

PITTSBURGH TAXPAYERS' LEAGUE

1306 Berger Building
Pittsburgh, Pa.

Organization Committee

GEORGE E. EVANS
Representing Georgian Apartments

H. T. MIMS
Representing Ruskin Hotel

JOHN McSORLEY
Representing King Edward Apartments

C. B. WATKINS
Representing Morrowfield Apartments

PRESSLEY H. BAILEY
President, Building Owners and Managers' Association

WARD BONSALE
Attorney-at-Law

C. M. BUERKLE
President, Standard Plumbing Company

C. C. CRAWFORD
Crawford & Gibson

EDWARD CRUMP, Jr.
Representing Schenley Arms Apartments

E. A. FISHER
Representing Cathedral Mansions

GEORGE N. GLASS
President, Keystone Lumber Company

A. C. GRACEY
Representing Morewood Gardens

WILLIAM B. HODBY
Treasurer, Allied Boards of Trade

ELLIOTT KELLER
Keller Brothers—Coal

JULIAN KENNEDY
Civil Engineer

L. FRED KLOOZ
Representing Hotel Roosevelt

GEORGE P. KOUNTZ
President, Allied Boards of Trade

JAMES B. LAWLER
Lawler-Vilsack Real Estate Company

R. L. MOSENA
Representing William Penn Hotel

R. F. McCREA
Secretary, Retail Lumber Dealers' Association

J. F. McNAUL
Attorney-at-Law

W. G. NEGLEY
President, Oakland Board of Trade

R. S. THOMPSON
Treasurer, Houston Brothers

CARL VAN DER VOORT
Insurance

CHARLES A. POTH
Attorney-at-Law

WILLIAM E. SCHOYER
Attorney-at-Law

PERCY R. WILLIAMS
Secretary, Building Owners and Managers' Association

HARRY H. WILLOCK
Representing Saybrook Apartments

L. R. BONTA,
Membership Secretary

PROSPERITY CAN BE PROMOTED BY SCIENTIFIC TAXATION

* * * *

A PRACTICAL PROGRAM ... for ... TAX REDUCTION

* * * *

SUGGESTIONS OF MAJOR IMPORTANCE

* * * *

RESPECTFULLY SUBMITTED BY THE
PITTSBURGH TAXPAYERS' LEAGUE

8408



THE GRADED TAX POINTS THE WAY TOWARD SCIENTIFIC TAXATION



THE Pittsburgh Graded Tax Plan—although as yet limited in its scope—has meant lower taxes for the great majority of real estate owners in Pittsburgh.

City taxes on all buildings are now one-third lower under the Graded Tax than they would be were the old flat-rate system still in effect.

Three and One-Half Million Dollars of the 1929 City tax levy has been shifted by this plan from buildings to land.

The Graded Tax Plan has stimulated building and aided the development of the city, thus creating a greater demand for building materials and labor.

Savings made by the great majority of the taxpayers, combined with increased employment in building and allied industries, have increased the purchasing power of the people, thus helping all lines of business.

No loss of public revenue results, as City taxes on land are approximately one-third higher under the Graded Tax than they would be were the old flat-rate system still in effect.

The Pittsburgh Graded Tax Plan is the most important step that has been taken in the United States toward an intelligent, scientific system of municipal taxation. Fifteen years of actual demonstration has conclusively proven its value.

The Graded Tax Plan is based upon sound economic principles, recognizing the truth that high taxes on improvements and low taxes on land values retard development, while lower taxation of improvements and higher taxation of valuable land promote development. The "land question" is of fundamental economic importance in any plan for solving the housing problem, for providing better living and working conditions, or for promoting better business.

Written and compiled by
L. R. BONTA and P. R. WILLIAMS.

Copyright 1929
By
Pittsburgh Taxpayers' League

Justice of the Plan

The justice of the Graded Tax Plan rests upon the fact that **building values are produced by individual labor and capital**; they are not enhanced by the growth of population or by public improvements; their value is never more than the cost of reproduction, and they begin to depreciate in value even before their construction is completed. Land values, on the other hand, are **socially created**; they constantly increase with the growth of population and extension of public improvements. They are, therefore, a **natural and logical source of public revenue**.

Under the old idea of taxation, those who improved real estate always bore the principal burden of taxation—the greater the improvement, the higher the taxes. Vacant or poorly-improved land was lightly taxed, assessments thereon being comparatively low. The Graded Tax Plan undertakes to correct this situation and has materially reduced the burden on improved real estate. Justice, as well as progress, demands that the Graded Tax be extended as rapidly as possible, allowing, however, a reasonable time for all to adjust themselves to the more scientific revenue system.

* * * *

Extension Needed

The Graded Tax Plan has not yet had an opportunity to demonstrate its full value.

For it does not yet apply either to School or County taxes, which must also be paid by owners of Pittsburgh real estate, and which, combined, are approximately equal to the city tax.

Nor has the Graded Tax been extended as far as it ought to be in the raising of city revenues. City taxes on buildings may be reduced much further to the great advantage of the entire community.

Much greater benefits will be realized if Pittsburgh's present tax policy is so extended in scope as to **materially reduce all taxes on improvements**.

It is the purpose of the Pittsburgh Taxpayers' League to obtain the necessary legisla-

tion, and thus further promote Pittsburgh's progress.

The Graded Tax Plan, when fully developed, will actually transform taxation from a mere "necessary evil" into a positive power for good.

The reasons why are fully set forth in this booklet, together with the supporting testimony of prominent business men, public officials and newspapers, who have strongly endorsed the Graded Tax principle.

* * * *

The Graded Tax Briefly Described

The Graded Tax Plan is simple in its operation. Instead of applying the same rate of taxation to both land and buildings, the City Council fixes each year a tax rate on buildings just one-half of the land tax rate. City tax rates for 1929 are: Land, \$25.00 per \$1,000 valuation; Buildings, \$12.50 per \$1,000 valuation (or as commonly expressed: Land, 25 mills; Buildings, 12.5 mills).

Prior to the year 1914, there was no separation of land and building assessments, and a flat rate was levied. If this old system were still in effect, it would require a flat rate of approximately 19 mills, or \$19.00 per \$1,000, on both land and buildings to raise the same revenue as the present graded tax rates produce. By comparing the present rates with the flat rate of \$19.00 that would be required under the old plan, it will be seen that buildings "pay" \$6.50 per \$1,000 less under the graded tax, while land "pays" \$6.00 per \$1,000 more under the graded tax.

