

TAX FACTS

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The Industrial Needs of California

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Mr. Scofield is one of the leading California builders, and his wide experience both here and in the east qualifies him to speak on the subject of industrial development.

History and experience show that those communities thrive and forge to the front where trade and industry are free from unnecessary burdens and restrictions. California faces a great opportunity. The Pacific area promises a development equal to or exceeding that of the Atlantic. It will be led and controlled by those peoples and communities that have the foresight and wisdom to act in conformity with nature's laws.

That California as a community is not indifferent to this situation is evident from steps that have already been taken, and from proposals that are now put forward by leading citizens. The need of capital to develop the resources of the State being recognized, serious consideration is already given to the best means of securing it, and of directing it into the most useful channels when secured.

Experience has proven that the State made a wise move years ago in exempting mortgages from taxation. Interest on money has been lowered to the amount of the tax remitted, and farming and industry have enjoyed the benefit. More recently the State has reduced the tax on foreign securities from 2 per cent to two-tenths of 1 per cent.

That is not enough. Vast sums flow into New York City for investment because they are not taxed locally. We must have that privilege if we are to meet that competition. Our .2 of 1 per cent is still a drawback that should be eliminated.

A 4 per cent \$1000 bond produces \$40 income, and pays a two dollar tax under the new

law. This is a 5 per cent income tax and increases the average United States levy from 15 per cent to 20 per cent. No possible optimism can make that an amendment to promote the State's growth.

We have recently reduced the tax on money and solvent credits to .1 of 1 per cent, which is a move in the right direction, and vastly better than the former situation, but still too large to make us compare favorably with other sections that have a more enlightened policy. And along with these two improvements we are saddled with a 4 per cent income tax on corporations, which, to say the least, is no inducement to California citizenship. Corporations are now paying a national tax of 12 per cent of their income; and for California to advertise that if an outsider comes to California this tax will be increased to 16 per cent, or \$1 out of every \$6 of earnings, is reverse advertising with a vengeance.

This income tax, however, is not the only way in which business in California is discriminated against as compared with other sections. The writer recently had experience with a concern which proposed to build a plant in Los Angeles, and they were rather dumfounded to find that manufacturing machinery and manufacturing stocks were assessed for taxes along with buildings and sites. This tax upon machinery and upon stocks of goods operates decidedly against the local manufacturer and wholesaler and to a considerable extent against the local retailer, as compared with other centers.

Our methods of assessing direct taxes against
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CHURCHES AND TAXATION

"In a growing country," said President Grant, in his annual message to Congress in 1875, "where real estate enhances so rapidly with time as in the United States, there is scarcely a limit to the wealth that may be acquired by corporations, religious or otherwise, if allowed to retain real estate without taxation."

The President placed the value of churches in 1850 at \$87,000,000, twice that in 1860, \$354,483,587 in 1870, and estimated that in 1900 it would be \$3,000,000,000. At present the estimate is placed at \$4,000,000,000.

This amount of exempt property, in these days of staggering taxation, cannot escape challenge. A militant society with headquarters in Minneapolis is waging an aggressive campaign against this special privilege. And individuals throughout the country are making sporadic attacks.

President Grant forboded evil from this situation, even to the extent of violent resistance, in anticipation of which he says: "I would suggest the taxation of all property equally."

But fifty years has added much to the world's understanding of the principles of taxation. Thus an Illinois Methodist Bishop, speaking at the dedication of a new church said that it was proper that it be exempt from taxation, not as a compliment to religion, but as a recognition of its value to the community. Property, said the Bishop, will be worth more where there is a church.

An enterprising California realtor has made a different application of the Bishop's thought. He is exploiting what he calls "added values." A house and lot may have value as a physical fact, but because of situation and surroundings it may acquire additional values.

A fine house next door makes the place more desirable. Nice neighbors, he says, increase its attractiveness. A good school, an accessible golf course, an ocean view, mountain prospect, or other pleasant outlook add to its desirability.

The homeseeker is advised by the realtor to take all these things into consideration in selecting property. The same lot is worth more or less according to its relation to its surroundings. The prospective purchaser should have these values in mind, he said,—and should be willing to pay for them.

This very point came up for practical consideration in New York City, when the question of taxing private parks arose. These little parks were bits of land in the older part of the city, enclosed by an iron fence, and dedicated to the use of the people living in the houses facing the park.

It was found upon investigation that the

"added value" conferred upon abutting property amounted to more than would the park land if built upon. The ruling of the tax authorities was that these parks should be exempt, notwithstanding they were not public parks, because of the greater value of the neighboring property.

This brings the Illinois Methodist Bishop, the California realtor, and the New York tax authorities to a point that may lead to the answer to President Grant's question regarding the taxation of church property.

