

# TAX FACTS

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## The Personal Property Tax In New York City

By GEORGE H. DUNLOP

**New York City seems to be on the point of getting rid of the last vestige it has of the tax it has on tangible personal property.**

A sub-committee of Mayor Walker's special committee on taxation has reported in favor of the repeal of the tax on tangible personal property. The president of the general committee (who is also president of the Real Estate Board of New York) has approved the recommendation, as has also the chairman of the state tax revision commission.

We present the following quotations from the preliminary report above referred to:

"The Special Committee on Tax Administration has considered the problem presented by the ad valorem tax on tangible personal property and reports in favor of its abolition \* \* \*

"We summarize the reasons for our conclusions. Since the valuable report to the Legislature about fifty-nine years ago by the commission of which David A. Wells was chairman, it has been recognized by economists and students of taxation that an ad valorem tax on personal property is impracticable, unequal and unjust. The State of New York was never afflicted by this tax in the extreme form in which it has been applied in many other States. To the extent to which we have suffered from this tax, the results have always been bad. \* \* \*

"For years there has been very little effort made outside of the city of New York to assess personal property. For the year 1927 the total assessment of personal property in the State was \$334,000,000 of which the city of New York contributed \$308,000,000. In many of the cities and towns there was no assessment of personal property at all. \* \* \*

"The result of all the labor and effort is very little revenue, and the effect upon the public of being harassed and annoyed in this way must be exceedingly bad. Besides that, the effect upon the public mind of making a pretense of levying a tax which cannot be collected is to discredit the power of the State. One of the fundamental principles of taxation is that it shall be inevitable and unescapable. This so-called tax is not entitled to the name."

The amount of personal property assessed in New York City in 1930 was \$9,127,116. The amount actually collected was \$1,495,439. The reason for this is the haphazard way in which the assessment is made. The assessor never sees the property. He scans the telephone book for names and addresses of supposedly well-to-do people living on Riverside drive or Park avenue. These people meet their problem by going down to the tax office and swearing off the assessment.

In every state, people are finding ways to evade the ever unpopular personal property tax. They would welcome a change in the tax laws that would relieve them of the temptation and opportunity to misinform the government regarding their worldly goods.

California tax committees should remember that New York is not the only city that is getting away from the tax on personal property. Pittsburgh, Baltimore and other manufacturing and commercial cities are doing the same thing. If California cities wish to compete with these eastern cities, they must have tax laws equally attractive to manufacturers and merchants.

### A ROOF AGAINST THE RAIN

A meeting has just been called in Los Angeles by Frank L. Shaw, head of the charities department of the Board of Supervisors, to discuss the unemployment situation here. According to the speakers at this meeting, the chief cause of unemployment is overproduction.

Overproduction! Yesterday the Associated Press told us that in October William Wrigley, Jr., turned over a large building in Chicago "to the Salvation Army, provided it funds, and it is lodging and feeding 1400 jobless men daily and helping them into jobs." There does not seem to be an overproduction of homes in the vicinity of Chicago. Isn't there something rather ridiculous in a situation where homeless men must be given lodging and aided to find work? If a man hasn't any home, shouldn't his first job naturally be to build a home? Wasn't that the first thing the Pilgrim Fathers did when they landed at Plymouth Rock? They were in exactly the same situation as Mr. Wrigley's 1400 helpless men in Chicago. They had neither jobs nor homes, not even an employment agency to help them out, yet they had jobs as soon as they unpacked their tools and had homes as soon as could be expected with the inclement weather and the stoniness of the soil.

Wasn't Robinson Crusoe without a home and a job when he crawled ashore on his lonely island? He didn't stay that way, he slept in a tree for a few nights because he was scared, then built himself a shelter and a stockade that gave him a job for years to come.

But you see, the Pilgrim Fathers and Robinson Crusoe had one great advantage over the jobless men in Chicago and Los Angeles and Hoboken. There had been nobody there before them to claim divine right to every fifty-foot lot they wanted to put a house on and every stick and stone they wanted to use in building their homes. There were in Massachusetts Indians, but they were a sensible, dignified folk that didn't go in for any such games. There is still land to build houses on, material for their construction and men begging for work.

Both the Indians and the Pilgrims bore out the truth of the words of a great economist: "The supply of labor is everywhere the same—two hands always come into the world with one mouth." That statement is just as true for the millions of men in Chicago as it was for the Pilgrims or for lonely Robinson Crusoe. As nature provided the mouth with an appetite, she also provided an abundant earth that would provide food for the mouth if the two hands would labor for it.

Can you imagine a young man in primitive society appearing before the chief of the tribe and making a little speech something like this: "Oh, mighty Chief Eagle-eye, I am in a desperate condition. I have no wigwam, and the rain is

very wet. I have no coat or moccasins and I am cold and footsore. I have no meat and I am hungry. I have nothing but my bow and arrows and a little fishing tackle. How am I going to live?"

