

SINGLE TAX ASSOCIATION OF CANADA
991 Bay Street
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To Members of the Ontario Legislature:

The Modern Trend in Untaxing Improvements

It should be of interest to legislators to know what has been done in other parts of the Empire towards solving the problems of real estate and we have pleasure in giving specific examples.

SYDNEY, N.S.W. population 1,200,000.

The Town Clerk under date of August 16, 1938, advised that Sydney first introduced the Unimproved Capital Land Value basis of taxation in 1908, and made it obligatory in 1916. He says:

"The adoption of this system by the Council had the effect of considerably increasing the rates payable in the centre sections of the city, where the land was most valuable, while in the residential sections or outer wards it had the reverse effect.

The Change to this system of rating caused a certain amount of business disturbance at the time, but it gradually quietened down and is giving general satisfaction and there does not appear to be any serious agitation for a return to the old system. The Unimproved Capital Value System of rating is found to be simple and effective in administration."

BRISBANE (Australia)

The State of Queensland was the first to institute land value taxation in 1902. The City of Brisbane levies general rates and also water and sewerage rates. The several rates are all levied on the unimproved land values. W. M. Ludwig, City Valuer, writes under date of Sept. 2, 1938.

"In practice the system of rating gives general satisfaction. It in no way stultifies building operations, because taxation does not increase in proportion to the height of the building, or in other words, its earning capacity. Again owners of unimproved land are forced to build. So far as public sentiment is concerned, very little opposition is raised against the Local Authorities taxing on this method, and as a matter of fact property owners favor the idea, because money raised in this way goes to develop and expand each particular city or town by providing modern amenities."

JOHANNESBURG, South Africa

The City Treasurer writes under date of July 21, 1938:

"In Johannesburg the Council rates solely on site values, and one of the most evident advantages of site value rating is that it tends to induce owners to erect better and larger buildings, since no greater assessment rate is involved, except in so far as the land value is increased by modern improvements. As a result of land being put to better use the demand for such land is increased, thereby increasing the valuation on which rates are based. An increasing rate income is necessary to meet additional expenditure falling upon the rates.....It is found in Johannesburg that two-thirds of the rate income is contributed by the central commercial area of the city. Assuming that this portion of the incidence of the rate is to a large extent shifted onto the citizens generally, and bearing in mind that only one-third is borne directly by the residential areas, it may be argued that the effect of site value in Johannesburg has definite social advantages."

LONDON, England

In July 1936 the following resolution was passed by the London County Council.

"That the Council is of opinion that the present rating system is inequitable in its incidence, that site value is a subject peculiarly suited to local taxation by reason of its arising from community influences including local expenditure, and that it is accordingly desirable that the present burden of local expenditure should be transferred either wholly or in part from rates to a rate on site value. That His Majesty's Government be informed of the opinion expressed in the foregoing resolution, and be urged to introduce legislation at an early date to empower local authorities to levy a rate on site value."

During the present session of Parliament, a Bill to implement the above was introduced but failed to carry. It is safe to say that, if a Labour administration had been in power the result would have been different.

UNITED STATES

The National Resources Committee appointed by President Roosevelt has some pertinent suggestions for our study. They are as follows:

"The unparalleled growth of cities has been accompanied by uncontrolled subdivision and speculative practices and by the most fantastic real estate booms which have meant dramatic profits to a few, but tragic personal losses to others and burdensome delinquent properties to the community; and this on a scale affecting the economic situation of the entire Nation.

The history of the recent industrial depression cannot be written without an account of the role of unsound financing and of speculation in real estate which at times became mere gambling.

"We are now faced with the problem of arriving at a rational urban land policy which, while affording private owners and developers adequate opportunity for wise and profitable land uses, will curb the forms of speculation that prove calamitous to the investing and tax-paying public."

"State and local authorities should consider the reduction of the rate of taxation on buildings and the corresponding increase of such rates on land, in order to lower the tax burden on home owners and the occupants of low-rent houses, and to stimulate rehabilitation of blighted areas and slums." From the recommendations of the Urbanism Committee of the above.

There is therefore a modern trend towards the untaxing of improvements, and the transference of municipal taxation to land values solely. Why not introduce this modern trend into our Ontario legislation?



Herbert T. Owens, Secretary.