

TAX FACTS

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QUIEN SABE?

From no less a source than the Los Angeles *Times* comes the most enlightening article that any daily paper has yet printed on the Los Angeles tax problem and its relation to our land. It does not say what could, or might, be done about it now, but so clearly does it point out what could, and should, have been done in the past that little remains to be said.

"Los Angeles Could Have Been Taxless City." Such a title should arouse interest at once, and the opening paragraph is promising. "In this era of taxes and still more taxes; of swollen expenses and shrinking purses, Angelenos must swallow the bitter pill of knowing that this city could not only have been a tax-free community, but actually able to pay dividends to its citizens, had a little foresight been exercised not longer than eighty years ago."

This article, which is unsigned, brings out an interesting bit of local history. The City of the Angels had the unique experience of beginning as "a piece of property, not a group of people. The land grant originated with the King of Spain through his Viceroy who ruled Mexico, of which California was a part. When Felipe De Neve actually founded the pueblo in 1781, he had to import the families who were to occupy the four leagues which comprised the city. He followed the prevailing European plan—a central plaza 275 by 180 feet."

As late as 1850 Los Angeles owned nearly 99 per cent of its land, about thirty-six square miles of which the Plaza was the center. "Suitable streets could have been laid out," says this writer, "sites allotted for a Civic Center, parks, playgrounds, etc. But, through the years, we have paid out millions of dollars to buy back land that the city gave away with lavish hand for meager service, or sold for a song.

"Imagine the financial position of Los Angeles today if it were receiving ground lease revenues from the thirty-six square miles of land surrounding the Plaza! We owned the land, the founder of Los Angeles had pointed out the way we should go and had established it as a definite policy. . . .

"Within the lifetime of one man, Los Angeles frittered away its heritage and today, all it owns of its original holdings are bits of land in Elysian Park, some fragments of the Los Angeles River bed, and Pershing Square, although the latter is said to have passed out of the city's possession and later been deeded back as a gift."

When Felipe De Neve founded the pueblo in 1781 and imported families to constitute its citizens, the land was not given to the settlers, "but allotted to their use and could not be mortgaged or sold. Each family was entitled to a fifty-five-foot lot, fronting the Plaza, for business and residence purposes, and one or two seven-acre parcels directly adjacent to this residential zone. The balance of the thirty-six square miles (four leagues) was free range. But everything, including the Plaza itself, remained city owned."

With such a start as this, what happened to deprive Los Angeles of the wealth that should be filling her coffers, paying for all her departments of government and relieving tax burdened industry? In 1849, Lieut. E. O. C. Ord made the city's first survey. He was offered for pay "ten building sites in what is today the heart of the business district, and 160 acres in what is now the wholesale district." The blight of land speculation had not yet fallen on the peaceful little town of some 1600 inhabitants. Lieutenant Ord refused to accept real estate and insisted that his services be paid for in cash, \$3000. This was viewed as a calamity, and so it turned out to be. When the city needed cash, it turned to the few wealthy grandees of the great Spanish ranchos. In this particular instance, it borrowed the money from Don Juan Temple, and in order to repay him, decided to auction off some of its real estate. The article in *The Times* contains an interesting account of the transactions at this first auction sale, which was considered at the time something of a joke. Ridiculous prices were paid for what are now high priced building sites. Temple, himself, bought the southwest corner of Second and Spring Streets for \$100, and was voted the prince of sports when he bought the adjacent lot for the same price, the entire Second Street frontage between Spring and Broadway.

120 feet deep for \$200. A number of sales with their respective figures are listed in this account.

"And thus did the city of Los Angeles sell its very heart in a three day auction for a grand total of \$7848!" Sixty acres in the city went for right of way and depot purposes—given away for the asking—when the Southern Pacific Railroad was persuaded to run a track down here from San Francisco in 1876.

