

# **TAXATION: A PROBLEM**

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Taxation: a problem by Roger F. Sturgis

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**ROGER F. STURGIS**

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A PROBLEM**



# TAXATION---A PROBLEM

BY  
ROGER F. STURGIS

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*Committee on Economics*

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## TAXATION--A PROBLEM.

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Questions of state and local taxation; questions of how revenue shall be raised to pay state and municipal expenses, are of great importance. There is a country-wide cry for tax reform but no two persons agree upon what the reforms shall be. If I were to undertake to review the different forms of taxation now in force in the United States I should perforce go far beyond the limits of this paper and the same would be true of an attempt to state at length a system of state and local taxation. If within the limits of this paper I succeed in setting forth a few of the glaring faults of some of the present systems and in stating some remedies that may appeal to the business world I shall be satisfied.

### PARTIES IN TAXATION.

We have first the economists and in this class are the college professors who regard taxation as a science to be governed by fixed rules and if a working system permits any inequality they condemn it as vicious. Stamp taxes are as a rule declared to be bad economically and are condemned. It is now the fashion to cry down the general property tax. The economists are no more in agreement as to remedies than the rest of the world. Some are single taxers; some believe in the taxation of incomes; some advocate a habitation tax, recommended by the Massachusetts Commission on Taxation of 1897; one believes in a United States graded inheritance tax, while another thinks that the states alone should impose this tax. Business and professional taxation; taxation of intangible securities, like stocks and bonds, at a lower rate than other property and many other plans have enthusiastic supporters.

We have next a class who would probably designate themselves as practical tax men. These are the state tax commissioners, the local assessors and those members of legislatures who are looked upon by their colleagues as experts on taxation. In this class we find the ablest, most liberal minded men on the one hand and the most prejudiced, shortsighted men on the other. I know of no better examples of the good element than the members of the Department of Taxes and Assessments of New York City. The good element realize that the tax laws should not be administered so as to wring the last cent out of the taxpayer but equitably and that the taxpayer should be fully informed of

his rights. If a law seems inequitable they use their influence to have it changed. The individual may have his hobby, like every other tax man, but he realizes that what is wanted is a stable, workable system that will produce the necessary revenue and seeks to administer the law as he finds it. The majority of the local assessors of the Massachusetts type are to be classed with the good element; men who dealing with impossible laws have endeavored to distribute the tax burdens equally among the community. I shall have more to say of these men when I come to the working of the general property tax. But there are a large number whose first thought is to enforce existing laws to the letter, not always commendable in taxation; to take every possible advantage of the taxpayer and if the latter overlooks or is ignorant of his rights, greatly rejoice and urge before legislative committees additional tax laws, seeking to get more and more revenue without the least regard for the welfare of the community.

We then come to the taxpayers who very naturally look upon the assessors and collectors as enemies. The typical individual thinks that any taxation that happens to come home to him is a species of robbery, resents bitterly any relief given to another and chuckles over a law that gives him the advantage. It is astonishing to find how ignorant the average man is of the statutes under which he is taxed. A new statute is proposed and the man on the street is told that under it he will have to pay less taxes. It may be bad on principle; it may carry in its train great future dangers; never mind, if it lessens his taxes it must be good and those who oppose its passage are denounced. Circulate a petition among the manufacturers of a state to amend the constitution with an alleged intent to relieve machinery from taxation and they will sign almost to a man and with only one thought; it must be good because it may benefit me.

Lastly we have the great class who do not pay any direct taxes, other than a poll tax (and seldom even that), who must have schools, parks and playgrounds, and expect their more fortunate friends to pay for them. They know nothing and care nothing about taxation but are important as a class in that their votes elect many members of our legislatures and city councils who do not as a rule pay taxes to any material amount.

#### THE GENERAL PROPERTY TAX.

For years in the United States the common practice has been for the municipality or county to tax its residents upon their real and personal property, paying the state a proportion of the amount collected.

Real estate presents very little difficulty. It cannot escape taxation and as taxation should be based upon protection and other services rendered by the government, it is of course most

fitting that real estate should bear its full burden of local taxation. It is interesting, however, to note inequalities in real estate taxation.

According to the last United States Census our own Suffolk County has the proud distinction of being the only county in the United States taxing real estate upon a valuation of 100%. New York goes as high as 98%, while the average tax valuation in Pennsylvania is 58%. Illinois and other states in the middle West, presumably to meet undervaluation in certain cases, have enacted laws providing that the tax shall be assessed upon a fixed percentage of the real value. Illinois in 1898 went as low as 20%, the State Board of Equalization preparing two lists headed "Full Value" and "Assessed Value." The tax rate under this plan may have looked too high to the legislators in 1909, for they then raised the percentage from one-fifth to one-third. It is conceivable that more revenue was wanted and it would be well for advocates of the three-mill tax to keep this legislation in mind. This Illinois plan must cause unsettlement of values and is indefensible. Let honest assessors value land and buildings fairly and conservatively and there will be no trouble about the real property tax.

A word here about the single taxers and the unearned increment. The average man on the street with his money in his business or invested in securities calls himself a single taxer by which he means that in his opinion real estate should bear the whole burden of taxation because he doesn't own any and he firmly believes that he is now paying the maximum rent for his store, house or apartment. The real single taxers are followers of Henry George and believe that all land belongs to the people as a whole and that while the individual is entitled to the income from his improvements, he should pay to the city or town a fair rent for the land. The result of course would be that no one could afford to hold unimproved lands and, moreover, the improvements would have to keep pace with the increase in the value of the land. Financial panics have been caused by overbuilding of cities as well as railroads. Many ways of determining and taxing the unearned increment have been suggested and pages have been written on the subject but no writer or speaker has yet kept his feet upon the ground long enough to state a practical workable plan.

The old fashioned tax upon the land at a fair valuation still remains the best and simplest form of taxation.

Personal property, tangible and intangible, presents great difficulties and it is the consensus of expert opinion that the general property tax as applied to personal property as administered is a failure. The New Jersey Tax Commissioner in his report for 1907 says: *"It is now literally true in New Jersey as in other states that the only ones who pay honest taxes on personal*