

A Code of Law
for the
SINGLE TAX
Proposal of
HENRY GEORGE

Henry George, in "Progress and Poverty", made an inquiry into the cause of business depression and increase of want with increase of wealth.
He proved the *cause* to be private property in land.
He prescribed the *remedy*—give all men equal rights in land.
He outlined the *method*—take the yearly rent of land by taxation and abolish all other taxes.

THE PURPOSE OF THIS PAMPHLET

This pamphlet has been compiled for the benefit of those who would undertake to legislate Henry George's reform into law. Over two years research, including an exhaustive technical examination of the tax laws of New York State and the Federal Government, have been spent in its preparation. Frequent conferences have been held. A preliminary draft was submitted to more than one hundred prominent Henry George adherents. Many replied, with constructive suggestions, which are used in this completed work.

LEGISLATIVE COMMITTEE

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1-73

The New York State bills will serve as suggestive models for other states.

This code should be in the hands of every person who believes in the Philosophy of Henry George. Bills should be introduced in every legislative session, and fought for on non-partisan lines—not as a tax reform—but as a proposal to abolish unemployment and business depression.

The proposal of Henry George can be put into effect in one way only—through the legislative machinery; it must be written into our laws.

With this objective in view this code of law has been prepared.



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Two Constitutional Amendments State of New York

(1)

CONCURRENT RESOLUTION OF THE SENATE AND ASSEMBLY OF THE STATE OF NEW YORK

In the following proposed Amendment to the New York State Constitution, the words in brackets [] represent matter to be omitted from, and the words italicized represent new matter to be added to, the present Section 10 of Article 1 of the New York State Constitution:

(1)
(Amendment of
Section 10, Arti-
cle 1)

Proposing an amendment to Section 10 of Article 1 of the Constitution, in relation to ownership of lands; allodial tenures; escheats.

SECTION 1. Resolved, That Section 10 of Article 1 of the Constitution be amended to read as follows:

§10. Ownership of lands; allodial tenures, escheats.

The people of the state, in their right of sovereignty, possess the original and ultimate property in and to all lands within the jurisdiction of the state. All lands shall forever remain allodial¹ so that the entire and absolute [property] *title* is vested in the owners, according to the nature of their respective estates. *It is hereby declared that all land rent belongs to the people as a governmental asset, and it shall be the duty of the legislature to pass laws to collect the full annual value of all land exclusive of improvements, for governmental use.* All lands the title of which shall fail, from a defect of heirs, shall revert, or escheat to the people. *The term land shall be construed to comprise all natural resources inclusive of the surface of the earth, and all natural substances and powers on, in and over it, but exclusive of improvements thereto.*

SECTION 2. Resolved, That the foregoing amendment be submitted to the people for approval at the next general election in accordance with the provisions of the election law.

¹ "Allodial" is opposed to "feudal." The latter tenure required the rendering of services to an overlord, in return for the feudal estate granted. Allodial tenure is complete and absolute, free from such restrictions.

(2)

CONCURRENT RESOLUTION OF THE SENATE AND
ASSEMBLY OF THE STATE OF NEW YORK

(2)
(Repeal of Section
10, Article 8)

Proposing the repeal of Section 10 of Article 8 of the Constitution, in relation to limitations on amount to be raised by real estate taxes for local purposes; exceptions.

SECTION 1. Resolved, That Section 10 of Article 8 of the Constitution be repealed.²

SECTION 2. Resolved, That the foregoing repeal be submitted to the people for approval at the next general election in accordance with the provisions of the election law.

Enabling Legislation State of New York

To carry out the Constitutional Amendment, enabling legislation is of course required. To that end, an Administrative Bill is proposed, as follows:

To promote the general welfare, by taking the value of land and public franchises in taxation, and repealing taxes on the products of labor, industry, and agriculture.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

§1-Policy of state
& purpose of chapter.