The Graded Tax law enacted in 1913 provided for a very gradual adjustment of the tax rates through five successive steps, beginning in 1914 with a rate on buildings 90% of the land rate, and ending in 1925 with a rate on buildings 50% of the land rate, with each step a portion of the tax burden being shifted from buildings to land values. Since 1925 the City rate on buildings has been just half of the rate on land. This ratio continues indefinitely, as long as the present law stands without amendment.

The building tax rate applies uniformly to all buildings. The land tax rate applies uniformly, not merely to vacant land, but to all land. In its practical effect, however, the Graded Tax falls more heavily upon the owners of valuable vacant land and less heavily upon the owners of land improved with buildings; the increased land tax being more than offset by reduced building tax wherever the value of the building exceeds or equals the land value.

* * * *

Tax Savings Explained

Tax Savings under the Graded Tax Plan are not confined to any particular class of real estate owners. Striking examples are given herein covering various classes of improved properties—apartments, single-family dwellings, office buildings, manufacturing plants, warehouses, hotels, etc. It is not, of course, claimed that all owners of improved real estate save through the Graded Tax, but the great majority do.

The effect of the Graded Tax in any particular case is determined by merely calculating the difference between the total City taxes paid under the present separate rates and the total taxes that would be paid at the flat rate on both land and building values of \$19.00 per \$1,000. While the average tax rate for the entire city is about \$19.00 per \$1,000, the average tax rate of the great majority of the taxpayers is much less than this figure, since the majority pay the lower rate on the greater portion of their taxable valuation. A small minority of the taxpayers, having larger holdings in land than in improvements, pay an average rate higher than the \$19.00 rate.

In other words, if (through the Graded Plan) a taxpayer has received a reduction in building tax which exceeds his increase in land tax, his actual net saving as an owner of both buildings and land will be equal to the amount by which the reduction on the one hand exceeds the increase on the other. It is not a matter of how his building value compares with that of some other taxpayer who may

happen, for instance, to own a "skyscraper." The only essential point is how one's own building value compares with his own land value, since the modest home of the poorest citizen may greatly exceed in value the piece of land upon which it stands, while amidst the high land values of the central business district, it requires a large and expensive building to equal the value of the site, land values in cities being almost solely a matter of location.

* * * *

Total Savings Large

Every property owner whose assessed building value exceeds or equals his land value, is now paying less taxes under the Graded Tax law. He would increase his tax savings in the same proportion by the proposed extension of the Graded Tax Plan.

Since three and one-half million dollars of the 1929 City tax levy has been shifted from buildings to land, it is a reasonable estimate that the total actual savings to owners of improved real estate are as great as two million dollars annually. This estimate allows a deduction of one and one-half million dollars to cover that portion of the tax shift from buildings to land which falls upon the owners of improved real estate (who are, of course, subject to both land and building taxes) and which, therefore, is deducted from their individual savings on building tax in order to arrive at their net savings on their properties as a whole.

The extension program of the Pittsburgh Taxpayers' League would at least double, and possibly multiply several times, the present tax savings to owners of well-improved properties, not to mention its far-reaching economic effects which would so greatly enhance the general prosperity of the community.

* * * *

Lower Taxes on Homes

Probably more than 95% of all home owners in Pittsburgh pay less taxes under the graded plan. Though tax savings, measured

in dollars, are naturally much larger in the case of highly valuable commercial properties, such as some of those cited in the accompanying tax tables, the home owner stands out as the chief direct beneficiary, and his tax savings in proportion are usually greater than those of improved property owners in any other class.

An analysis of the taxes paid by the real estate owners of the 13th Ward of Pittsburgh, a typical residence ward, gives perhaps, the clearest proof of the above statement. In this ward, out of a total of 3,272 owners of improved properties, 3,250 pay from 30 to 5 per cent less taxes by reason of the Graded Tax system. Only 22 "improved" properties in this entire ward failed to show a saving—in these latter cases the structures having relatively little value as compared with that of the site.

* * * *

Increased Buying Ability

The substantial savings in taxes already made by owners of homes and other improved property have increased their buying power. This is of considerable advantage to all manufacturers, farmers, merchants and others who produce or sell commodities to the people of the community. The further reduction in taxes herein proposed would enable the people to buy more and better products of all kinds, thus enhancing the general prosperity of the community.

* * * *

Encourages Building

Another point of vital importance is the fact that reducing the taxes on buildings naturally reduces their expense and, therefore, increases their net earning power; consequently it will enable many owners of vacant and partly improved land to build. This will unquestionably stimulate and stabilize the building industry and therefore benefit all branches of the building trades and all corporations and individuals engaged in the manufacture, transportation and sale of all kinds of building and furnishing materials.

Building Values Doubled

During the fifteen-year period that the Graded Tax Plan has been in operation, the assessed building values of Pittsburgh have increased 276 million dollars, or in other words, have practically doubled, while assessed land values have increased only 94 million dollars.

Assessed building values increased from 282 million in 1914 to 558 millions, approximately, in 1929. Assessed land values increased from 480 million dollars in 1914 to 574 millions, approximately, in 1929.

The comparatively small increase in land values during this period indicates that the Graded Tax has served to reduce the evils of land speculation and to stabilize land values.

Building permit statistics show that building operations have much more than doubled, both in value and number, during the period of the Graded Tax. For the past five years the totals for building construction in Pittsburgh have averaged close to 40 million dollars annually, while in the years prior to the adoption of the Graded Tax the totals for building construction did not exceed 14 millions per annum.

These figures are very significant and important for the reason that building is a basic industry, and activity in building means activity in all other lines of business.

But significant as these figures are, the building that has been done in this period is small in comparison with our needs. Responsible authorities estimate that over seven billion dollars of new construction is required in the United States every year. Of this sum, \$3,700,000,000 is required for increased population and \$3,600,000,000 is needed to offset depreciation and obsolescence, indicating to some degree how demand keeps up with supply.

A large part of the prosperity of the last ten years has come from building activity, and if prosperous conditions are to be maintained, it is highly important that the building industry should be encouraged in every possible way.

