

# WHY DO WE TAX HOUSES?

**Have you ever seriously considered the paradoxical—not to say suicidal—character of our Local Taxation?**

**When a man commits an illegal act we tax or fine him a lump sum in order to deter him from doing the like again.**

**When a man builds a house, a shop, a warehouse, or a factory, or erects machinery, we proceed to tax or fine him so much every year so long as the house, shop, warehouse, factory, or machinery remains in use.**

**Why do we tax houses, shops, factories, and warehouses in this way?**

**Do we tax buildings because we want to discourage the employment of architects, bricklayers, hod-carriers, stonemasons, carpenters, plumbers, gasfitters, painters, paperhangers, glaziers, locksmiths, etc., etc., and the numerous trades which supply all these workers with raw material?**

**Assuredly not.**

**Yet, whether we desire it or not, that is most certainly the effect of our levying year in and year out upon houses, shops, factories, and warehouses the large fine in the shape of local rates.**

**It acts as an enormous dead-weight upon trade and industry, forcing down wages and profit in the building trades, and through them it tends to depress and discourage all other trades.**

**To tax houses is to make houses dear.**

**To tax Land Values,\* on the other hand, is to make land cheap, not only for house-building, but for shops, factories, warehouses, etc.**

**It was for this reason that, in 1835, the Royal Commission on the Housing of the Working Classes recommended the taxation of Land Values as one of the most important means for securing better homes for the poor. They stated the case as follows:—**

**“At present, land available for building in the neighbourhood of our populous centres, though its capital value**

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\* By “land values” (or “ground values,” or “site values” as they are also called) we mean the value of the land apart from the value of buildings and other improvements.

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is very great, is probably producing a small yearly return until it is let for building. Landlords can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its position. Meantime the general expenditure of the town on improvements is increasing the value of their property. If this land was rated at, say, 4 per cent on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a twofold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers could be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent or price paid for land, which is now levied on Urban enterprise by the adjacent landowners, a tax, be it remembered, which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves."

That is to say, the chief cause of the housing difficulty is that under our present rating laws individuals can, with perfect impunity, hold absolutely idle, or only partly used, vast areas of land around all our big centres of population.

**And the remedy is to tax all land, whether put to use or not, upon the value that it would have if put to the best use for which it is required.**

Land values are an "unearned increment" so far as the landlords are concerned—an increment which is not due to any industry or expenditure on their part, but the chief reason for rating land values is that they represent an increment definitely earned by the community.

Why, then, should we continue to allow landlords—at the expense of the labour and capital employed in trade and industry—to "reap where they have not sown, and to gather where they have not strawed"?

What could be more fair and just than that the present rates should be taken off the backs of labour and capital, and that those Land Values, which are "the natural result of the industry and activity of the townspeople themselves," should be taxed for public purposes?

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The present system burdens trade and industry, and, while forcing down wages, forces up rents by making both houses and land artificially dear.

The taxation of Land Values, on the other hand, will lower rents by taking the taxes off houses and other buildings, and by forcing idle land into use.

In New Zealand and Australia Local Rating Authorities impose rates on Land Values. The Town Clerk of Wellington, New Zealand, in a recent annual report to the Town Council, says:—

"It (the local rate on Land Values) leaves no room for regret at its adoption. That which was claimed by its exponents has been amply fulfilled; it encourages improvement, stimulates the use of land, secures the unearned increment to those who have added the value, mulcts all lands in their fair share of taxation, and paralyses the old system under which rental values on lands could, by simple manipulation, reduce local taxation to a farce. It is only stating a fact to say that much, if not all, of the activity in the building operations of the city and surroundings during the past year is due to the influence of this healthy measure."

In New South Wales the local rating of Land Values has equally justified its claim to universal adoption. The *Sydney Morning Herald* of October 27th, 1909, reports a great building boom. In a review of the building trade the *Herald* states:—

"In certain departments there is a dearth of labour, and in one of the trades—which would involve others—there is a very ugly threat of a strike. The quarrymen have decided to go on strike unless their wages are increased by a shilling a day. The movement everywhere is for increased wages. The condition of activity in the building trade has been unequalled in the history of the State. For number of contracts in existence, buildings in course of erection, and plans on the boards in architects' offices, this year will easily be a record one. The supply of material is higher in quantity than it has ever been. Brickmakers are working overtime. The demand for stone is increasing, while the output of timber is larger than ever before. There is a scarcity of leading mechanics, and stonemasons are difficult to get. Bricklayers are scarce, while good joiners are at a premium. Slaughtermen are receiving increased wages. The wages of

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**carcase butchers have been raised 8s. per week. Where piecework is done there is an increase of 2s. 6d. and 3s. per hundred. This is a sure sign of prosperity among the working population."**

The advertisement pages of this paper seem to be almost wholly occupied by advertisements of land for sale, and for labour of every kind.

The taxation of Land Values has been in operation in New South Wales since 1897 for State purposes at the rate of 1d. in the £. Since 1905, however, local rating of Land Values has been gradually adopted in the various municipalities. The rates vary, and while the average is about 3d. in the £ (capital value), in some cases it is as high as 4½d. or 5d. That is to say, **on the annual basis** there is a rate on Land Values averaging 5s. in the £, and in some cases it is as high as 7s. 6d. and 8s. This high rate on Land Values means, of course, a corresponding exemption of, and reduction in, rates on houses, buildings, and improvements.

This is what we are aiming at in Great Britain and Ireland; in the words of the Lord Advocate: **"to blot out buildings and improvements from the standard of rating, and to take as our standard of rating the value of land alone."**

**The great majority of the landholders need not fear a tax on Land Values.** To the small freeholder, whose interests as a worker and a householder are very much greater than his interests as a landowner, the taxation of Land Values means a great reduction of taxes. The working owner of a highly improved and well-stocked farm, the working owner, in fact, of any land that is highly improved and fully utilised, stands to win by the taxation of Land Values. Those alone stand to lose who, by holding valuable land out of use, are inflicting incalculable injury on the whole community, and even the latter class may avert loss by improving their land and putting it to its best use.

**Electors! Consider these facts, and vote only for those candidates who will pledge themselves to the rating of Land Values.**

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