SECTION 1. *Policy of state and purpose of chapter.* It is hereby declared that a serious public condition exists in this state affecting and threatening the welfare, comfort, and safety of the people of the state, resulting in abnormal disruption in industrial and agricultural processes, and the curtailment of incomes by unemployment and depression. To increase the wages of labor and the earnings of productive capital, abolish unemployment, and promote the free flow of goods, there must be a shifting of taxation from values created by the combination of labor and industry to the values created by the community. The raising of all our revenue from taxation upon the value of land and public franchises will remove the burdens upon production and industry, bear with greater equity upon all men, and fall upon those who receive from society a peculiar and valuable unearned benefit, and upon them approximately in proportion to the benefit they receive. The shift of the burden of taxation from production and exchange to the value of land and public franchises will tend to dispose the lands of the state to their best possible use, thereby enhanc-

² At present the State of New York has embodied in its Constitution, in Section 10 of Article 8, a 2% limitation on the amount of revenue to be raised by real estate taxes for local purposes. This section must of course be repealed, to give proper effect to this plan for land value taxation.

ing the general prosperity. With natural resources thus made free to labor, with capital and improvements exempt from state and local taxes, and industry released from restrictions, the wages of labor and the earnings of productive capital will be increased, and unemployment reduced or eliminated. Therefore, in the public interest, the necessity for legislative intervention by the enactment of the provisions hereinafter prescribed is hereby declared as a matter of legislative determination.

SECTION 2. *Assessment of land.* Beginning in the year next succeeding the passage of this act and thereafter, land shall be assessed at its full value as though unimproved and free from tax, and the taxing authorities of counties, cities, towns, villages and school districts shall annually fix such tax rates on the assessed valuations of land as to cause, as nearly as possible, the full annual gross value or rent of land to be taken by taxation.³

§2-Assessment of land.

SECTION 3. *Non-Assessment of improvements.* Beginning in the year next succeeding the passage of this act and thereafter, improvements on land shall not be assessed or taxed.

§3-Non - Assessment of improvements.

SECTION 4. *Assessment of intangible franchise rights.* Beginning in the year next succeeding the passage of this act, the State Tax Commission shall annually fix and determine the full and actual value of the intangible franchise right of each special franchise under the jurisdiction of the public service commission and of the transit commission as though free from tax and exclusive of the value of tangible property included in such special franchise. The commission shall also fix and determine the full value and annual value of the same and shall file a written statement of such full value and annual value with the clerk of the city, town, or village in which such special franchise is subject to assessment, as set forth in Section 45-c of Article 2 of the tax law. The taxing authority of each taxing district shall annually fix such tax rates on such full value of the intangible franchise right as to cause as nearly as possible the annual value of such intangible franchise right to be taken by taxation.

§4-Assessment of intangible franchise rights.

SECTION 5. *Equalization of assessment and apportionment of tax.* The State Tax Commission shall make such reasonable rules and regulations not inconsistent with law as may be necessary to require the local taxing authorities of the state to assess land at its full value as though unimproved and free from tax, and to collect the full annual value thereof. The local taxing authorities shall pay over annually to the State Tax Commission for the use of the state, in such manner and at such times within each year as may be prescribed by the State Tax Commission, one per cent (1%) of such full value of land and intangible franchise rights.

§5-Equalization of assessment & apportionment.

SECTION 6. *Repeal of taxes on industry and labor products.* In addition to the abolition of all taxes on improvements on land, as provided in

§6-Repeal of taxes on industry & labor products.

³ The method herein proposed seems for the present more practical, while no less effective, than the alternative method of directly collecting the annual gross economic rent as such, since it conforms more nearly to existing tax procedure.

LAND AND FREEDOM

Section 3, all other taxes on industry and labor products are to be abolished as hereinafter provided, to wit:

The following taxes shall be abolished and the laws providing for them repealed, to take effect on the last day of the second year following the passage of this act:

Tax on gasoline and similar motor fuel (article 12-a of tax law), tax on milk (article 19 of tax law), cigarette tax (article 20 of tax law), taxes on alcoholic beverages (article 18 of tax law), excise taxes on business transactions, occupancy, tickets of admission to places of public exhibits, patent medicine, tobacco, vending machines, possession of telephone connections and all other excise taxes and taxes on sales of merchandise whether under a state law or under any local law.

The following taxes shall be abolished and the laws providing for them repealed, to take effect on the last day of the third year following the passage of this act:

Tax on mortgages (article 11 of tax law), tax on transfers of stock and other corporate certificates (article 12 of tax law), corporation tax (article 9 of tax law), franchise tax on state banks, trust companies and financial corporations (article 9-b of tax law), tax on national banking associations (article 9-c of tax law).

Taxes upon personal incomes (article 16 of tax law), and taxes on inheritances (articles 10, 10-a and 10-b of tax law) shall be progressively reduced until eventually abolished and the laws providing for them repealed whenever the revenue from the tax on land and intangible franchise value is found sufficient to meet all budgetary requirements.

