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Federal Tax on Land Values

In a brief submitted to the members of the Committee on Ways and Means Samuel Danziger, editor of the *Bulletin*, gives some cogent reasons why Congress should incorporate in its revenue bill a tax on land values. Answering the query of the committee as to how it can relieve business without loss of revenue, the brief states:

One-half of the amount included in the usual estimate of the national wealth is land value. Accordingly, land values of the United States must exceed $100,000,000,000, and the annual rental value must exceed $6,000,000,000. Since no more than half of state and local taxes is derived from this source, the amount now taken in taxation of this fund, entirely unearned by the individuals who profit by it, is but $500,000,000. So there is left $5,500,000,000 a year which the Federal Government can draw upon without interfering with the States or localities. While this fund remains untaxed every industry subject to taxation has a just grievance.

Taking up the protest filed with the committee by the advisory council of real estate interests of New York City, the brief continues:

The arguments of this organization may be summarized as follows:

1. The land-value tax is a tax on capital rather than on income.

2. It does not distinguish between productive and unproductive investments.

3. It must be paid by forced liquidation or by drawing upon other capital.

4. Unproductive land is subject to the laws of supply and demand and no public need will remain satisfied if it can be fairly capitalized.

5. The owner of underimproved property has incentive to obtain largest possible improvement for his property and its neighborhood.

6. The land-value tax will depreciate the basis of municipal income and credit.

These objections may be disposed of seriatim:

1. Capital is something which can be reduced in quantity through taxation. Land is not. A tax on capital discourages its production and use. A tax on land values forces more of it into use. So the proposed tax is not a tax on capital, but on the privilege of monopolizing certain natural resources for which sufficient demand exists to give value thereto. The objections that properly apply to a tax on capital do not apply to land value taxes at all.

2. The council explains what it means by "productive lands" as "those which are improved and produce some income." Its objection implies therefore that the man who improves a piece of land sufficiently to derive an income therefrom ought to be penalized for so doing. He should be taxed because he has made use of his opportunity while the man who holds an equally valuable piece of land out of use regardless of the public need should be more tenderly treated. Because our proposition does not take a view so at variance with public policy the council asks that it be rejected. Its position need but be stated to make clear its unacceptability.

3. The land-value tax need not be paid by liquidation or drawing upon other income if the landowner will put it to the use to which its value shows that it ought to be put. He can then get the income without taking either course suggested by the council. Of course, if he is holding land which others want to use but which he himself will not or cannot use, it is to the public interest that he be compelled to liquidate or at least reimburse his fellow citizens for depriving them of the use of a natural opportunity out of other income he may have.