably under the new, so that in 1913 and 1914, while other industries of the city lagged, the building business flourished. However, the effect was also felt by the large land owners, who set about to secure the repeal of the law. The support of our unenlightened Mayor, Mr. Armstrong, and his majority in the City Council was secured for the repealer and as a city administration measure it was passed by the Legislature of 1915, against the determined and stubborn opposition of the Pittsburgh Civic Commission, the Allied Boards of Trade, the Pittsburgh Realty Owners Association, the North Side Chamber of Commerce, the Pittsburgh Single Tax Club and other organizations who

appealed successfully to the Governor who vetoed the repealer. In vetoing the bill Governor Brumbaugh said:

"This bill is a repealer. It applies only to cities of the second class. It repeals the Graded Tax Law in these cities. The present tax law, passed in 1913, makes a separation of land and of buildings for taxable purposes, and reduces triennially ten per cent. the tax on buildings until the minimum of 50% is reached.

"The Act of 1913 was urged by all parties in interest. This repealer is opposed by the largest group of protestants that have been heard on any bill. It is advocated by those now in charge of the fiscal policy of one of the two cities concerned.

"Inasmuch as there is such a conflict of opinion, and inasmuch as the law has scarcely yet been tried, it is well to allow it to operate until a commanding judgment decrees its fate. Let the people concerned study freely and fairly the operations of the present law and, if found after two years to be inadequate to the needs of the cities or unfair in its provisions, it can then be repealed. To disturb it now when a preponderance of opinion favors it is unwise. For these reasons the bill is not approved."

In 1916 the City Council of Pittsburgh authorized the Mayor, Comptroller, and President of Council, to appoint fifteen citizens as "The Committee on Taxation Study." This Committee submitted a report November 13, 1916. In discussing the "graded" tax the Committee said:

"No little discussion has been indulged in regarding the merits and demerits of this law. Economic results have been prophesied by its advocates and its enemies out of all proportion to anything which such a gradual change in the tax rate could occasion. This we believe is in part due to certain other changes in laws affecting taxation in Pittsburgh, passed by the Legislature in 1911 and 1913. * * * *

"The effects of the repeal of the classification act and the enactment of the school code have in the public mind become associated with the graded tax law and to this confusion may be traced much of the exaggerated results attributed to this law. These legislative enactments brought about long-needed improvements in our local taxation system. Though great benefits resulted to the community as a whole hardship to some was inevitable.

"After the most deliberate consideration your Committee is of the opinion that the Graded Tax Law should be given full and fair trial."

The Committee presented tables showing the effect of the change on the tax rates of 1916, (the rate on buildings being 90% of that on land) as follows:

Tax rate on land.....	21.85
" " " buildings	19.33
" " " land and buildings if law had not been passed ..	20.887
Per cent. increase of tax on land.....	4.6
" " decrease on buildings.....	7.5

The constitution of Pennsylvania forbids special legislation for a particular city, but cities are divided into classes, according to their population. While the agitation for the reduced tax on buildings came from Pittsburgh, the law also affects the other "second class" city—Scranton with a population of 130,000. Scranton seems to be quite satisfied with the law and took no part in the agitation two years ago for its repeal.—W. P. AND EDITOR.

EVERETT

On November 7, 1911, Everett, with a population of twenty-five thousand, by a majority of 98 amended its charter to provide for the exemption of improvements from local taxation. The amendment, which did not exempt personal property, exempted only twenty-five per cent. of the value of improvements, taking four years to reach a full exemption. Even after this popular demand had been made, the City Commission omitted the Single Tax from the new charter to be voted on, but agreed to submit it as a separate proposition. At this referendum election the charter was adopted by fifty-eight votes, but the Single Tax lost by fifty-three.

In November 1912 the measure was voted upon for the third time. The amendment was adopted by a vote of 4,858 to 2,637, carrying every precinct. It was, however, adversely passed upon by the State Tax Commission which declared it unconstitutional. Owing to its doubtful legality Single Taxers raised no contest in the courts and no further Single Tax campaign has been waged in Everett.—EDITOR.