

## THE GENERAL PROPERTY TAX

The taxation of all property at a uniform rate is made necessary by the constitutions of about three-fourths of the States of the Union. The taxes on chattels, tools, implements, money, credits, etc., find their condemnation from the Single Taxer's point of view in those ethical considerations which differentiate private from public property. Where there arises a fund known as "land values," growing with the growth of the community and the need of public improvements, it is not only impolitic, it is a violation of the rights of property to tax individual earnings for public expenses.

The value of land is the day-to-day product of the presence and communal activity of the people. It is not a creation of the title-holder and should not be placed in the category of property. If population deserts a town or portions of a town, the value of land will fall; the land may become unsalable. When treated as private property the owner of land receives from day-to-day in ground rent a gift from the community; and justice requires that he should pay taxes to the community proportionate to that gift.

"Land value" or "ground rent" as the older economists termed it, is a tribute which economic law levies upon every occupant of land, however fleeting his stay, as the market price of all the advantages, natural and social, appertaining to that land, including necessarily his just share of the cost of government.

But it is necessary to take only a passing glance at this phase of the subject and consider merely the fiscal objections to the General Property Tax. Any one can demonstrate to his entire satisfaction the defective nature of nearly all the inventions of the tax-gatherer. It is not a mere accident that all the modes of revenue in current use fail signally in practice, are unequal in operation, are evaded with ease in great part, or act as hindrances to production. It is this consideration that led the late Thomas

G. Shearman to call the Single Tax on Land Values "Natural Taxation," and to reject all other revenue-raising devices. And the "cloud of witnesses" that can be summoned to testify against the General Property Tax are conclusive as to the character of this method of raising revenue.

Experience proves the complete breakdown of the General Property Tax in every State in the Union. It is practically extinct in Europe.

Specifically it may be said of a tax upon manufacturing, machinery and tools that it increases the cost of manufactured goods. A tax on mortgages is shifted by the lender by means of an increased interest rate. A tax on notes and book accounts is an overhead charge which enters into the price of goods. A tax on banks increases the cost to them of doing business, and they must recover the tax from their customers in the same way that they must get from them any other expense necessary to the conduct of their business.

No better exposition of the causes of the failure of the General Property Tax may be found than of the report of a committee of the National Tax Association made in the year 1910.

This committee was appointed to investigate whether the failure of the General Property Tax is due to inherent defects in the system itself, or to weakness in its administration. The committee was composed of chairman Oscar Leser, Judge of the Appeal Tax Court, of Baltimore, Md., and a member of the Special Tax Commission recently appointed to investigate taxation in that State; Professor E. R. A. Seligman, of Columbia University, a well-known writer on economics and taxation, and a member of the New York Special Tax Commission of 1906; James C. Forman, for many years city assessor of Toronto, Ontario, in which Province the General Property Tax was abolished in 1903 after exhaustive investigations by an assessment commission; Nils P. Haugen, member of the Wisconsin State Tax Commission since 1901; Frederick N. Judson of the St. Louis Bar and member of the St. Louis Tax Commission of 1906; and the author of several law books on taxation.

One portion of this report should be quoted here:

“Public opinion almost invariably recognizes the unfairness of taxing all property by the same rule and at the same rate, whenever a strict enforcement of the law is attempted. The abstract demand for the taxation of all property alike then gives place to concrete indignation over the actual results. It is always some unknown ‘they’ who ought to be made to pay on everything ‘they’ own. But the property which the assessor does find, often is, in the opinion of its owners, either greatly over-valued, or has been ‘singled out,’ or is otherwise quite improperly on the rolls. This attitude of the average property owner is an unconscious resentment at the unfairness of the General Property Tax theory.

“The two theories of taxation most widely accepted by economists are: one, that each individual should be taxed in proportion to his ability to pay; the other, that taxes should be levied in proportion to benefits or privileges received from government. However the advocates of either theory may differ, they will agree that at least taxation should conform to one of these two theories in order to approach fairness. The General Property Tax conforms to neither. It establishes an arbitrary measure for taxation that bears no relation either to ability to pay or to benefits received.

“Apart from these theoretical objections, there is a practical injustice inseparable from strict enforcement. The fact that the real estate tax has been enforced regularly, has led to an amortization of the average tax. The rental received from real estate is gross; therefore the purchaser deducts the tax and finds the net income before he purchases, thus securing for his investment the current rate of return, tax-free. The investor in securities usually pays a purchase price which is fixed in a country-wide market, and is calculated on the assumption that the investment will escape taxation, and that his whole income will therefore be net. When by spasmodic enforcement of the law, or disclosure of personalty in a probate court, securities that bear say four per cent. interest are made subject to a two or three per cent. tax on their market or face value, the moral sense revolts at this practical confiscation of so large a share of the income.”

The Committee drawing its conclusions from the large mass of testimony furnished by the tax reports of State taxing bodies as well as those of special tax commissions appointed to investigate the operations of the General Property Tax arrive at the following conclusions:

- “That the General Property Tax system has broken down;  
“That it has not been more successful under strict administration than where the administration is lax;  
“That in the States where its administration has been the most stringent the tendency of public opinion and legislation is not towards still more stringent administration, but towards a modification of the system;  
“That the States which have modified or abandoned the General Property Tax show no intention of returning to it;  
“That in the States where the General Property Tax is required by constitutional provisions, there is a growing demand for the repeal of such provisions.  
“We conclude, therefore, that the failure of the General Property Tax is due to the inherent defects of the theory;  
“That even measurably fair and effective administration is unattainable; and that all attempts to strengthen such administration serve simply to accentuate and to prolong the inequalities and unjust operation of the system.”

Along with the breakdown of the General Property Tax have come proposals for substitutes for it, such as corporation taxes, habitation taxes, occupation and business taxes, and licenses.

Of the Special Taxes on Corporations it may be said that in so far as the tax falls on competitive productive industry it tends to be an added charge on production and is added to the price paid for commodities. This may not have been true in the days when corporations were not numerous, but to-day practically all business, it may be said, is done in corporate form.

The Habitation Tax is manifestly without a just basis, since a man's habitation is no exact measure of what is due from him to the State.

The Business Tax—The best condemnation of taxes or licenses on business is contained in the following language of the Louisiana Tax Commission in 1906:

“There is no form of tax which provokes such a flood of perjury as accompanies the levy and collection of these taxes. The amount of the tax depends on the return of the taxpayer. The honest taxpayer makes an honest return. The dishonest taxpayer makes a dishonest return. Large numbers of persons make their affidavits with the same looseness of morals with which

the average citizen will attempt to defeat the customs laws on returning from a trip abroad. They regard the cheating of government as venial, and not in the category of crimes."—  
EDITOR.