It would seem that the writer of this special article for *The Times* realized what had happened when the city of Los Angeles lost possession of her land, lost the power, but not the right, to make herself a taxless city, yet he closes his story with this paragraph: "But, although our thirty-six miles of land are lost to us, perhaps there is a grain of comfort in the reflection that perhaps, if it hadn't passed into private hands, the city might not have grown and prospered as it has. Quien sabe?"

Is this writer intimating that people have not flocked to Southern California to enjoy the wonderful climate, after all, but have swarmed here as crowds collect around a gaming table or haunt the race tracks—because a little high powered salesmanship made it possible to buy a lot today and sell it tomorrow at a profit without having produced anything but a little ballyhoo? We are asked to find a grain of comfort in the thought that if the most valuable part of the land on which our city stands had not passed into private hands, "the city might not have grown and prospered as it has."

Prospered! Is Los Angeles really prosperous when—well, what difference does it make how many of our people are being cared for through charity, one would be one too many—when thousands are struggling to retain possession of their very homes; when men and women are living meagerly on low wages and salaries, and in constant fear of losing even that little; when many, every year, find life too hard and seek a way out of their troubles through the narrow gate of death? Are we so prosperous? Were we really prosperous in our boom days when soaring land values and rentals were robbing labor and capital of their earnings? Perhaps that was just an optical illusion; when land gambling was at its height, money changed hands so rapidly we thought there was more of it than there really was.

What if Los Angeles had retained possession of her land? The city would have enjoyed a slow, natural, healthy growth. People would have come here to enjoy what natural advantages she had to offer, and would not have been enticed here by the ballyhooing of land speculators and boosters. As each new family moved in, it could have taken up the next available plot of ground adjacent to those that surrounded the Plaza. There would have been no need to move

to the outskirts where land was still cheap. When the time came for street paving and lighting, there would have been no such thing as running these improvements past many vacant lots to reach the outlying homes. Space might have been left here and there for parks, playgrounds and public buildings, no need to buy back at exorbitant prices what had once been ours.

Population and the need for land gives land its value. As Los Angeles grew, the building sites near the center of the city would have risen in value, in the same way, but not to the same extent, probably, that they have in private hands. Many of our downtown buildings stand on leased land now, but the money is paid to an individual landowner. Would the building owner be any less secure in the possession of his property if this rental were paid into the public treasury? Certainly not. He would have this added advantage—the money that he paid for the use of the land would be all that he would be required to pay as his share of government expenses. He would not have to pay this, as he does now, and pay in addition a tax on his improvements and personal property and stocks and bonds and purchases and so on ad infinitum. Think of that, you who call yourselves heavily burdened taxpayers—all of this land value turned into the public treasury and not a cent of taxes to pay! Think what that would mean to Los Angeles today, every plot of ground used to the best advantage, instead of modern, fireproof buildings standing among unsightly structures, no taxes to pay, merely the annual rent for the use of the land.

Perhaps if Los Angeles had not lost her heritage, all who come here would have a chance to use the land for homes, for places of business, for gardens and orchards; perhaps we would find fewer millionaires, and fewer unemployed; less money changing hands between land speculators and more of it going into the pockets of those who produce the wealth of the community; less feverish struggle for riches, and more genuine contentment; perhaps Los Angeles "might not have grown and prospered (?) as it has," but she might stand today as a shining example to the rest of the world at this time when the world is crying desperately for help. Quien sabe?

LAND HO!

On Labor Day, Gen. Hugh S. Johnson, speaking from Chicago via the radio, emphasized the fact that our forefathers were provided with a safety valve in the shape of free land. When industrial centers became too crowded, a man could load his family and a little equipment into a covered wagon and seek the wide open spaces where he and his family could be self-supporting even if they had to forego the luxuries of life. Gen. Johnson, himself, witnessed what seemed almost an endless parade of covered wagons going

out to this free land. Then he pessimistically reminded us that now we have no such safety valve. The free land is gone.