If the value of a piece of land is dependent upon its surroundings, upon schools, museums, churches, and fine houses, and the goods and furnishings in the fine houses, why tax any of them? Why not encourage the coming of more fine houses, more goods and more furnishings?

President Grant, and the people of his time, did not appreciate the difference in land values and the values created by human energy. Grant saw in the future "vast amounts of untaxed church property," which he feared would provoke reprisals from non-church citizens.

It is now seen that industry, improvements, and government service that make a locality attractive to people increase the value of land. Is not this the place where churchmen and business men may meet in agreement? If building a church in the community makes that community a better place in which to live, and so adds to the value of the land, why tax the church?

If building a factory or store to employ labor and serve the community, or a dwelling to house citizens, thereby building up the community and adding to land values, why tax those buildings?

Church lands are always subject to special assessments for street improvements and such special services. If these lands were also made subject to general taxes, and other property made subject to the same rule; that is, lands taxed and buildings and contents exempted—both sides to the controversy should come to an agreement on the basis of common justice.

ENGLISH POLITICAL THOUGHT

Of the 36 seats in the new Parliament occupied by Land Value Tax advocates, 12 were previously Conservative. In these 12 seats the Conservative majority was 23,434, which in the recent election was changed to a Land Value Tax majority of 48,554, or a gain of 71,988. The total gain by the 36 candidates, who were all prominently known as Land Value Tax advocates, was 176,965. Twelve other Land Value Tax advocates (whose votes are not given) were also elected, bringing their strength up to Parliamentary seats.

Death may be as certain as taxes, but it is not so much dreaded by most people.

THE REALTOR'S FRIEND

The argument is sometimes made that the elimination of some of the oppressive taxes on business would "increase the burden on real estate." For example, when in former years Maryland surety companies were seeking some small measure of relief against the discriminatory taxes levied upon them, it was urged against them that to grant their request would "increase the burden on real estate." We think this argument wholly fallacious. All business must be carried on upon real estate, and is therefore dependent upon real estate. It is from real estate that we derive our daily bread and the raiment wherewith we are clothed. Why is it that an acre of land at the corner of Baltimore and Charles Street is worth more than one hundred thousand times as much as the same area in some parts of the State? Is it not solely because of the vast business concentrated in Baltimore City? Therefore, the true "friend of real estate" is he who would most foster business. It is a penny-wise policy for a landowner to object to the repeal of a tax that interferes with business for fear lest the repeal should increase the taxes on his lands. No tax upon real estate could possibly be as injurious to the landowner as a tax which hampers commercial activity and enterprise.—*Report of the Maryland Tax Revision Commission, Dec. 1, 1928.*

INDUSTRIAL NEEDS OF CALIFORNIA

(Continued from First Page)

sites and improvements equally, actually operates as a fine against improvements. In the writer's opinion we should not only get rid of all taxes upon personal property, including solvent credits and foreign securities, but we should raise our revenue by direct taxes, which discriminate somewhat in favor of the improver as against the speculator.

Instead of advertising to the world that we propose to put a personal tax upon our citizens in addition to the national income tax, the writer believes we should advertise that we propose to do away with all taxes upon those things which do not have to come to California, or if here, do not have to stay here, and that we propose in raising revenue from real property, to discriminate somewhat in favor of the user as against the speculator. The writer believes if that were done capital would begin to flow to this coast for investment from all over the world, that surplus funds intended for constructive use in Pacific territory would be kept here in preference to London or New York, and that in another generation the center of gravity of the world would be on this coast rather than in London or New York.

SO BIG

New York City, second only to the federal government in the amount of taxpayers' money which it spends, had an income of \$585,941,000 during the year 1928, according to an analysis by Dr. Luther Gulick, director of the National Institute of Public Administration, published in the March issue of the *National Municipal Review*.

The revenues of New York City are greater at present than were the revenues of the national government up until 1917, when it entered the World War, the analysis shows. They are greater than the combined revenues of the state governments of Pennsylvania, California, Michigan, Illinois, Texas, and New Jersey, in spite of the great institutional, educational and highway programs which these states have undertaken. The income of New York is enough to maintain the city governments of Chicago, Philadelphia, Boston, Cleveland, Pittsburgh and St. Louis.—*The Public Dollar.*

Philanthropist: A man who gives it back.—*Bridgeport Star.*

Funny nobody ever goes in for a marathon plowing contest.—*Dallas News.*

Farm relief already includes the creation of eight new Federal jobs.—*Dallas News.*

With some autoists the turnover is costlier than the upkeep.—*Florida Times Union.*

The reason some rich people are stingy is also the reason they are rich.—*Florence (Ala.) Herald.*

