

TAX FACTS

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PERSONAL PROPERTY TAX

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The personal property tax is a relic of the primitive times of taxation in America. 1871 David A. Wells was Chairman of a Tax Commission which studied the system in New York. He described the disgraceful situation in effective language. Gradually, little by little, the State of New York lopped off the worst features of personal property taxation until today there is very little left, but, to the disgrace of the State, there is some in spite of annual recommendations that the remnant be abandoned.

In most of the States of the Middle West and South the personal property tax was embedded in the constitutions made about the middle of the last century. In 1893 a commission appointed by Governor McKinley of Ohio nearly exhausted the bad words to be found in the dictionary. Again and again a constitutional change has been submitted to the voters of Ohio and voted upon favorably, but has not received a majority of all the voters who participated in the election, an absurd and impossible situation.

In 1905 Minnesota amended the constitution so as to get rid of the personal property tax, and shortly thereafter abandoned it. Other States have done likewise.

About forty years ago the late Thomas G. Shearman wrote a book in which he called the personal property tax impracticable, unequal and unjust. It is all that, and worse. One might think the time has passed for argument. The thing is too stupid to argue about. Most of the rich and populous States long ago abandoned the attempt to tax intangible property in the same way

as a house and lot. The tax on tangible personal property is just about as stupid, even if it is not quite so impracticable.

The most, probably, that can be said for the attempt to tax tangible personal property is that tangible personal property is to some degree an evidence of wealth, but it is a very poor evidence. Take household furniture, as an example. A man of some wealth may possess a little painting, two by three feet, worth \$100,000. A man of more wealth may possess a splashy painting, six by ten feet, worth a bonfire. Both of them are liabilities rather than assets. They must be insured and housed. If one stops housekeeping his furniture has to be stored and insured. All that costs more than the furniture would sell for if put up at auction, unless, by chance, there are antique pieces which may have a scarcity value unknown to any assessor even if he went into the house and looked at the furniture, which no assessor ever was known to do.

I was President of the Board of Tax Commissioners of the City of New York twenty years ago and was waited upon by a gentleman who said he represented a certain man who owned a collection of pictures, that we had assessed those pictures for \$5,000,000, and that he would move away rather than pay a tax on such a sum.

"Well," said I, "perhaps the pictures are not worth that."

He said, "The gentleman will never admit it."

I said, "I do not have to deal with him. What do you think about it?"

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THE REAL ESTATE SLUMP

"That there is a slump in real estate throughout the country," says Robert A. Swink, chairman of the tax committee, "is generally admitted, notwithstanding that in Southern California it is not so pronounced as in other sections."

"The reason why this slump is not so apparent in Southern California," says Mr. Swink, "is because we depend on a large number of people from the Middle West and East who annually convert their holdings into cash, or its equivalent, and move to California to retire. But during the last year or two conditions in the East have resulted in the lowering of farm values to such an extent that the owners have concluded to hold on."

"The general depression in the real estate department, however," says Mr. Swink, "is due chiefly to two causes, the large amount of money that has gone into Wall Street stocks, and the unjust proportion of the support of government that is borne by real estate."

The Wall Street diversion, he thinks, will cure itself in time, but the tax feature needs special attention. He does not pretend to say what should be done, but insists that there "should be a readjustment of the basis of taxation so that real estate will bear only its just proportion."

That real estate, which in this discussion means land, should bear its just proportion of taxes is sound; but what is its just proportion? Mr. Swink says it is burdened with the construction and upkeep of highways in municipalities, though he offers no objection to that tax. He knows, and other realtors know that if pavements were not laid at the expense of the lands benefitted, very few streets would be paved.

There is no objection to assessing the cost of a street pavement against the lots benefitted—ignoring the improvements on the lots—because such pavements when wisely made, add more to the value of the land than the pavement costs. This fact brings the practice well within Mr. Swink's requirement of a "just proportion" of the tax burden.

But what of other costs of government? Would a realtor, or any other man who understands the cause of land values say that an efficient fire or police department costs more than the value it adds to the lands served. What would the insurance rate be if there were no fire departments? What decent man would take his family and goods into a community that had no police protection?

What of the schools, our largest single item of local expenditure? Who more than the realtor is given to exploiting the schools in the neighborhood when selling lots? When the purchaser demurs at the large price of the lot, or says he

can get a lot so much cheaper "farther out," note the response of the Escrow Indian: "But my dear sir, see what you get for your money. Out there the streets are unpaved—mud in the wet season—dust in the dry. If your house caught fire it would burn down before the fire truck arrived. You would have no protection from burglars and bandits. And as for schools, they are so far away you would have to hire transportation for the children. But here, see what you have if you take this lot: paved streets, sewers, fire and police protection; and right over there is the finest school in the county."