Demand for New Construction

Some may wonder where tenants can be found to occupy an increase in housing facilities. The answer is that this tax plan tends not only to increase the supply, but at the same time to increase the effective demand. More activity in building and business generally will attract more population, and lower rents will make it possible for the added population and many thousands now occupying crowded or unfit living quarters to readily absorb the new buildings. The same principle, of course, applies not only to apartments, but to office buildings and other types of construction; increasing population and prosperity resulting in increasing the demand for additional facilities.

* * * *

Promotes Natural Development

The Graded Tax Plan does not force building, and is not intended to do so. It simply removes the artificial obstacle to building and promotes a natural development throughout the city.

Building, like all other industries, is governed by the law of supply and demand, though the operation of this "law" is obstructed to a considerable extent by artificial conditions. The Graded Tax Plan will encourage building operations to the full extent that they are needed to supply the present demand. But what is more important, it will substantially increase the demand.

This increased demand will result from the fact that the expenses of owning improved property will be reduced to the extent of the reduction in taxes, and from the further fact that the general prosperity of the whole community will be enhanced by putting labor to work in all branches of building activities.

It will be to the interest of all real estate owners to replace antiquated and unsuitable buildings with better buildings. Thus a more uniform development will follow, there will be less tendency to build "skyscrapers," and congestion in traffic will be lessened.

Better Homes

The "housing problem" has been a subject of much discussion for many years and much attention has been directed to it by social workers in all of our large cities, with little results.

The housing problem is essentially an economic problem and must be dealt with keeping this fact in mind. The Graded Tax Plan, when fully developed, will do more to solve the housing problem than any other single measure that has been tried or seriously considered in our American cities.

The reasons are obvious. The Graded Tax Plan reduces the cost of home owning by lowering taxes on homes; it encourages building, thus providing an ample supply of housing facilities; it increases employment by stimulating building activities, thus helping all lines of business and increasing the ability of the people to pay for better homes.

The Graded Tax Plan does much to encourage home owning and is, in this way, performing a most valuable service. It also tends to lighten the burden on the home-renter because, with lower taxes on dwellings, owners can afford to rent at more reasonable rates.

It is needless to say that the effect of all this is to reduce congestion and to relieve many families from the evils that flow from living in crowded and unsanitary places. By reducing the tax burden on home owners, they can afford to have a larger lot, with the result that there will be more open space, rather than less. The Graded Tax does not make it more expensive to use land.

There is no adequate remedy for existing housing evils short of replacing thousands of dilapidated and unsanitary dwellings with desirable homes. But this cannot be done unless and until the cost of home owning is reduced and those who now occupy unfit dwellings have their purchasing power increased sufficiently to afford better homes. The Graded Tax Plan will go far to meet this need by increasing employment on the one hand and reducing the tax burden on homes on the other.

Enables Owners to Reduce Rents

The reduction of taxes on dwellings and other buildings materially decreases the expenses of the owners of the buildings and, therefore, such reduction will enable owners to reduce rents without reducing their net incomes. Thus the many thousands of tenants may expect to share in the benefits of the Graded Tax Plan as indirect taxpayers.

* * * *

Home Owners and Tenants Need Relief

Every citizen of Pittsburgh is either a home owner or a tenant; therefore, a tax system that benefits both home owners and tenants should have a universal appeal.

While the rich as well as the poor come under this broad classification, more than 90% of all home owners and tenants have small incomes. Being in the position of the "ultimate consumer," they are unable to "pass on" their taxes," and these taxes, whether paid directly to the City Treasurer or indirectly as rent, represent a large share of their living expenses.

It is, therefore, not only desirable, but important, that the tax burden that falls upon home owners and tenants should be lightened as much as possible by the extension of the Graded Tax Plan.

* * * *

Creates Demand for Land

Reducing the burden of taxes on buildings naturally increases their earning power and, therefore, encourages the owners of vacant and partly developed sites to build. This inducement to build will create an active demand for land and thereby enable holders of land to sell it more readily than they otherwise could — thus converting unproductive and expensive liabilities into active assets.

* * * *

Employment and Real Wages

The old idea that low wages and other strict economies in conducting business were absolutely necessary to success, is rapidly being

supplanted by the more modern idea of liberal wages and shorter hours of labor, which only encourage greater efficiency and productivity on the part of employees, but also increase the buying ability of the people and, therefore, enable manufacturers and merchants to increase their business and profits.

Greater activity in the building industry means more plentiful and more regular employment for large numbers of men and women; and more plentiful employment not only means wages for many who might otherwise be idle, but also tends naturally to bring about a higher standard of wages.

An increase in wages, if accompanied by a corresponding increase in the cost of living, is merely a nominal increase. But the Graded Tax Plan not only tends to bring about higher wages, but at the same time reduces the cost of living by reducing taxes on homes and by reducing rents.

The Graded Tax Plan, therefore, means higher real wages. This is the most important of all the many benefits that it will confer upon the community.

* * * *

Attracts New Industries

Many cities and towns throughout the country are now offering special inducements to attract new industries, such as free land and exemption from taxes for a number of years, in addition to the natural advantages afforded by such communities.

It is therefore obvious that if Pittsburgh, in the keen and growing competition between cities, is to get its share of new industries, it must offer as good or better inducements than are offered by other communities.

The graded tax—in full operation as proposed herein—would be the most effective and most permanent inducement that could be offered, because it would mean lower taxes on buildings and other improvements of the industrial establishment, better homes at

lower prices or lower rents for its employes, and also greater purchasing power for the general public.

* * * *

How Reduction Is Possible

Some may ask how it is possible to make such reductions in taxes on improvements and still produce enough public revenue. The answer to this question has already been indicated. The revenue from building taxes has been reduced, but this has been offset by increasing taxes on land values. Land values increase with the growth of the community and the extension of public improvements, and the increased taxable value thus resulting supplies an appropriate source of additional revenue, thereby permitting further substantial reductions in taxes on improvements.

From the districts where the highest land values prevail, the greater public revenues will be derived. Adequate improvement of such valuable sites will be encouraged, and it will become unprofitable to hold desirable sites vacant or permit obsolete or inadequate buildings to occupy valuable ground, particularly in the heart of the downtown business district. Land values are relatively much lower in residential districts and, with the exception of holders of vacant land, practically every one in such districts will pay lower taxes under the plan herein advocated.