Gone where, Gen. Johnson? A piece of it down here at San Pedro is gradually slipping into the Pacific Ocean, but is a mere molecule compared with this big country of ours. What do you mean gone? The land is still there, isn't it? Millions of unused acres, fenced in with barbed wire and idiotic land laws, are just as much present as they ever were.

But who wants to go out in a covered wagon and live in a sod hut and hoe beans? Every city in the country has hundreds of couples that are tired of living in crowded quarters and sharing space with other members of their families. They want homes of their own. Carpenters want to build houses for them, furniture stores want to sell them house furnishings. It is urban lands that must be made available to our people if we would start the wheels of industry turning. And how they would turn!

The safety valve of the nation is still here, but the land monopolist is sitting on it and it can't function. One thing is sure. If we don't get him on the run pretty soon, we'll have real trouble. This country will have to blow off or blow up.

CAPTAIN KID'S SUCCESSOR

The *Los Angeles Realtor* for August lists the "Essentials of a Good Lease." Here are two or three essentials. Keep in mind the fact that the landlord has nothing to do with the site value of his piece of land. That comes from the presence of population. Neither did he make the land. All that is earned on a given piece of land is earned by the one who uses it, who actually does the work. So wipe the sweat from your brow, Mr. Storekeeper, and look at these suggestions:

1. A fair "minimum" guaranteed rental paid monthly.
2. The maximum percentage on sales that the particular business can afford to pay. (Leave the tenant enough to live or he might die on your hands.)
6. Landlord should receive monthly or quarterly reports of sales duly verified by tenant.
7. Tenant should be required to keep accurate books of account and landlord should have the right at stated intervals to examine them, or to make an audit.

There is more to the same effect. If an enterprising merchant works hard and builds up his business and his reputation, increasing his earnings through good management, the landlord should stand always at the door with his hand out like a professional beggar, or a highwayman minus his guns, to relieve the merchant of a fixed percentage of any increased earnings. If this

be not piracy, there never was such a thing. All it lacks is the Jolly Roger.

A CALL TO ARMS

The tendency to meet the increasing cost of government by piling on taxes and more taxes wherever they will stick, without rhyme or reason, shows no sign of weakening. It is overtaxed industry that is weakening.

"The over taxation of motor vehicles and their owners," says *The Los Angeles Times*, "is rapidly reaching the point of diminishing returns, if it has not already reached and passed it; and it can be readily shown that if this burden is not decreased, a highly profitable industry, which gives employment to millions, may be taxed out of existence. . . ."

"There has been a 300 per cent increase in taxation per vehicle since 1919, present levels being far beyond the high taxes of the war years. In part the levies have been piled on because motorists made no organized protest, and in part because legislators still continued to regard the automobile as a rich man's plaything, though it passed out of this class years ago. . . ."

"It was stated by a magazine writer recently that legislative bodies follow public opinion at a time distance of about twelve years. In the case of automobile taxation, they seem to be at least this far behind. . . ."

"It is time for motorists to stand together, and the call to arms sent out by the Automobile Club of Southern California should meet with a ready response."

The protests of various taxpayer groups are not, and cannot be, very effective because the taxpayers themselves know no more about the fundamental principles of taxation than do the legislators. They complain of existing and proposed taxes, but are unable to formulate a tax plan that would meet the requirements of government and at the same time be based on justice and scientific laws. In time distance, the average taxpayer is several hundred years behind where he ought to be. It is going to take a long time for him to work this thing out, and when he does, it will take another twelve years for the legislators to catch up with him. So, while you are answering that call to arms, take a little time out to study the subject of taxation seriously—and don't run like a scared rabbit every time some one suggests taking the tax off of your house and your car and your other personal property.

Data collected by the Bureau of Labor Statistics of the United States Department of Labor indicate an increase of 6.4 per cent in factory employment in August as compared with July. The August employment index was 71.6 as compared with 67.3 in July.

