By HENRY L. T. TIDEMAN

Question: A contributor in the H. G. N. mentions supposed difficulties in levying taxes on land values. He cites an example. "Where the going rate of return on investments is 5 per cent a site renting at $1000 a year will sell at $20,000, a 4 per cent tax will take $800, leaving $200 net rent to the owner. . . . A buyer will now pay no more than $4000 for the site". Obviously, Mr. Quizmaster, a 4 per cent tax next year on the new $4000 value will yield only $160 and so the value will rise again. Is not this seesaw of tax on one hand and of value on the other a difficulty in trying to stabilize a mill rate on land values?

Answer: Values are not estimated in such a thought pattern. Value always relates to the future. The expression, present land value, means what at this moment, considering future conditions it is estimated that men will pay for and accept in payment for land.

It is axiomatic that the current value of land is the capitalized value of the prospective annual rent minus future taxes on its value.

In the case mentioned let us assume, as is the fact in our cities, that a tax on land values is part of the current tax scheme; also that the rate is 2 mills. Then a study of the value problem will show that instead of $20,000 the existing taxable value will be about $14,000. This does not dispute that the total value is $20,000, but that the public has appropriated $3,700 of that value by means of the 2 mill tax rate.

Now let it be proposed that a 4 mill tax rate be levied. The clamor of the landholders, long before the tax is to be levied, will make assessment revision necessary. The revision made, it is likely that the value of our $20,000 lot will be found to be about $11,000 because the 4 mill tax rate will appropriate about $444.00 of the $1,000 rent, i. e.:

Rates	*Rent*	*Value*
Interest is 5	$ 556.00	$11,000.00
Tax is 4	444.00	8,900.00
Total is 9	$1000.00	$20,000.00

Explanatory: If the current interest on investments be 5 per cent and the tax rate is 4 mills, the tax rate will appropriate 4/9 of the rent and reduce the assessable sales value to 5/9 of what it would be if no tax on land value were levied.

Food for thought may be found by assuming a 95 or 100 mill tax rate and calculating the possible distribution of rent and resultant land value, by the tabular method shown.