Would it be necessary for Chief Eagle-eye to call a conference or appoint a commission to determine the cause of this young man's deplorable condition and unemployment? Probably he would say something like this: "My son, you are healthy and strong and swift of foot. The Great Spirit has given you, and all of us, fields and forests to hunt in and streams to fish in. Why do you stand there idle? Take your bow and arrows and your hook and line, arise and get hence. Follow the buffalo herd till you have skins enough to build your wigwam, follow the deer, fish in yonder stream. Did you think that these sources of wealth were for but a chosen few that you must ask permission to hunt or pay for the privilege of providing yourself with the necessities of life? No, no, my son. The Great Spirit gave these things to all his children that whosoever will use his hands may live in happiness and comfort.

"But I have seen visions, my son. Well it is that you were born among wise and just men. The time will come when this country will fall into the hands of a strange and half-witted people who will fence off the forests and fields and enact cruel laws. They will claim that these gifts of the Great Spirit belong only to a chosen few, while all others must beg for permission to labor and provide themselves with food and clothing and shelter. They will talk strangely of overproduction when many stand with idle hands, hungry and shelterless."

Well, old Chief Eagle-eye would have been right. That is just what they talked about yesterday in Los Angeles, overproduction, while the community chest tried to raise its quota to care for the hungry and homeless.

"Two hands always come into the world with one mouth." It is a significant phrase and worth thinking over.

### THE NON-TAXPAYER

In Southern California particularly, men are wont to talk feverishly and vindictively about the "non-taxpayer," for it is here that our brother from Kalamazoo, our cousin from over the Canadian border and our friend from Billings, Montana, come to escape the rigors of the northern winters, and other neighbors afflicted with the wanderlust come to see the sights at all seasons.

They proceed to use our highways and our libraries, our water system and our police protection. If they have children old enough and stay long enough, they use our public schools, where upon there is a great cry about non-taxpayers taking advantage of our benefits of government. Because these visitors and temporary residents

don't own property and are not listed on the assessor's books, the general supposition is that they pay no taxes.

Not long ago, the Los Angeles Times printed an itemized account of the money spent by tourists in Los Angeles during a given period. Naturally, it included practically everything that permanent residents buy, food, clothing, housing, luxuries and the usual necessities.

A little thought will show clearly that while the tourist owned no property here, the hotel proprietor, the restaurateur, the merchant, the grocer, the druggist, everyone in fact, from whom he made purchases did own property, and that property was subject to taxation. The tax on the buildings and merchandize was simply added to the other overhead expenses in the bill of the proprietor and merchant.

The property owner acted as a collector and the ultimate consumer, whether a native son or a wandering tourist, paid the tax. The traveler who owned no property himself in California paid a tax whenever he slept with a roof over his head, paid taxes every time he bought a cigar or a steak. A man could no more pass through California and purchase a meal or a night's lodging without paying taxes than he could buy gasoline in his car without paying the gasoline tax.

The "non-taxpayer?" He belongs to the class of griffins and unicorns and other fabulous animals. There is no such creature.

### AS A REALTOR SEES IT

*Extract from the address of Dr. Milbank Johnson delivered before the Taxation Conference of the California Real Estate Association, April 21, 1930.*

The realtors are now eager to do what every other line of business seems to have attempted and failed. They wish to shift the burden of taxation from one class of tax payers to another. This system has never succeeded for one very good reason. No business can succeed if the people who support that business are not successful. Anything that helps all of the people in California will inevitably help the California realtors; anything that unnecessarily burdens a large part of the people of the State of California will react inevitably to the detriment of the real estate business. For example, the imposition of certain taxes in California would discriminate against the merchants of California. If the merchants of California suffered, and were unable to do a profitable business on account of that discrimination in this state, rents on business property would go down, and values would decrease, and the realtors' business would sadly reflect this condition. The imposition of other kinds of taxes upon residents of California would keep many prospective residents from coming here. This

would have a profound tendency to check our growth, and you will agree that to stop the growth of this state would injure materially the real estate business. The truth of the whole matter is just this: Taxes should be equally borne by all classes of business. No one class should bear more than its just burden.

\* \* \*

Today the real estate men in California are attempting through their united efforts to settle the tax burden for the benefit of realty alone. You cannot do this because the other classes and groups insist upon being heard at the government council table.

\* \* \*

Would it not be wiser for the realtors of the state of California to unite their efforts with those of the other tax-paying interests in the study and solution of our common problem, rather than to try to play a lone hand in promoting measures, which may, and will only lead you to injure some, if not all, of your best clients?