* * * *

What Difference Does It Make?

The question is frequently heard: "What difference does it make how taxes are levied, whether more on land, or more on buildings, if the same revenue must be raised to pay the cost of government?"

Anyone who has carefully read the preceding pages will, of course, understand that it does make a very real difference. But for the sake of emphasis and in order that the difference shall be made perfectly clear, the case in favor of the Graded Tax Plan is here briefly summarized:

First: It means actual and substantial savings for the great majority of the taxpayers, because their larger investment is in building. It is true that building owners, as well as land owners (as a rule) and must pay their land tax as well as their building tax. But it is the building tax that falls most heavily upon the majority of the taxpayers. Since the graded tax means a lower building rate, it means lower taxes for home owners and thousands of others who have improved their properties and have a greater building value than land value.

Second: The community-created land values justly bear a larger share of the cost of government under the Graded Tax. This, of course, means that owners of valuable vacant lots do pay more taxes, but as soon as buildings are erected on these sites, their average tax rate will be reduced, and in many cases they will themselves become tax-savers by putting their land to adequate use, as so many have done in the past 15 years. They are enabled to build without greatly increasing their taxes, which is more profitable to such owners than holding lots vacant and losing both interest and taxes. There will also be an increased demand for land for building purposes.

Third: By levying a lower tax rate on improvements, the Graded Tax Plan has undoubtedly stimulated building in Pittsburgh, and its extension will give further encouragement to those who improve their properties.

Fourth: With reduced taxes on homes and no scarcity of suitable housing facilities, rents will tend to a lower level without reducing the net income of the owners, and all tenants will, therefore, share to a considerable extent the savings in taxes on homes. A tendency in this direction is already apparent.

Fifth: Tax savings made by the great majority of the taxpayers, combined with increased employment at good wages in building and allied industries, have increased the general purchasing power. These same factors will bring about a much greater increase in purchasing power when the Graded Tax Plan has been extended as proposed.

Sixth: More activity in building and business generally will attract more population; and lower taxes on improvements of industrial plants, together with the opportunity to secure better homes at lower prices or lower rents for their employees, will attract new industries, thus greatly increasing the prestige and prosperity of Pittsburgh.

* * * *

Only Prospect for Tax Relief

Despite the savings achieved under the present graded tax law, taxes upon homes and other improved properties in Pittsburgh are still high in comparison with several other large American cities. This is largely due to the fact that the graded tax system now only applies to the raising of approximately one-half of the local revenues, being limited strictly to the revenue raised by the City government.

The only real prospect for further tax relief, with governmental activities and costs growing as they are, lies in the extension of the Graded Tax Plan as herein suggested.

* * * *

EXTENSION PROGRAM

Graded Tax for School Revenue

With the value and justice of the Graded Tax Plan so clearly demonstrated and so generally recognized, it is apparent that there is no logical reason why this plan should not be applied uniformly to the levying of all local taxes, instead of being limited, as at present, to City taxes.

The School tax falls more heavily upon owners of homes and other improved property than does the City tax, because it is still levied upon the old flat-rate plan; this means that buildings now bear about one-half of the School tax burden, while only about one-third of the City tax revenue is derived from building taxes. The School District of Pittsburgh is identical in territory embraced with the present City of Pittsburgh, and the School tax levy is based upon the City's assessed valuations; but separate legislation is re-

quired to apply the Graded Tax Plan to the School tax.

Therefore, as its first objective, the Pittsburgh Taxpayers' League will undertake to obtain legislation that will put the School tax upon the Graded Tax Plan. This will materially reduce the tax rate on buildings. The School tax rate for 1929 on both land and buildings is \$11.50 per \$1,000. To raise the same revenue this year under the Graded Tax the rates would be only \$7.55 per \$1,000 on buildings and \$15.10 per \$1,000 on land.

* * * *

Graded Tax for the County

Approximately two-thirds of the total County taxes are paid by Pittsburgh real estate owners. Therefore, if they are to receive the full benefits of the Graded Tax Plan, it is also necessary to apply that plan to the levying of County taxes.

This part of the extension program necessarily involves extending the territory over which the Graded Tax Plan would apply, for, under the State constitution and laws, the tax system for the County must be uniform. This step, therefore, would mean that the entire County, including the several Cities and the various Boroughs and Townships comprising the County of Allegheny, would receive the benefits of the Graded Tax Plan, insofar as County taxes are concerned. It would not, however, affect the levying of their local City, Borough or Township taxes, as any change in the basis of such local taxes would require separate legislation.

That the Graded Tax Plan would be of real benefit to the Boroughs and Townships, as well as to the Cities, is clearly indicated by the fact that some of the most important adjoining Boroughs, such as Carrick, Knoxville and Hays, have recently voted for annexation to Pittsburgh when it became evident that it would mean substantial reductions in taxes for the great majority of their taxpayers, and this movement is now extending into some of the Townships.

In every case where such annexation has occurred, the tax savings under the Graded Tax have been very apparent. The applica-

tion of the Graded Tax Plan to the whole County, either through the proposed Metropolitan City Plan, or through the present County government, would enable the residents of the outlying communities to realize at least a part of the benefits of the Graded Tax Plan without annexation. And if they choose, they may obtain the full benefits of the Graded Tax Plan by obtaining from the State Legislature authority to apply this progressive plan to the levying of local taxes in the respective Boroughs and Third-class Cities.

Similar good effects may be safely predicted for the suburban communities when the Graded Tax is extended to them, because home owners will pay lower taxes and improvement of land will be encouraged. There can be no essential difference between the operation of the Graded Tax Plan in Pittsburgh and its operation in any other community, but the suburban communities will, if anything, have an added advantage because lower taxes on buildings will aid in the development of all residential communities.

The County tax rate for 1929 on both land and buildings is \$7.38 per \$1,000. While exact totals of land and building valuations, separated, are not available for the County, estimates of these valuations indicate that under the Graded Tax the rates required to raise the same revenue would not exceed \$5.00 per \$1,000 on buildings and \$10.00 per \$1,000 on land, which would mean a considerable reduction in taxes paid by improved property owners.

* * * *

Further Extension in the City.