Will Mr. Swink, or any other realtor, undertake to name any tax that now falls upon land that he would remove if the service supported by that tax were also removed? The very fact that the land speculator can enrich himself simply by holding idle land shows that the benefits of government are worth more than the sum of the taxes.

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He said, "I know they are not worth that."

"What do you say they are worth?" said I.

"Well," he said, "perhaps \$600,000."

"I said, 'Will you swear they are not worth more than that?' And he said he would."

I believe those same pictures were offered to an art museum and were refused.

Suppose we consider merchandise owned by a retailer. In one case the whole stock of goods turns over five times a year; in another case the stock of goods does not turn over once in three years. How ridiculous to levy a tax against those stocks of goods on the basis of their value. Worse yet, nobody knows what they are worth.

I remember once we assessed a man in the feather business. He had feathers that cost \$100,000. Feathers had gone out of fashion and he could not sell them for any price.

When this tax plan started, most of the property was in livestock and you could count the horses and you could count the cows. Even then it was not very satisfactory for some cows were worth more than others, but now it is simply an impossibility. It measures nothing with any accuracy and no assessor can assess it within any measurable distance of the fact.

All tangible personal property must be kept on land somewhere. Land in the desert is not worth much; city land may be worth \$100 a square foot. It is much cheaper, better, more accurate, and fairer to tax the land for what it is worth and let the tangible personal property seek its own level, its own haven of refuge. It will make the haven of refuge worth more money. In the end everyone will be pleased.

THE PARLIAMENT OF MAN

The Parliament of Man is again in session. Its leader, Dr. Frederick W. Roman, who has spent the summer in Europe gathering material, returns with a vast store of first hand information regarding the political, economic, educational and social experiments abroad.

The world today is faced with more problems of the first magnitude than for a generation. These questions can be settled only by an honest and fearless consideration of their merits. Democracy, says Bagehot, is government by discussion. If we are to make the most of our political freedom we must take advantage of our opportunities to hear and discuss what other countries are doing.

In these days of subsidized propaganda, special pleading and blind partizanship it is a rare asset to a community to have a full and straightforward explanation of industrial conditions in other countries, in order that people may know the why of the economic struggle in Ireland, of the revenue system in Denmark, the military situation in France, the political conditions in Italy, the great experiment in Russia and the culmination of it all at Geneva.

Dr. Roman is one of the few men who approaches problems with an open mind. He comprehends what he sees, makes his own deductions, and delivers his opinions in the language of the workaday world. He may be wrong in a given instance, but he will be the first to admit it, when shown. His hearers feel instinctively that he is honest.

Dr. Roman is delivering nine lectures a week in Los Angeles and surrounding towns, where he reaches from four to five thousand people. This is the fourth season of his work in California, and the second year of the Parliament of Man, which will continue its sessions at 925 S. Flower Street, Friday evenings at 7 o'clock.

This is a work that deserves the support of every liberal minded man and woman who would understand the difference between liberty and justice under democracy, and tyranny and license under Communism.

WHO ARE THE TAXPAYERS?

How often do we hear people boast of their indifference to the levying of new and higher taxes, because (they think) they pay no taxes anyhow. It is a fact that should be well known to every adult person that nearly all taxes are paid indirectly.

In many lines of business a very large percentage of the gross income is required to pay various taxes, license fees, inspection fees, etc. These expenditures are, necessarily, charged up

to those who buy the products or services of the firm. No concern could stay in business long unless it calculated its profit over and above the cost of doing business, and taxes are one of the first items on an up-to-date cost sheet.

The landlord must figure taxes when he fixes the rental on a house, so the renter pays taxes on a home whether he owns it or not. Likewise, the merchant charges taxes as part of his costs, and the consumer pays. Most of us pay no bills to the railroads for hauling freight, but we pay the freight just the same; and one of the main items used in calculating freight rates is the tax paid by the railroad company.

Practically all taxes—property, income and corporation—are paid by the ultimate consumer, and generally a nice little extra percentage is tacked on for good measure. So the real taxpayers in this country are not on the assessor's list.

Thus it is to the interest of the poor, especially, to see that government expenditures are not unduly high.—*Times* (Temple City, Calif.)

The most popular good-roads movement is about sixty miles an hour.—*Kay Features*.

China has a new civil war. What did she do with the old one, trade it in?—*Toledo Blade*.

Just wait till that United States of Europe starts to enact a tariff law!—*Arkansas Gazette*.

They're organizing a United States of Europe. Wonder where the vice-president's folks will sit.—*Jacksonville Journal*.

Bernard Shaw defines socialism as work for everybody. If the definition sticks, the cause is doomed.—*Dallas News*.

