

BY HAROLD SUDELL

What Bolton Hall says about the peculiar effect of the stepping up of a land tax on the assessment value, when levied on the selling value of land, is all true. The tax should be levied on the economic rent of land and not on the selling value.

But, so accustomed are we, in this country, to thinking in terms of selling value, that I fear it would be as difficult to change our assessment methods as it is to change our taxing plan.

In 1930, when the Snowden land tax was under discussion in Great Britain, I wrote several of the leading Single Taxers there, urging them to make rental value and not selling value the basis for their tax. I pointed out the weaknesses we had found in the use of selling value as shown by Pittsburgh results. In Great Britain, because their local taxes (Rates) are levied on rental values and not on selling values, they are much more familiar with the term than we are here. But, rather to my surprise, they did not take kindly to my idea and some of them resented my suggestions because I was an outsider. The late Sir Edgar Harper, who had charge of the Lloyd George land assessment, was one of those to whom I wrote. At first, he, too, was opposed to the idea, but, after an exchange of several letters, he came around to my way of thinking and endeavored to bring his colleagues to see it that way too, but with no better success than I had. Writing me later he said "if we do levy on capital value the land must be valued as tax free." This, in effect, would mean that to the present selling value would be added an amount which would represent the present annual land tax, capitalized. If Mr. Hall will do this with his illustrations he will find that it will give him his original selling value on every case. This strikes me, however, as being a rather clumsy method of doing it, but it will work.

Now for another way. In drawing up, last year, a step-by-step law for Philadelphia, I adopted a plan suggested to Mr. Walter Fairchild by some New Yorker whose name I have not got. This method, instead of specifying, as does the Pittsburgh law, that certain rates shall be levied, specifies that a certain percentage of the total revenue shall be drawn from land and a certain per cent from buildings, the tax rates being adjusted to bring these percentages. This measure started with fifty-five per cent and forty-five per cent respectively and changed five per cent each year in each case until finally only five per cent was to be drawn from building values and ninety-five per cent from land. This avoids the pitfalls of the Pittsburgh plan. There, when the plan was started, the total land values were as 170 to 100 of building values. Now the building values slightly exceed the land values. And so, although the tax on land is now twice that on buildings, the total percentage derived from the land is only a little greater than

it was when the plan started. It has kept down land values, which is good, but it has not proportionately shifted taxes from buildings to land. This proposed Philadelphia law will do this, and I deem it the best method for a step-by-step law if selling value is the basis.

BY RAY ROBSON

Mr. Bolton Hall's thorough understanding of economic principles is universally known. It is a surprise therefore to find in his article in the current *LAND AND FREEDOM* an apparent misapprehension of the result of the practical application of those principles.

It is assumed in his illustration that a lot worth \$50 annually, and hence if untaxed salable at \$1,000, would retain that value till the tax is actually levied. This could not happen. As soon as a tax law is passed or even suggested, the selling value begins to fall. Buyers and sellers alike know that the \$50 will be no longer a net income, but will include both income and taxes, that is, five per cent plus three per cent, a total of eight per cent of the sale price. \$50 is eight per cent of \$625. This is the new sale price and will so remain if taxes remain at three per cent and other conditions remain unchanged. If the tax rate goes to five per cent, half the rental goes for taxes and half is net income, \$25, on a selling value of \$500. There is no more reason for a violent fluctuation in price every year than there is now. Some land is now taxed almost three per cent without causing any such fluctuation.

The only difficulty that may arise is really an imaginary one. If, when the Single Tax principle is adopted, we begin to take, "step-by-step," as we probably shall, more and more of the rent in taxes, the selling price of land will gradually fall, and the tax rate must rise still more rapidly to raise the same amount on a smaller tax base. But what of it?

We have two good alternatives. We can stop a little short of the full rental value. For instance, a tax rate of one hundred per cent, making the tax and the selling price equal, would leave the landlord five per cent of the total income. But what seems to me a better plan is to begin assessing property at its annual rental value instead of its selling price, which is based on rental value. We would quickly get accustomed to the change, and could then take one hundred per cent of the rent without any upset of assessor's figures or the creation of an illusion of "depreciation" of property.

BY EVARISTO V. MONTALVO.

Referring to an item by Mr. Bolton Hall appearing in the May-June issue of *LAND AND FREEDOM* under the caption, "Step-by-Step to Nowhere," it seems clear that the method suggested by Mr. Hall is not a gradual approach to the Single Tax.

I believe the following table will show how economic