§7-Construction.

SECTION 7. *Construction.* This chapter shall be construed liberally to effectuate the purposes hereof, and the enumeration of specific powers in this chapter shall not operate to restrict the meaning of any general grant of power contained in this chapter or to exclude other powers comprehended in such general grant.

§8-Separability clause.

SECTION 8. *Separability clause.* If any clause, sentence, paragraph, section or part of this chapter shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

§9-Saving clause.

SECTION 9. *Saving clause.* The provisions of this chapter shall not affect or impair any contract or remedy, or any act done or any right accruing, accrued or acquired, taxes, tax obligations, or exemptions from taxation, the validity of or rights as to taxes collected or proceeds thereof or the validity as to any acts done or rights or exemptions accruing, accrued, or acquired under any tax laws, general, local or special, or any penalty, forfeiture or punishment under or by virtue of the laws in existence prior to the time when this chapter or any section thereof takes effect, but the same may be asserted, enforced, prosecuted or inflicted.

SECTION 10. *Repeal of inconsistent laws.* All general or special laws or provisions thereof inconsistent with this act or with any part thereof, are hereby repealed. §10-Repeal of inconsistent laws.

SECTION 11. This law shall take effect immediately.

Explanation of Land Value Tax Law

As the title of the bill points out, the primary purpose is to eliminate business depressions and end unemployment and restore to all men equal rights to the use of the earth. To accomplish this the bill amends the present tax law by repealing taxes on the products of labor, industry and agriculture, and substituting one tax upon the value of land and public franchises.

The annual value of any piece of land exclusive of improvements, usually called "ground rent," is directly due to the presence and activities of population and to the manner and amount of public expenditures. It therefore constitutes the natural source of revenue for government and should be exhausted before resorting to taxation of the products of labor, industry and agriculture.

Relieving improvements from taxation would result in a tremendous stimulus to construction both in the number and character of buildings.

The abolition of sales and other taxes would increase purchasing power, stimulate trade, increase employment, and provide a wider market for the products of agriculture and industry.

ASSESSMENT OF LAND AT FULL VALUE

Assessment of land at full value "as though unimproved and free from tax" is explained by the economic law that the "selling price" or "market value" of land is its net rent (after taxation) capitalized at the current interest rate. For example:

Assessment of land at full value.

A plot of land has a gross annual rent of \$1000.

No tax, \$1000 net rent capitalized at 5% gives a market value of \$20,000.

\$500 tax, \$500 net rent capitalized at 5% gives a market value of \$10,000.

\$1000 tax, \$No net rent capitalized at 5% gives a market value of \$ 0.

The gross annual rent of land, however, is not reduced by taxation: it tends to increase as prosperity rises, causing greater demand for land.

Full economic or annual gross rent capitalized, and not market value, is made the base of assessment value on which the tax rate is calculated.

EXPLANATION OF INTANGIBLE SPECIAL FRANCHISE VALUE LAW

The present utilities law (sub. 6, sec. 2, tax law) defines a special franchise as including the value of tangible property. The courts have held that the value of the naked franchise, or the intangible franchise right, may be determined by deducting the value of tangible property from the total value of the special franchise.

Explanation of franchise value law.

"The net earnings rule contemplates a valuation upon the basis of the net earnings of the corporation which are attribut-

able to its enjoyment of the special franchise. The method is thus applied: (1) ascertain the gross earnings; (2) deduct a fair and reasonable return on that portion of the capital which is invested in tangible property. The resulting balance gives the earnings attributable to the special franchise. If this balance be capitalized at a fair rate we have the value of the special franchise." (*People v. State Board of Tax Com'rs.* (1909) 196 N. Y. 39, 89 N. E. 581, affirming 128 App. Div. 13, 112 N. Y. S. 392. To the same effect, see *People ex rel, Central Hudson Gas, etc. Co. v. State Tax Commission.* (1926) 218 App. Div. 44, 217 N. Y. S. 707, affirmed on this point (1928) 247 N. Y. 281, 160 N. E. 371.)

REPEAL OF TAXES ON INDUSTRY AND LABOR

Repeal of other taxes.

