

Suppose the building should burn down, what would be lost? Merely its construction cost. The community values of streets, schools, fire department, water, and all besides would be shown in the high price which the site would bring.

If land is the only form of property which receives value from municipal expenditures, should not that bear the main brunt of taxation? In most other cities it does. But here in Baltimore buildings and personal property are taxed the heaviest.

If we would relieve these of their present heavy burdens we would stimulate business and building activity, so that land or real estate values would increase and easily bear a larger share of taxes.

The exemption of manufacturers increased land values here.

The exemption of merchandise will do likewise.

For data and further information along these lines address the

**MARYLAND TAX REFORM
ASSOCIATION**
701 GAITHER BUILDING
BALTIMORE, MD.



What

IS

Taxation?

COMPLIMENTS OF THE
**MARYLAND TAX REFORM
ASSOCIATION**
701 GAITHER BUILDING
BALTIMORE, MD.

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WHAT IS TAXATION?

There is probably no subject which is more talked about and less understood than taxation. Yet it is really a simple matter. What is taxation? Nothing more or less than **payment** for the **services** of government. The community performs certain common services for its citizens and collects the funds for these services by levying taxes.

How should these taxes be levied? Should it be according to ability to pay? Or according to value received? How do we pay for anything else we buy? Why according to **VALUE RECEIVED**, of course. The millionaire and the scrub-woman pay the same prices for everything they buy, from yeast cakes to houses, provided they are of the same quality. The Western World, at least, has long since discarded the "ability to pay" theory in merchandising and has settled fast by the doctrine of "one price to all," according to value received.

It is commonly supposed that the same principle applies to our method of levying taxes, but a little reflection will show that it does not. We assess all forms of property with the idea that all receive the benefits of government alike. But do they? Let us see.

Baltimore spent some twenty millions building an up-to-date sewerage system a few years ago. For the cost

and maintenance of this system, she taxes real estate and merchandise alike.

Now merchandise is not properly related to taxation. The building of sewers, the paving and lighting of streets, does not add one cent to the value of merchandise. **IT IS NEVER WORTH MORE THAN IT WOULD COST TO REPLACE.** Even police and fire protection does not increase its value. In rural communities where neither is present merchandise costs as much as it does in the great centres of population.

On the other hand real estate is directly enhanced in value by the building of sewers, by smooth streets and by every wise municipal expenditure. When we say "real estate," however, we mean land. Buildings are labor products like merchandise. **THE VALUE OF A BUILDING IS WHAT IT WOULD COST TO REPLACE.** No more. As was said of merchandise, even an up-to-date fire department never adds one cent to the worth of a building; but, by making the town a safer and more desirable place to live in, adds to the value of land.

The building is only worth its replacement value, sometimes not that much, **BUT NEVER ANY MORE.** The increased value which the fire department and all other municipal activities give to a town attaches to the site which the building stands on, and to other sites as well.