

A CODE of LAW for the "Single-Tax" Proposal of Henry George

HENRY GEORGE LEGISLATIVE COMMITTEE

15 Park Row, New York City

Room 803

Walter Fairchild, Chairman

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 monopoly of

land.

He prescribed the *remedy*—give all men their equal rights to land.

He outlined the *method*—"to abolish all taxation save that on land-values."

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:

"ARTICLE —

All persons shall have equal rights to use the earth and to enjoy the product of their labor thereon. To secure these rights, Congress shall have power to levy taxes upon land-values, to remove taxes on buildings and improvements, to provide for the collection of taxes on land-values in cooperation with local government authorities and to apportion the revenue derived from such taxes among local, State and Federal governmental units."

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 removing taxes on improvements.

BE IT ENACTED by the Senate and House of Representatives of the United 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.

SECTION 2. *Definition of Land.* The term 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 buildings and improvements.

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 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

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year in which they were appointed. Their successors shall be appointed for full terms of 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.

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.

SECTION 5. The amount of (1%) percent 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.

SECTION 6. This act shall take effect immediately.

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:

Proposing an amendment to Section 10 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 allodial 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 value 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.

(2)

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

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.¹

SECTION 2. Resolved, That the foregoing repeal be submitted to the people for ap-

¹ 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.

proval 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 removing taxes on buildings and improvements.

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

SECTION 1. Assessment of land and franchise rights. Beginning in the year next succeeding the passage of this act and thereafter all land and intangible public franchise rights shall be assessed and taxed at full value.

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 buildings and improvements.

SECTION 3. The full value of land and of all intangible public franchise rights shall be determined by capitalizing the full annual value thereof as though unimproved and free from tax.

SECTION 4. Rate of tax. The local taxing authorities in each taxing district in the State shall collect annually in such manner and at such times within each year as may be prescribed by the State Tax Commission, the amount of five (5%) percent of such full value of land and of intangible franchise rights.

SECTION 5. Non-Assessment of improvements. Beginning in the year next succeeding the passage of this act and thereafter, buildings and improvements on land shall not be assessed or taxed.

SECTION 6. 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 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.

SECTION 7. 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 and intangible franchise rights at full value as though unimproved and free from tax, and to collect five (5%) percent of 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 (1%) percent of such full value of land and intangible franchise rights.

SECTION 8. The local taxing authorities shall pay over annually to the treasury of the United States for the use of the federal government in such manner and at such times within each year as may be prescribed by the Treasury Department one (1%) percent of such full value of land and intangible franchise rights.

SECTION 9. The remaining three (3%) percent of such value of land and all tangible franchise rights shall be retained and used by the local taxing authorities.

SECTION 10. This law shall take effect immediately.

Explanation of Land Value Tax Law

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:

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 rent capitalized at 5% gives a market value of zero.

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 value, 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:

"The net earnings rule contemplates a valuation upon the basis of the net

earnings of the corporation which are attributable 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).

ALLOCATION OF TAXES

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

While in Australia in 1890, Henry George was asked: "Are you in favor of the progressive land tax?"

Mr. George answered: "I am, of course, in favor of progressively increasing the tax on land-values until it is made as near as possible to reach the full annual value of land; but I am not in favor of taxing large owners of land more than small owners. I would tax all land alike on its unimproved value."

On another occasion while still in Australia, Mr. George said, "People constantly talk to us as though we were proposing some great revolution; as though we were going to institute the single tax tomorrow morning before breakfast. I, for one, would like to do so. I only regret that it can't be done. But this is not the way of the world. All large reforms have to be accomplished a step at a time."

When the single-tax principle is to be applied there arises the question of mortgages. What should be done concerning them? Henry George gave the answer to the question at a meeting in Tremont Temple, Boston, Mass., in March, 1889. Mr. George was asked, "What will you do with mortgages on land?" The reply was,

"I should think that the mortgagor and mortgagee ought to be treated on any sudden change which would affect the value of land as joint owners of the land, as they essentially are."

Louis F. Post was asked much the same question and answered as follows: "Mortgages are modified deeds, and mortgagees are land-owners conditionally and in degree. I would make no adjustment, but would warn mortgagees to adjust their interests as they see fit when they make their mortgages, just as I would warn buyers and sellers of land to guard their correlative interests between themselves by their contracts. Full notice has been given that as soon as possible and as fast as possible we propose inducing the people to bring about a condition in which land-values will be taken for public use and improvement-values be left for private use. Persons who in face of this notice neglect to protect themselves in their contracts have no one else to blame if, when the change comes, they suffer pecuniary loss in the readjustment."