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OUR SALES TAX

When the state sales tax went into operation, its sponsors carefully explained that merchants could "absorb" the tax if they wished, but were forbidden by the law, itself, from advertising the fact. Further, merchants were advised that it was more in keeping with the law to make the customer understand and feel that he was paying the tax, himself. There seems to be no misunderstanding or lack of feeling on this point among customers, and so great is the opposition that the sponsors are beginning to fear for its life.

Fred E. Stewart, co-sponsor of the Riley-Stewart plan, has made the following announcement: "All retail merchants are advised that the sales tax can be included in the sales price, and it is the desire of the board (State Board of Equalization) that this policy be followed in all cases where it is practical and feasible." Mr. Stewart knows, or ought to know that people have been paying taxes all their lives whenever they have made purchases, but have raised no objection because they didn't know it, because these taxes were not set apart and labeled as the sales tax is.

We have been told that the sales tax would make it possible to ease the tax off of real estate—a great boon to the speculators and vacant lot holders, no help whatever to the small home owner. Statisticians will figure. Now they tell us that the Riley-Stewart plan is raising the average taxes. Part of the school taxes have been shifted to the state, to be taken care of by the sales tax. There has been a 20 per cent reduction in assessed value, but tax rates have been raised so that this saving almost disappears, and when the taxpayer checks up on the pennies he has spent as a sales tax, he will probably find that he is paying more for taxes than he was before.

"It has been estimated," writes Kyle D. Palmer, "that the Riley-Stewart plan will take approximately \$16.30 off the tax bill of a citizen owning property assessed at \$2500, and that the reduction of 20 per cent in assessed valuation will add another ten dollars to this saving, giving a grand total of \$26.30.

"Actually, due to the increase of more than

55 cents in local taxes, the direct saving amounts to approximately \$13 for this class taxpayer."

Those who submitted the Riley-Stewart plan estimated that the owner of property assessed at \$2500 will spend about \$1500 during the year. A 2½ per cent sales tax on this amount will bring to the state \$37.50.

"It is perfectly evident, on this showing, that Mr. Average Taxpayer, after gratefully listing his \$13 on the credit side of his tax outlay, must ruefully deduct it from his sales tax expenditure of \$37.50—or more—and realize he has "taken it on the chin" to the tune of \$24.50 more or less."

And there are further drawbacks, it seems, from the standpoint of the man or woman of small means for "the ascending scale of wealth and income shows a descending scale of comparative tax costs. . . . The small taxpayer, in other words, carries a disproportionate share of the burden. The non-resident owner of vacant land in California is most benefited, for he pays no sales tax in this State at all. Resident owners of large areas of vacant property, or of valuable business properties, come next in order in the favored taxpayer class." Thus we honor and reward the dogs-in-the-manger who will not use California land for the production of wealth and will not let others use it. When the sales tax proves a burden and an irritation, perhaps you may derive some comfort from the thought that you are assisting the vacant lot owners to escape their just share of taxation, at least, a very large part of it.

Mr. Palmer makes a very common mistake when he says that the non-propertied citizen has never before paid taxes, though enjoying all the benefits of government. Economists agree that all taxes on industry are passed along from manufacturer to wholesaler to retailer to customer. A landlord pays his taxes out of the rent that he collects from his tenants. Inmates of penal institutions, of insane asylums and idiots are not taxpayers. All the rest of us are, Mr. Palmer, even if we live in a rented furnished apartment and own no taxable wealth, tangible or intangible.

Much might be said about the unwieldy nature of the sales tax, about its unfairness and its tendency to restrict trade at the very time when the government is trying to stimulate business. It has even added to the roster of public officials when people are clamoring for reduced government expenses. One hundred and two auditors and inspectors have been named by the State Board of Equalization to work in the division relating to the sales tax.

The time may come when the citizen is so crushed under a multiplicity of taxes that the thought of one tax will come like a haven of rest to give sanctuary to his tax burdened soul.