Since the City tax rate on improved properties is still a considerable burden upon the owners of homes and business buildings—although the rate has been lowered by the Graded Tax Plan—it is clearly apparent that much greater benefits would be obtained by an amendment to the present law that would further reduce the rate on buildings.

The Pittsburgh Taxpayers' League believes that the time is ripe for consideration of this proposal, and will favor such legislation.

PITTSBURGH TAXPAYERS' LEAGUE

Purposes

The Pittsburgh Taxpayers' League has been organized by responsible property owners and business men for the following purposes:

First: To secure the application of the principle of the Pittsburgh Graded Tax law to the levying of the School and County taxes.

Second: To secure the extension of the present Graded Tax law applying to the City of Pittsburgh so that taxes on homes and business buildings may be further reduced.

Third: To bring about the adoption of more equitable and scientific methods of valuing real estate for taxation purposes, in the interests of fairness to all taxpayers and in order that the Graded Tax Plan may function in such a manner as to obtain its full benefits.

Fourth: To advocate such measures as will promote economy and efficiency in government, but not curtail proper expenditures for desirable and wisely-planned public improvements or advisable extension of public service.

The accomplishment of these purposes can only be secured by legislative action, and to that end a strong and efficient organization must be formed with a wide membership and ample funds for organization, education and legislative work at Harrisburg.

The program of the Taxpayers' League already has the support of public-spirited citizens in all sections of the community, and many influential taxpayers have identified themselves with the new organization. Thousands of others will enlist in this movement when they realize the benefits of the Graded Tax Plan.

All persons interested in reducing the tax burden and promoting the prosperity of Pittsburgh are hereby invited to enroll as members and co-operate with the League in achieving its purposes.

Tax Savings Under the Graded Tax Plan
(IN CITY TAXES ONLY)

NAME	Old Plan Flat Rate	Graded Tax Total 1929	Tax Savings 1929
Office Buildings—			
Koppers Bldg.....	\$ 51,850.00	\$ 43,224.00	\$ 8,626.00
Grant Bldg.....	51,864.49	43,242.75	8,621.74
Clark Bldg.....	60,154.00	53,525.00	6,629.00
Law and Finance Bldg..	20,881.76	16,363.50	4,518.26
Plaza Bldg.....	18,034.80	15,230.00	2,804.80
Frick Bldg.....	70,608.00	62,906.00	7,702.00
Oliver Bldg.....	86,851.00	81,157.00	5,694.00
Frick Bldg. Annex.....	25,965.00	23,540.00	2,425.00
Union Bank Bldg.....	24,400.00	22,106.00	2,294.00
Felton Bldg.....	27,341.00	26,008.00	1,333.00
Bessemer Bldg.....	23,954.00	21,272.00	2,682.00
Westinghouse Bldg.....	14,805.00	13,231.00	1,574.00
Commonwealth Bldg.....	18,491.00	18,081.00	410.00
Keystone Bank Bldg.....	11,774.00	11,429.00	345.00
Carnegie Bldg.....	34,293.00	34,005.00	288.00
Keenan Bldg.....	13,611.00	13,410.00	201.00
Highland Bldg.....	9,403.00	7,373.00	2,030.00
Union Trust Bldg.....	110,450.00	109,205.00	1,245.00
Peoples Bank Bldg.....	17,248.00	17,070.00	178.00
Benedum-Trees Bldg.....	10,925.00	9,062.00	1,863.00
Federal Reserve Bldg.....	19,716.00	9,725.00	9,991.00
Century Bldg.....	4,845.00	4,500.00	345.00
Jones Law Bldg.....	8,654.00	8,012.00	642.00
Arrott Bldg.....	15,781.00	15,515.00	266.00
Manufacturers Bldg.....	13,148.00	11,050.00	2,098.00
Keystone Club Bldg.....	24,603.86	22,373.50	2,230.36
Hotels and Apartments—			
William Penn Hotel.....	121,153.50	108,162.00	12,991.50
Pittsburgher Hotel.....	18,927.80	15,530.00	3,397.80
Hotel Roosevelt.....	45,872.00	44,387.00	1,485.00
Webster Hall.....	22,975.00	16,547.00	5,528.00
Fairfax Hotel.....	18,545.00	13,076.00	5,469.00
Schenley Apts.....	47,518.15	36,208.75	11,309.40
Bellefield Apts.....	6,600.41	4,684.75	1,915.66
Raskin Apts.....	18,057.93	12,885.50	5,172.43
King Edward Apts.....	7,808.81	5,586.50	2,222.31
Belvidere Apts.....	2,086.01	1,557.25	528.76
Terrace Court Apts.....	5,020.56	3,696.00	1,414.56
Alder Court Apts.....	3,607.15	2,619.33	987.77
Wrightman Apts.....	1,332.85	941.25	391.60
Morrowfield Apts.....	15,074.22	10,459.50	4,614.72
Georgian Apts.....	4,365.25	3,243.75	1,121.50
Georgian Junior.....	1,368.00	988.00	380.00
Morewood Gardens.....	15,852.34	11,109.00	4,743.34
Cathedral Mansions.....	18,230.00	12,738.00	5,492.00
Frontenac Apts.....	4,864.00	3,463.00	1,401.00
Haddon Hall.....	3,595.00	2,605.00	990.00
Center Court Apts.....	4,669.00	2,939.00	1,689.00
Schenley Arms Apts.....	2,908.00	2,013.00	895.00
El Tower Apts.....	1,738.00	1,162.00	576.00
Loutellins Apts.....	5,149.00	3,650.00	1,499.00
Adrian Apts.....	2,197.00	1,641.00	556.00
Bayard Manor Apts.....	2,513.00	1,862.00	651.00
Saybrook Apts.....	4,938.00	3,685.00	1,253.00
Residences—			
Samuel Rattner.....	140.60	110.00	30.60
Michael J. Feeney.....	566.20	470.00	96.20
John Lauderbeck.....	34.20	26.25	7.95
Marke Papich.....	52.25	43.75	8.50
Margaret Arensburg.....	383.42	310.75	72.67
Rose V. Kraeling.....	551.00	443.75	107.25
Anna R. Miller.....	95.57	69.50	26.07
William B. Rodgers.....	92.15	70.00	22.15
Mary V. Lee.....	41.23	29.25	11.98
Charles Masur.....	118.75	85.00	33.75
Manufacturing Plants—			
Westinghouse Electric & Mfg. Co.....	11,864.93	9,454.25	2,410.68
Pittsburgh Equitable Meter Co.....	7,766.06	6,409.75	1,356.31
National Biscuit Co.....	21,960.20	18,220.00	3,740.20
Eatmore Chocolate Co.....	7,852.13	6,919.25	932.88
A. J. Logan & Co.....	4,010.52	3,529.50	481.02
Liberty Baking Co.....	6,839.05	5,498.75	1,340.30
Rieck - McJunkin Dairy Co.....	10,191.98	9,126.75	1,065.23
Armstrong Cork Co.....	14,987.20	12,932.50	2,054.70
D. L. Clark Co.....	7,560.48	6,085.50	1,474.98
Alfing & Cory Co.....	4,070.56	3,606.00	464.56