### REWARDS OF OMISSION

The overwhelming influence of great private monopolies in both legislatures and courts cannot continue if we are to maintain popular government. If we fail to regulate grants of public powers properly, invasion of private rights by those powers will be our proper and certain reward.—*John Z. White.*

### NOTES

Truth may be stranger than fiction, but it will never sell for as much.—*Louisville Times.*

You can't persuade the bear to be a bull when the bulls are bare.—*Publishers' Syndicate.*

The thing is so close that one case of measles would alter the complexion of Congress.—*Dallas News.*

European nations are afraid if they put down their arms, they will have to put up their hands.—*Brunswick Pilot.*

One reason why it is hard to understand woman is because she never wants to make herself plain.—*Louisville Times.*

Mussolini will be amused when he reads that it takes fifty-nine men to rule the United States.—*Duluth Herald.*

It is written that the meek shall inherit the earth, and that's the only way they'll ever get it.—*Florence (Ala.) Herald.*

Now that somebody proposes building houses of rubber, the home stretch shouldn't be so difficult.—*Roanoke World-News.*

The Government announces that there are too many bears in Yellowstone Park. It might add that Wall Street is suffering from the same complaint.—*Judge.*

A wise President of any South American republic would be a fellow who would have the foresight to draw the salary for his full term in advance.—*Louisville Times.*

An American endowment will make it possible for Professor Einstein to secure the services of a trained mathematician as his assistant. Offhand one would say that it is Einstein's readers who need the assistance.—*New York Times.*

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## THE JUDGE AND THE LAND

As the realtors of the country have taken a firm stand against any increase in the tax on land, perhaps their position would be more secure if they didn't say so much about it. No leader or official seems able to express an opinion on the subject without voicing the best possible arguments for a land value tax. They lay the foundation for their case with such accuracy and care that they may often be quoted word for word in justification of the very thing they oppose. It is when they draw their conclusions that they miss the whole point of their own evidence.

Judge Arthur J. Lacy of Detroit, national head of the property owner's division instituted by the realtors tells us that our tax system is archaic because it was conceived and established when America was young and "we were an agricultural people. \* \* \* Times have changed. We are living in the most intense and efficient industrial age the world has ever seen. We have become predominantly a manufacturing and commercial nation. Trade, commerce and manufacturing are the immediate sources of the larger part of the individual incomes of our citizens."

Times have changed, true enough, but don't forget, Judge Lacy, that potatoes still grow in the ground, and we still eat potatoes. Judge Lacy makes the common error of supposing that because we have become an industrial nation, because the application and division of labor has been readjusted, our relationship to land must have changed. Not a bit of it. Man's relation to land never changes. Land always remains the source of all wealth, national and individual, whether it is a corn field in Iowa, a factory site in Detroit or a fifty-foot lot on Broadway, New York.

Land never was and never can be wealth any more than it can be labor. It always remains the thing upon which labor is employed and from which wealth is produced. The advent of machinery and the use of new inventions does not effect man's dependence upon land nor the natural law that determines its value. It is just as important that a business site be near the center of population in Oshkosh as it was in Damascus thousands of years ago.

It makes not the slightest difference whether a man ploughs the ground with a tractor or a crooked stick, his crop will be a product of the soil, and he will fight it out with the drought and the unseasonable rains and the chinch bugs just as his ancestors did. Let Priscilla exchange her spinning wheel by the hearth for the less picturesque machinery of the mills, the flax that is spun into thread grows in the earth as it did when the Egyptians wove fine linen for Cleopatra. Build your hut of logs on a lonely Kansas prairie or your skyscraper of concrete and steel in the loop district of Chicago, you must go to the land for your material, and your structure must stand firmly on old mother earth.

Man cannot produce a single item of wealth from a safety pin to a fourteen-inch gun without going to the original and only source of supplies for his material.

If "Trade, commerce and manufacturing are the immediate sources of the larger part of the individual incomes of our citizens," it is not only advisable, but imperative, that we remove as many handicaps as possible from industry if we expect to prosper. Taxation may truly be called a burden when it is imposed upon business and manufacturing as it makes them less profitable for capital and labor.

Judge Lacy says that a heavy tax on real estate "tends to drive investments into fields less safe and secure." That is, instead of buying lots to hold vacant for a rise in price, people will invest their money in productive industry that will put the lots to use, employ men and produce wealth. Judge Lacy does not tell us why such a course would be so devastating. He does say, however, that "when any people lose their close attachment to the soil, the disintegration of their civilization has begun. \* \* \* It is no platitude to say that our good government and our standards of civilization depend on widespread land ownership by individuals."

It is not the ownership of land, but the utilization of land, that is of paramount importance. No matter how many people own land, whether they are realtors or shopkeepers or bootblacks, if the tax laws make it easy for them to hold it as an "investment," instead of using it, it will be no more good to humanity than if it were located in darkest Africa or the wilds of the Amazon or on the moon.

Judge Lacy proposes to "keep home ownership out of the luxury class" by making it easier for land speculators to hang on to the homesites until the price goes up and up and the average man will be practically unable to purchase a lot whereon to build his house.

As we said before, perhaps the realtors and their friends would aid their own cause more if they would say less. N. C.