Repeal of taxes on industry and labor products is staggered over several years. It will take a year or more to make necessary adjustments. The bill divides the taxes to be repealed into four classes. First, taxes on improvements, to be repealed at the beginning of the first year after the law takes effect; second, consumption taxes, like sales taxes, at the end of the second year; third, taxes on industry generally, such as business corporation franchise taxes, at the end of the third year; fourth, income taxes and inheritance taxes which are direct taxes are to be progressively reduced and repealed as soon as feasible.

ALLOCATION OF TAXES

Allocation of taxes.

It is proposed that the collection of the tax shall be made by local taxing authorities, who shall remit one per cent (1%) of the full value of land and intangible franchise right to the federal government, one per cent (1%) to the state government, leaving the balance, approximately three per cent (3%), for local use.⁴

LICENSE FEES

License fees.

There are many so-called license fees which are really taxes in disguise, that is, for automobile registration plate taxes, liquor dealers' licenses, etc. This subject must be handled separately. The correct rule should be that the State Tax Commission should determine the cost of regulating any profession or trade for which a license is required and the license fee should be based on the cost of regulating the profession or trade. This bill does not touch the social security and unemployment insurance taxes. If it is desired to repeal these laws separate bills should be drawn.

DEBT LIMIT

Debt limit.

This plan does not provide for the repeal of Article 8 Section 4 (New York State Constitution) relating to the present 10% debt limitation. It is believed this will become a dead letter, because when the entire rent of land is collected for public use, the necessity for public debt will disappear for all normal requirements.

⁴ See Federal Plan on page 9 et seq.

Constitutional Amendment United States of America

JOINT RESOLUTION

Proposing amendment to the Constitution of the United States.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each house concurring therein), that the following amendment to the Constitution of the United States, when ratified by three-fourths of the several states, shall be valid to all intents and purposes as part of the Constitution, to wit:

The Congress shall have power to levy and collect taxes on the value of any and all land in and on the value of any and all intangible franchise rights throughout the United States, or any place subject to their jurisdiction, without apportionment among the several states, and without regard to any census or enumeration.

Enabling Legislation United States of America

AN ACT to provide revenue for the government of the United States and to promote the general welfare by taking the value of land and intangible public franchise rights in taxation and repealing taxes on the products of labor, industry and agriculture.

BE IT ENACTED by the Senate and House of Representatives of the United States of America in Congress assembled as follows:

SECTION 1. Beginning in the year next succeeding the passage of this act and thereafter there shall be assessed and paid annually into the Treasury of the United States for the use of the government one per centum of the full value of all land and intangible public franchise rights within the United States and any place subject to their jurisdiction.

§1-

SECTION 2. *Definition of land.* The term land shall comprise all natural resources, inclusive of the surface of the earth and all natural substances and powers on, in or over it but exclusive of improvements.

§2-Definition of land.

SECTION 3. *Federal Board of Equalization.* There is hereby established a federal board of equalization consisting of three (3) members appointed by the president by and with the advice and consent of the Senate, one of whom shall be designated by the president as chairman of the Board. In the event of a vacancy in the chairmanship of the board the president shall designate a successor or other member of the board as chairman. The members first appointed shall hold office for two, four and six years respectively from January first of the year in which they were appointed. Their successors shall be appointed for full terms of

§3-Federal Board of Equalization.

six years from the expiration of the terms of their predecessors in office. If a vacancy shall occur otherwise than by expiration of term it shall be filled by appointment for the unexpired term. No more than one member shall be appointed from any state. Each member shall devote his entire time to the duties of his office. Any member may, after written notice containing specification of charge and full public opportunity to be heard, be removed by the president for neglect of duty or misfeasance in office, and a member may be removed for other cause by the Senate on recommendation of the president. The chairman of the board shall receive an annual salary of Twenty-five thousand dollars and each of the other members shall receive an annual salary of Twenty thousand dollars.

§4-Powers and duties of Board.

SECTION 4. *Powers and Duties of Board.* The federal board of equalization shall make such reasonable rules and regulations not inconsistent with law as may be necessary to require the land in each local taxing district in the United States to be assessed at its full value as though unimproved and free from tax, and each intangible franchise right to be assessed at its full and actual value as though free from tax and exclusive of the value of tangible property included in such special franchise.

§5 -

SECTION 5. The amount of one per cent (1%) of the land value and of intangible franchise rights shall be collected by the local taxing authorities in each taxing district in the United States and remitted to the Treasury of the United States in such manner and at such times within each year as may be prescribed by the Treasury Department.