Note—Extension proposed will more than double savings shown above.

GRADED TAX GENERALLY APPROVED

Expressions From Local Organizations, Business Men, Public Officials and Newspapers.

Endorsed by Leading Organizations

The present Graded Tax law has been endorsed and defended by the Allied Boards of Trade of Allegheny County, the Pittsburgh Chamber of Commerce, Pittsburgh Civic Commission, Pittsburgh Real Estate Board, Civic Club of Allegheny County, and by various Labor Unions.

These endorsements by the leading civic, commercial and labor organizations constitute a most significant testimonial to the fact that the Graded Tax is generally accepted and approved.

* * * *

**Business Men Proclaim Benefits of the
Graded Tax Plan**

H. J. Heinz Co.:

"Popular with the taxpayers, encourages the improvement of vacant land—sound in principle and advantageous in operation."

Armstrong Cork Co.:

"It has been a distinct advantage, and we think the City has profited as well."

American Bridge Co.:

"It induces corporations to improve their manufacturing facilities and tends to the growth of industry."

Westinghouse Electric & Mfg. Co.:

"The Graded Tax on real estate has proved very satisfactory. It has a tendency to stabilize land values which, of course, is advantageous from the standpoint of taxation and from the standpoint of the real estate market."

National Fireproofing Co.:

"By reason of the very liberal municipal tax laws, manufacturing industries thrive and prosper."

Waverly Oil Works Co.:

"Pittsburgh manufacturers have a tremendous advantage over manufacturers in other states."

Joseph W. Marsh, President, Standard Underground Cable Co. (referring to exemption of machinery and to the graded tax law), says:

"This explains why Pennsylvania is practically the foremost industrial State in America."

Pittsburgh Building & Loan Association Officials say:

"Is approved by B. & L. investors."

"Reduces tax on houses."

"Encourages people to become home owners."

"Breaks up large land holdings."

"Hastens the improvement of land."

"Encourages homes for working people."

"Reduces tendency to land speculation."

Pittsburgh Realtors say:

"Certainly a good thing for Pittsburgh."

"Most rational system of taxation in the country."

* * * *

City Officials Endorse Graded Tax Plan

Hon. Daniel Winters, Member City Council:

"Pittsburgh adopted, fifteen years ago, the policy of stimulating the growth and development of the community by taxing improved real estate at a lower rate than that levied on unimproved land, and since that time this policy has been consistently adhered to."

"In my judgment, the Pittsburgh tax plan is the outstanding municipal tax system in this country, and has proven of decided benefit to our city. It has in no way lessened the public revenues; in fact, it is now possible to raise a greater amount of revenue with less burden on the average property owner."

"In distributing our tax burden, the graded tax law is helpful to the home owner of all classes, to business properties in small business sections throughout the city, and to business property in the 'Golden Triangle' that is improved in keeping with the land value."

"A large majority of the real estate owners of Pittsburgh pay lower taxes under the graded tax than they would have to pay under the old flat-rate system."

"Our manufacturing properties and large business establishments under our Pittsburgh plan receive great benefit by not having a personal property tax inflicted on them. The properties that are paying a greater amount

of taxes under the graded tax are, in many cases, located in districts where the annual increment exceeds any added tax that they may pay."

"It does not need an expert in taxation to readily see the benefit to the home owners and small business properties. Twenty-three wards out of the thirty have a greater building value than land value in each case, and the home owner is the greatest beneficiary of the Graded Tax system."

"Pittsburgh is prospering and the extensive building operations going on here are contributing materially to this prosperity. There is no evidence that the graded tax has had any harmful effect whatever. On the contrary, it is recognized as a benefit to the community and has the almost unanimous endorsement of the civic and commercial organizations, as well as the press, of the city. Such opposition as was manifested when the present tax system was first inaugurated, seems to have entirely subsided. The graded tax is generally accepted as sound, and, I believe, has come to stay."

* * * *

Hon. P. J. McArdle, Member of City Council:

"The graded tax law has, in my opinion, been of decided benefit to the City, and to home owners in particular, by furnishing an added impetus to the development of vacant land located within the city limits."

"The soaring cost of government since the war has resulted in such increased millage as to make taxes a greater factor than ever before in the carrying costs of unproductive land, and the result has been that holders of both large and small plots have been willing to make reasonable terms for the development of vacant property, especially for moderate-priced homes, which is the greatest need of every American city."

* * * *

Hon. Robert Garland, Chairman of Finance Committee, City Council, and former President of the Pittsburgh Chamber of Commerce:

"While there was some little agitation against the graded tax for the first year or two of its operation, in recent years the people generally—in fact, all of the taxpayers, appear to be satisfied with its working, and there has not been the slightest attempt of any kind to repeal same."

"Putting it in effect on the graded scale, as we did, worked no hardship, and I would say that the City has been benefited rather than otherwise through its operation, as there has been a tendency to erect larger and higher buildings on the valuable land in the downtown district. There has also been a marked tendency in the improvement of land which would otherwise have been held for speculation, and many tracts have been developed with residences in order to obtain the lower average tax which the system provides, thus affording the City increased revenues."

* * * *

Hon. W. Y. English, Member of City Council:

"I am very thankful that I have lived long enough to see the results and effects of Pittsburgh's Graded Tax law. As one of the original supporters of the law, it was hard to convert others because it was a new experiment in taxation. All arguments were theoretical because every opinion in favor, as well as in opposition, to the Graded Tax law were personal opinions—we had no records to guide us.

