

TAXATION OF FOREST AND MINERAL LANDS

The present system of taxing forest lands in most States is by the uniform rule of the General Property Tax, which means that both the land and the standing trees are assessed and taxed annually, so that in thirty or fifty years the value represented by the timber has been taxed over and over again and has paid many times the tax on other property.

A forest is a growing crop just as much as is a field of wheat—the only difference being that wheat ripens and is cut annually, whereas a tree requires a number of years to reach maturity.

Standing wheat is exempt from assessment either by statute or because farms are assessed early in the Spring before there is any growing crop to assess, and the valuation of farm land is (in theory at least) what the land is worth for the purpose of growing crops upon it.

The same principle should be applied to the assessment of forests, and this is the tendency of recent legislation.

All discussions of the forest tax question in recent years show an agreement that present methods are destroying forests, and several States whose constitutions permit, provide substantially for the annual taxation of land only and a stumpage tax on timber when it is cut or reaches maturity.

The Single Tax would go further and tax only the land used for forests at what it is worth for such use.

To take the full economic rent of forest land in taxation would not compel an owner to cut the trees. The rent of land used for forests is what such land is worth annually to a person who expects to plant trees upon it and wait until that crop is ready to cut. Of course, the best forestry requires continuous cutting and replanting a certain proportion of the growth annually, but this does not affect the principle. It would not be difficult to ascertain from those familiar with forest land and their develop-

ment, just what was the rental value of a particular tract. Land which is suitable only for forestry is of such low value that its assessment would not offer any serious problem.

An original forest growth that has reached maturity without any labor or cost to the owner (as is the case with many of the western timber lands), presents a somewhat different problem. Such an original growth, which precedes population, is a natural resource, and should not have been allowed to pass into private hands. Nevertheless, the timber is still a crop, and to hasten its cutting unduly by heavy taxation intended to get back its "natural resource" value, may be unwise public policy, especially if this leads to a stripping of the land and its abandonment. This is one of the practical questions that must be adjusted so that the least possible harm shall result from past mistakes. Perhaps the most acceptable solution would be to tax the land at its value, as in the case of reforested land, and then have a stumpage tax which would be in the nature of a partial payment for the advantage of having obtained possession of the original timber growth.

But there is no justification for a stumpage tax on reforested growth. The price of timber will be set, ultimately, by the labor and investment cost of raising it on the least profitable land used for such purpose; where the cost is less the land will be worth a corresponding rental. A stumpage tax then would be shifted to consumers of lumber just as other taxes on labor products are shifted.

The proper method of assessing mineral land is one of the most perplexing problems of any system of taxation.

Mineral lands differ from other natural opportunities, such as city lots, farms or forest land, in that their use involves the destruction of their value by the exhaustion of the mineral. The site value of a city lot or even the site value of farm and forest lands is not diminished or exhausted through use; but the only value of a mine is in the product that must be taken away in order to realize the value. In most cases, it is impracticable to determine in advance the total productive capacity of a mine (or gas or oil well, or quarry), and even if this could be ascer-

tained accurately, the time of exhaustion would depend upon the rapidity of the working, and this, in turn, would be influenced by the market prices of the product.

Nevertheless, mines have a value and this can be ascertained and taxed just as well at least, by the application of Single Tax principles, as under the ordinary methods of taxation.

To arrive at the rental value of a mineral property of any particular class of product (iron, gold, oil, gas), a fair rule would be to find the cost of the product in those producing mines (or wells) that were the most expensive to operate. If the difference between gross and net proceeds was only an ordinary business profit, that would be a "no rent" mine and would be a basis. By computing the higher net profits of mines that were cheaper to operate, the economic rent of those mines could be ascertained.

To determine the rental value of non-producing mineral properties offers some difficulties, but these are not insurmountable. A fair estimate can be made by comparisons, and there is not much danger that mines will deliberately be kept out of use if the assessment is anywhere near what it would be if the mine were operating, and it could be more accurately ascertained. It is only in exceptional cases that the owners of mineral land will combine to restrict production in order to advance prices through the curtailment of supply. Ordinarily mines are worked so as to obtain the greatest possible yield at the lowest investment cost.

Some leeway must be left to encourage the investment of capital in machinery and in such work as tunneling and sinking shafts, as the mine may suddenly become exhausted and the capital be lost. A proper allowance for this risk would have to be made in computing net profits.

A practicable compromise for some time to come would be a combination of a tax on assessed value of the mine (which would take part of the rental value and which would be heavy enough to discourage holding mines out of use), and a royalty or production tax based upon either the value or the tonnage of the output.—

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