Ability to get something for nothing by speculation offers nothing but evil.—*Jackson H. Ralston.*

A heathen country is one in which the payroll can be transported without an armored car.—*Brooklyn Times.*

The great open spaces now consist mainly of a strip of concrete between two walls of billboards.—*Arkansas Gazette.*

And to think that we could have been rich long ago just by letting one another have everything on credit.—*Publishers Syndicate.*

Dr. Mayo says you can keep young by living as the young do. It won't work, Doctor. You can't get rich by living as the rich do.—*Tucson Citizen.*

The announcement that a Virginian has raised white blackberries recalls that blackberries are red when they are green.—*Christian Science Monitor.*

Crime would be less popular if a convicted racketeer could be kept in jail for at least as great a length of time as it took to get him there.—*San Diego Union.*

If Marion Tally deserted the opera for the farm on the basis of Republican promises of farm relief, we will doubtless hear her voice again.—*Brunswick (Ga.) Pilot.*

Relations between the United States and Great Britain are not going to be made more pleasant by the latter Country's publication of the authentic passenger list of the Mayflower.—*New York Sun.*

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FARM RELIEF

The Farm Relief measure has enjoyed the unique distinction of having the support of men who were zealous advocates before it became law, and profuse apologists ever since. President Hoover, the chairman of the Farm Board, and various prominent supporters of the measure have been throwing out warnings that too much must not be expected of the law, that when all is said and done the farmer must really work out his own salvation.

Nevertheless, it is safe to predict that the measure will not be without effect. It is almost equally safe to predict that the effect will not be unlike that which followed the dawn of the modern industrial age.

Labor saving inventions did save labor, as had been claimed for them; but they did not save the laborer. The Song of the Shirt went on just the same when the needle was held by fingers of steel, as by fingers of flesh and blood.

History is likely to be repeated to the extent that we shall see relief come to the farm, but not to the farmer. In other words, as we saw English mill owners enriched, while operatives remained as before, so we are likely to see American farm owners recouped, while farm workers remain at the bottom of the scale.

The main objective of the new Farm Board is so to arrange marketing conditions that the farmer will get more for his crops. This may be accomplished by eliminating unnecessary middlemen, cheapening transportation, or raising prices.

The purpose in any event is to secure a larger return to the farmer, in short, to make farming pay. To make farming pay, like making any other business pay, means to bring more people into the business to share in the new profits.

If more people go into farming the demand for farms will advance the price of land. The tenant will find his rent raised. The man seeking to purchase will find the price has gone up. During the war when wheat jumped from \$.95, in 1914, to \$2.41 in 1919, and other products rose in proportion, farm lands doubled and trebled in price.

Will not the same cause produce the same result? The *Progressive Farmer* asks editorially,

"Will farm land advance in price?" The editor admits the price went too high during the boom following the war, but thinks the slump following the boom sent the price too low: The editor says:

It seems to us unlikely that farm lands will ever be cheaper than they are now. We know it seems hard for a family to pay for land under present conditions, but it also seems hard to pay for an automobile—and yet people keep on buying cars. Where a landless family has an heroic and unyielding determination to become a home-owning family, it most likely can be done, if payments are distributed over a reasonable number of years. And we believe this fall is a good time to make the start toward land ownership.

All this looks to the advance in the price of farm lands. The shrewd editor of the *Progressive Farmer*, is advising his readers to "get in" at the beginning of the rise. It may be stiff going, but those with a "heroic and unyielding determination" can do it.

But what of those who come after? Granted that the wise and heroic who act now can acquire ownership of farms before the rise starts, what of those who would be farm owners after the rise has taken place.

In that not distant day, the owners who have had the good fortune to be paid up, will be getting good rents, and will be offering their land at a handsome advance over present prices. Fine. Farm Relief will have been a great political and economic stroke—for them.

But what of the families who are confronted with those higher rents and higher land prices? Must we then have a new farm board, a super-farm relief measure, carrying a revolving fund of a billion dollars instead of the present half billion?

The present Farm Board may accomplish considerable good in bringing more order into our disorderly exchange system, and establishing closer cooperation between producer and consumer, but to the extent that these benefits find expression in higher rents and prices for land, they will merely postpone the evil settlement day.

Half of the farmer's trouble is in the city. He buys as much as he sells, and is therefore interested in what he pays as well as in what he receives. The evil confronting the farmer—high speculative prices for land—is the evil confronting the city producer. The farmer and the city man are in the same boat, and must sink or swim together.

Neither of these two great producing sectors of humanity, the farmer or the city worker, can secure his just earnings till the land speculator has been driven from the field, and they have the use of land at its actual value.