"Now, after years of experience, we are gratified to know that our views in support of the law have proven to be of great advantage to the City. It is particularly gratifying that even the early opponents are now satisfied, converted and convinced.

"The history of the City of Pittsburgh has proven that the Graded Tax law is one of the best taxation laws ever provided for any city."

* * * *

Hon. John S. Herron, Member of City Council:

"In my opinion, the Graded Tax Plan has proven of real benefit to the home owners and to the business men of Pittsburgh, and has assisted materially in the development of the city. It is obvious that reducing the tax on buildings and making commensurate increase in the tax on land values encourages building and tends to reduce speculation in land.

"The principle upon which the Pittsburgh Graded Tax system is based appeals to me as sound, and I believe that the people of Pittsburgh recognize and appreciate the benefits of a taxation policy which means lower taxes for the great majority of the taxpayers, and at the same time furnishes more employment by stimulating building. The fact that the value of new buildings, as indicated by build-

ing permits, has averaged close to \$40,000,000 annually during the past five years, is very significant in this connection."

* * * *

Hon. Robert J. Alderdice, Member of City Council:

"I think the Graded Tax idea is a good one. It favors new buildings, because the man who has vacant property is encouraged to improve it."

* * * *

Hon. Charles Anderson, Member of City Council:

"The Graded Tax law for Pittsburgh has proven to be of great benefit to a big majority of property owners. In former times people who made improvements on their land by erecting buildings complained that the City penalized them by increasing taxes. Now, the people who invest money in homes or other structures know that they are not penalized, but helped. The Graded Tax law encourages building, particularly small homes, and does not penalize any one.

"The law has proven to be a great success."

* * * *

Hon. Harry A. Little, Member City Council:

"The Graded Tax Plan, now in operation in Pittsburgh, appeals to me because it promotes the prosperity and progress of the community by encouraging building activities, as indicated by the fact that the total assessed building valuations have almost doubled since 1914, the year this plan first went into effect.

"It also enables the City to raise adequate revenues with less burden upon the home owners, whose improvements are, as a general rule, worth much more than their land.

"As most of our local revenues, City, School and County, are raised through taxation of real estate, and as the cost of government and of public improvements naturally increase with the growth of the city, it appears inevitable that taxes on real estate must be increased from time to time to meet the growing demands. The Graded Tax Plan seems to me to offer the best, if not the only, way in which the needed revenues can be raised without unduly burdening the owners of homes and other improved properties."

Hon. William A. Magee, Mayor of Pittsburgh,
1909-13; 1922-25.

"As a result of 15 years of legislation we have gradually relieved ourselves of an awkward tax situation, both unwise and unjust. I am principally interested in two things regarding taxation—the progress of the graded tax law and the problem of assessments for public works. Both concern the unearned increment, the profit of the land owner who becomes rich through the growth of the community without effort on his own part. I am frankly opposed to him.

"The law seems to invite opposition only from speculators in land, and no opposition has yet been advanced on any but theoretical grounds. The argument is one-sided and all in favor of the law."

* * * *

Hon. Thomas C. McMahon, Chief Assessor of Pittsburgh:

"The Pittsburgh tax plan has reduced taxes on the great majority of homes, but the benefits have not been confined to home owners. The commercial and industrial interests of the city are greatly benefited by the Pittsburgh plan. This is perhaps most strikingly illustrated when we contrast the complete exemption of all personal property and machinery from taxes under this plan, with the exceedingly heavy taxes levied on personal property of business concerns in other cities. If these concerns were located in Pittsburgh, none of their personal property would be taxed at all by the City.

"The law has a tendency to stabilize land value and discourage land speculation. Building of houses has been stimulated. For the year ending June, 1923, there were as many building permits issued by the City as were issued in any five-year period before the enactment of the graded tax law.

"The principle involved in this graded tax system is just; it is based on sound economics and it will do more to solve the housing problem and abolish slums than anything else."

* * * *

Percy R. Williams, Former Member of Pittsburgh Board of Assessors, 1922-26:

"The Pittsburgh Graded Tax Plan is, in my judgment, a very important and encouraging development in the field of taxation. That it has proven of material benefit to the community as a whole has been clearly indicated

by the testimony offered by many persons well qualified to judge, and my own observation confirms this judgment.

"Unlike most tax 'systems,' it has a sound economic basis. In adopting the policy of concentrating the principal burden of taxation upon land values, rather than upon improvements, the great City of Pittsburgh has given distinct recognition and approval to a vital principle, and this should pave the way for the further application of this principle.

"When the people of Pittsburgh fully appreciate how the community's welfare may be advanced by a truly scientific method of taxation, the Graded Tax Plan will be carried much further. When this has been done, we may expect a real demonstration of how the taxing power may be utilized, not merely to raise needed public revenues, but for the economic betterment of the entire community."

* * * *

PROMINENT PUBLIC MEN APPROVE

"The burden of taxation should be so shifted as to put the weight upon the unearned rise in the value of the land itself, rather than upon the improvements, the effect being to prevent the undue rise of rents."

PRESIDENT THEODORE ROOSEVELT,

Century Magazine, October, 1913.

"Pittsburgh has set the pace for all America in her tax system—reducing taxes on improvements and increasing taxes on land values. And this is the greatest single step any American city has taken in city building."

Hon. FREDERIC C. HOWE,

Former U. S. Commissioner of Immigration, New York.

"The substitution of a tax on land value for other taxes would represent an immense saving in our municipal tax departments."

Hon. LAWSON PURDY,

Former President, Department of Taxes and Assessments, New York City.

"Workingmen's houses will not pay a fair return on the investment unless tax exempt."

DARWIN R. JAMES,

Chairman, New York State Housing Board.

"I favor the gradual reduction, so far as possible, of taxes on the products of labor and taking instead the economic rent of bare land."

IRVING FISHER,

Professor of Economics, Yale University.