Noah's Ark having been a hit in the silent drama, the Tower of Babel ought to be great for the talkies.—*Louisville Courier-Journal*.

Of course it is none of our business, but our bet is that the United States of Europe will be sticklers for state rights.—*Dallas News*.

Maybe the result would be better if reformers were chosen in a competitive examination instead of appointing themselves.—*Milwaukee Leader*.

A perfect mother doesn't let her cigaret ashes get into the baby's eyes.—*Leesburg (Fla.) Commercial*.

Our tariff wall, too, is causing quite a bit of wailing in certain quarters.—*Florence (Arkansas) Herald*.

If he saloon ever comes back, it is doubtful if the night club will let it in.—*Norfolk Ledger Dispatch*.

A lamb satisfied Mary in the old days. Now she isn't satisfied until she gets your goat.—*Vancouver (B. C.) Sun*.

"Who invented high heels?" asks a writer. One theory is that it was the idea of a short, pretty girl who was continually being kissed on the forehead.—*The Humorist (London)*.

A French novelist claims the United States is run by third-rate men. But, somehow or other, they seem to be doing a first-class job.—*Pittsburgh Post-Gazette*.

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ANOTHER SALES TAX

Nobody having to do with the laying of taxes, whether it be a governor's commission, a joint legislative tax commission, or the legislature itself, can give public audience to complaints without having urged upon its attention the necessity of "relieving real estate," "the broadening of the tax base, and the finding of new sources of revenue."

This was true of the first meeting of the Joint Legislative Tax Commission in San Francisco, September 27 and 28, 1929. At this meeting the president and secretary of the State Board of Equalization made a proposal that smacks of the age-old political principle that a tax, to be accepted by the people must be so indirect that the victims do not know when or how much they are taxed, and its avowed purpose must be the support of a popular function of government.

Secretary Pierce, speaking in behalf of the Board of Equalization, declared that the expense of the public school system—the idol of the American heart—is becoming too heavy for the local tax payer. The State, by greater economy in expenditures, he suggested, could give some relief to local taxpayers. Continuing, he said:

This could be supplemented by the proceeds of a moderate sales tax which could be begun in a small way on non-essentials to make sure that the system would meet with popular favor. The purpose of the sales tax would be limited strictly to raising money for public schools, and if properly handled, there is no reason why it should not be as successful as the gasoline tax.

Just whom does this Board of Equalization represent that it should feel called upon to present to a self-governing people "a moderate sales tax which could be begun in a small way on non-essentials to make sure that the system would meet with popular favor?"

Has it come to such a pass that Americans must be tricked into adopting a wise and just tax? Or is there within this proposal something that is neither wise nor just?

Do not the members of the Board of Equalization realize that all taxes on business are sales taxes, that they are added to prices and are paid by consumers? Have they overlooked the fact that taxes on goods, raw materials and finished

products in the hands of manufacturers, and taxes on merchandise in the hands of dealers are added to price, and are paid by consumers?

Now that these prices, swollen by taxes on taxes, are so high as to limit consumption, curtail production, and throw men out of work, this Board—whose very name suggests the equalization of tax burdens—has the temerity to suggest an additional sales tax, to still further raise prices, curtail production and increase unemployment.

Nor was the Board's representative devoid of fine political finesse when he suggested that the proposed sales tax "be begun in a small way on non-essentials to make sure the system would meet with popular favor." Once establish the system, and the rest is easy.

That has been the history of the protective tariff. It has been our experience of the oft boosted gasoline tax in the various States. Indeed, the Board of Equalization likens its small tax on non-essentials to the gasoline tax.

Let not the advocates of this sales tax deceive themselves into thinking that because one special tax, serving under peculiar circumstances, is less objectionable than certain alternatives, that the principle is sound, and may be applied to any extent.

A gasoline tax to pay for the wear and tear of roads caused by motorists is one thing. It is an entirely different thing to collect from motorists money to build new roads that enormously enhance the value of lands owned by speculators who profit by the rise.

Yet this ignorance of, or indifference to, the principles of taxation is the cause of nine-tenths of the confusion in our revenue system. It is this failure to understand the incidence of taxation, this neglect to follow the tax through to its final payment by the consumer that has given a certain plausibility to the sales tax by careless thinkers.

There may be districts where the maintenance of proper schools is too great a burden for the local community, and it may be necessary to extend aid by the State; but that aid should not take the shape of additional sales taxes.

The members of the Joint Legislative Tax Commission, before whom the plea of the Board of Equalization was made, should not allow themselves to be deceived by this specious proposal to add another sales tax to all those now borne by consumers.

There is no escaping the fact that the more taxes taken from the consumer, the less money the consumer will have to spend for goods; and cutting down the consumption of goods is not the way to stimulate business, relieve the farmer or increase employment.