§6 - Abolition of taxes-first year.

SECTION 6. The following taxes upon products and processes of labor, industry and agriculture are hereby abolished and the laws relating to them repealed at the end of the first year following the passage of this act:

- a. AGRICULTURAL ADJUSTMENT ACT. (Act of 1938, Pub. No. 430, 75th Congress) Taxes and penalties on wheat, corn, cotton, rice and tobacco.
- b. PROCESSING TAX ON CERTAIN OILS. (Section 602½, Revenue Act of 1934).
- c. OLEOMARGARINE. (Sections 2300-2314 of Internal Revenue Code).
- d. BITUMINOUS COAL. (Sections 3520-3528 of Internal Revenue Code).
- e. PISTOLS AND REVOLVERS. (Sec. 2700 (a) of Internal Revenue Code).

§7 - Abolition of taxes-second year.

SECTION 7. The following taxes shall be abolished and the laws relating to them repealed at the end of the second year following the passage of this act:

- a. SUGAR. (Act of 1937, Sections 3490-3508 of Internal Revenue Code).
- b. ADMISSIONS, DUES, INITIATIONS. (Sections 1700-1704, 1710-1712 of Internal Revenue Code).
- c. SALES TAXES, AUTOMOBILE, GASOLINE, INNER TUBES, etc. (Sections 3403, 3440-3445, 3400, 3407, 3412, 3409, 3413, 3401, 3404, 3405, 1650 of Internal Revenue Code).
- d. STAMP TAXES, STOCKS, BONDS, DEEDS, etc. (Sections 1800, 1801, 1902a & b, 3481-3483, 1806, 1809-1822, 1835-1839, 1807, 1809-1838, 1804, 1805 of Internal Revenue Code).

SECTION 8. The following taxes shall be abolished and the laws relating to them repealed at the end of the third year following the passage of this act:

§8 - Abolition of taxes-third year.

- a. CAPITAL STOCK TAX. (Under Section 1200 of Internal Revenue Code).
- b. DECLARED VALUE EXCESS PROFITS TAX. (Sections 600-604 of Internal Revenue Code).
- c. UNJUST ENRICHMENT OR WINDFALL TAX. (Chapter 2, Subchapter D of Internal Revenue Code).
- d. EXCESS PROFITS ON ARMY CONTRACTS, AIRCRAFT. (Vinson Act) (Section 14 of Act of April 3, 1939).
- e. EXCESS PROFITS ON NAVY CONTRACTS. (Act of June 25, 1936, 49 Stat. 1926, 34 U. S. C. Sup. IV, 496).
- f. NATIONAL FIREARMS ACT. (Sections 2720-2733 of Internal Revenue Code).
- g. TOBACCO STAMP TAX. (Sections 2000-2181 of Internal Revenue Code).
- h. ALCOHOLIC BEVERAGE OCCUPATIONAL TAX. (Sections 2800-3181, 3250-3255 of Internal Revenue Code).
- i. EXCISE TAXES ON FACILITIES, TELEPHONES, TELEGRAMS, etc. (Sections 3465-3474 of Internal Revenue Code).

SECTION 9. All import duties shall be abolished and all the laws relating thereto shall be repealed at the end of the fourth year following the passage of this act.

§9 - Abolition of import duties.

SECTION 10. The following taxes shall be progressively reduced until eventually abolished and the laws providing for them repealed whenever the revenue from the taxes on land and intangible franchise values is found sufficient to meet all budgetary requirements:

§10 - Income and inheritance taxes.

- a. INCOME TAXES, PERSONAL AND CORPORATION. (Act of 1940).
- b. TAX ON TRANSFERS TO AVOID INCOME TAX. (Section 1250 of Internal Revenue Code).
- c. ESTATE TAX, INHERITANCES. (Sections 800-938 of Internal Revenue Code).
- d. GIFT TAX, UPON TRANSFERS OF PROPERTY BY GIFT, etc. (Sections 1000-1031 of Internal Revenue Code).

SECTION 11. This act shall take effect immediately.

Local Administrative Bills

Local acts, to conform to the Federal and State laws heretofore proposed, can readily be framed after a study of existing local statutes. Therefore, no model for a local administrative bill is included in this Legislative Framework. The American Association for Scientific Taxation will gladly cooperate with any person or group who wishes to draw up such a local bill.

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