NEWSPAPER ENDORSEMENTS

Absurd Tax System Doomed

"The building up of enormous private fortunes at the expense of the community by holding land out of use until it becomes immensely valuable through the improvements erected on surrounding property is an evil witnessed in all cities. It is an abuse made possible, of course, only by the prevailing practice of taxing vacant land very low and buildings very high. This absurd system of fining men for committing improvements is doomed in all progressive countries, and there is no wide-awake American but is interested in the war that is being made upon it in our own country. * * * Hence a progressive law like Pittsburgh's, removing the tax burden from buildings, as far as practicable, and putting it increasingly on land, is certain to be opposed by a certain class of rich landlords and the extension of such legislation must be secured by virtue of enlightened public opinion demanding what is clearly in the interest of the average business man and of the public in general."

Pittsburgh Press Editorial, October 26, 1915.

* * * *

No Fine for Improving

Formerly land held vacant here was touched lightly by taxation, even as it was being greatly enhanced in value by the building around it, the builders being forced to pay the chief toll, almost as if being fined for adding to the wealth of the community. Now the builders in Pittsburgh are encouraged; improvements are taxed just half the rate levied upon vacant land. Building has increased accordingly. Also no personal property taxes are levied here for city purposes. Here is illustrated again how ideas once thought radical and impractical come gradually into general acceptance."

Pittsburgh Post Editorial, January 4, 1927.

* * * *

Growth of Building Values

H. S. Breitenstein, chief accountant of the City Controller's office, has drawn attention to a fact that is certain to add to the credit of Pittsburgh's already famous graded tax system by which buildings are levied on at only one-half the rate on land. When the graded tax law was put in operation here in 1914, the building valuation was not more than half

that on land. Mr. Breitenstein says that by next year the land valuation will probably be surpassed by that of buildings. In 1914 the city's land valuation was \$480,860,000 and that of buildings \$282,070,000. For 1928 the valuations are given as \$574,238,300 for land and \$535,849,140 for buildings.

No one contends that the graded tax law is the whole explanation of that. For years, in making up for the halt in normal construction during the World War, there has been building activity throughout the country. Nevertheless it comes back that those who put the graded tax law through the Legislature, promised definitely that it would stimulate building; that it was only a matter of common sense that favoring improvements as against land held in idleness would have that effect. Pittsburgh seems firmly to have adopted the plan, and this latest announcement will inevitably add to that hold.

Further, with an increase in building—with a greater valuation for distribution of the levy—the tax rate, if not reduced, may be kept from soaring. It tends to reduce the average rate.

The enthusiastic supporters of this Pittsburgh tax plan should start now arranging for the celebration when the building valuation passes that of land.

Pittsburgh Post-Gazette Editorial, Nov. 30, 1927.

* * * *

"A Long Step Ahead"

"The League of Pennsylvania Third-Class Cities having endorsed the Pittsburgh Graded Tax Plan, it is likely that this progressive piece of legislation will become an issue before the next Legislature. With the powerful backing of this very influential organization, it is more than likely that the Legislature will give it the serious attention it merits. It is a proposal of very much interest to cities like Harrisburg, suffering from the unfair advantage which vacant and under-developed land now enjoys over the property of home-owners and the owners of business buildings.

"It is significant that the resolution was introduced by Mayor Spencer M. DeGolier, of Bradford, and seconded by Mayor S. S. Horn, Easton, both of them students of assessment and taxation.

"As taxes become more and more a problem, municipal officials are beginning to give the question some of the attention its importance merits. That the Third-Class City

League was unanimous in its approval of the Pittsburgh Graded Tax Plan, indicates the serious study that must have been given it during the year since it was last before the convention."

Editorial, Harrisburg Telegraph, Sept. 21, 1928.

* * * *

"A Mark of Progress"

"The League of Third-Class Cities is to be congratulated on, and commended for, its endorsement of the Graded Tax Plan, and on pledging its influence in having the present law extended to other than cities of the second class.

"It was by unanimous vote that the endorsement was given. Action followed the presentation to the convention of the experience of Pittsburgh under the operations of the Graded Tax law.

"It should not be forgotten that Johnstown years ago took the lead in the effort to enlist cities of the third class in the Graded Tax movement."

Editorial, Johnstown Democrat, Sept. 22, 1928.

* * * *

"Ethically and Economically Sound"

"The new assessment plan has been in full effect in Pittsburgh since 1914, and now has the approval of practically the entire citizenry, newspapers, officials, big and little business men and home-owners.

"Under our present system the man who improves his property, builds a fine house or business block, thus helping his neighborhood and his community, is penalized with a higher tax. The man who holds a lot vacant, useless to the community, until he can sell it at a greatly increased price—increased by improvements on neighboring properties—is rewarded with a lower tax. That system is ethically and economically wrong.

"The Pittsburgh plan rewards the man who improves his property and so helps his community—penalizes the man who holds land vacant for speculation, reaping profits created by his more public-spirited neighbors. That plan is ethically and economically sound. It can be applied in Warren by supporting the effort being made to introduce the necessary laws at the next session of the State Legislature."

Editorial, Warren (Pa.) Evening Times, March 6, 1928.

TEXT OF PRESENT GRADED TAX LAW

Pennsylvania Laws of 1913, Page 209, No. 147, for Cities of the Second Class (Pittsburgh and Scranton).

Sec. 1. Be it enacted, etc.

Art. VI. Department of Assessors. They shall classify all real estate in the city in such a manner, and upon such testimony as may be adduced before them, so as to distinguish between buildings on land and the land exclusive of buildings, and to certify to the councils of said city the aggregate valuation of city property subject to taxation. It shall be the duty of said councils, in determining the rate for the years 1914 and 1915 to assess a tax upon the buildings equal to nine-tenths of the highest rate of tax required for said years; and for the years 1916, 1917 and 1918, to assess a tax upon the buildings equal to eight-tenths of the highest rate of tax required to be assessed for those years; and for the years 1919, 1920 and 1921, to assess a tax upon buildings equal to seven-tenths of the highest rate of tax required to be assessed for those years; and for the years 1922, 1923 and 1924, to assess a tax upon buildings equal to six-tenths of the highest rate of tax required to be assessed for those years; and for the year 1925 and for each year thereafter, to assess a tax upon buildings equal to five-tenths of the highest rate of tax required to be assessed for the year 1925; and for each year thereafter, respectively, so that upon the said classes of real estate of said city there shall, in every year, be two rates of taxation.

Approved May 15, 1913.