Land Value Taxation and the Farmer

How the Taxation of Land Values Would Affect Canadian Agriculture

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In a previous article Mr. Good showed how our system of tariff taxation affects Canadian agriculture. In this article he examines the effects of substituting for it a direct tax on land values. Because the figures are more accessible he confines his investigations mainly to Ontario.

The census of 1911 estimates the value of Ontario farm lands as $612,000,000, and that of Ontario farm buildings as $314,000,000. Municipal bulletin No. 10 gives the 1915 assessment in Ontario townships as $687,000,000 compared with an assessment of $669,000,000 in 1913. The latter figures indicate a slight increase in the value of farm property, probably due in part to the general rise in prices. Therefore, we may assume that a value of 612 plus 314, or $926,000,000 in 1911 has averaged about 1,000 millions (one billion dollars) during the last few years. The essential accuracy of this estimate is confirmed by the following considerations. In 1912 the Dominion Grange sent out a circular letter of inquiry to Ontario rural municipalities asking them how near the assessed values came to the actual values. Replies were received from 128 townships, showing an average assessment of 73 per cent. of actual values. With a rural assessment of $687,000,000 in 1915 the actual value of the property assessed was therefore approximately one billion dollars, as already otherwise determined.

The proportion between "land" and "buildings" will not be appreciably different now from what it was in 1911, viz., two-thirds land and one-third buildings. We may therefore conclude that the present value of Ontario farm lands is about $660,000,000. But this is not the "land value" of Ontario farm lands. Improved farm land is cleared, fenced and drained, and such improvements are identical in their nature with buildings and should logically be so assessed. While no figures are available, I doubt if the value of unimproved land is more than half that of improved. Let us be on the safe side, however, and assume that the "land value" of Ontario farm lands is $400,000,000.

Land Values in Towns and Cities

The assessment for municipal purposes in Ontario towns, villages and cities in 1915 was $1,287,000,000, somewhat less than half of which is that for "land." The total assessment is also much less than the selling value. In 1912 an investigation into the sales of 458 pieces of property in Toronto revealed the fact that the selling value was on the average about 60 per cent. above the assessed value. Assuming that this proportion holds good throughout Ontario urban municipalities, the value of taxable urban property was, in 1915, a round two billion dollars, nearly or quite half of which is due to "land values."

Now it is different with urban lands from what it is with farm lands, in respect to clearing, fencing and draining. City lands are valuable for building sites and for practically no other purposes. Therefore the same deduction does not have to be made in the case of urban lands as must be made in the case of farm lands. We may therefore put the "land values" of Ontario urban municipalities as a round billion dollars (1,000 millions).

Value of Franchises

But we must add to these values, already partly taxed for municipal purposes, the value of various public franchises (steam and electric railways, light, gas, power, telephone and telegraph companies); the value of mineral rights and lands, which are enormous in Ontario; and, further, the value of timber limits, water privileges, quarries, etc. No reliable estimates of such "land values" are available. I shall, however, make the following provisional estimates.

The capitalization of Canadian steam railways in 1914 was approximately $1,500,000,000, about one-third the capitalization of agriculture in 1911. Dividing this railway capitalization on the basis of mileage, Ontario claims $570,000,000 of it. What proportion of this is the value of the franchise? We have allowed that the "land value" of Ontario farm lands is over one-quarter of the total value of assessed farm property. Railway franchises are surely as valuable as agricultural, to say nothing of the various subsidies and grants which Canadian railways have had. We shall therefore allow $150,000,000 "land value" to Ontario steam railways.

The capitalization of electric railways is about one-tenth that of Canadian steam railways. On this basis we must allow $15,000,000 "land value" to Ontario electric railways. I have not been able to secure information concerning light, gas, power, telegraph and telephone companies, but feel safe in placing the value of all such public franchises (including railways) in Ontario at $250,000,000.

Mineral Rights and Lands

The value of mineral rights and lands is very difficult to estimate. The provincial treasurer, in his budget speech, included in his statement of assets some $75,000,000 for mining lands, etc. What proportion of the discovered mineral resources are now in private hands I have been unable to ascertain, but there is evidently a very large percentage. Judging from the estimates recently made in the press that 80 per cent. of the public resources of British Columbia have been alienated, and from common knowledge of the value and present ownership of part of Ontario's rich mineral deposits, it would be conservative to place the value of Ontario mineral lands at $200,000,000.

Total Land Values

The provincial treasurer estimates the timber resources of the province at about $350,000,000. I presume that a large proportion of this is still in the possession of the crown and therefore not now taxable. We should be safe, however, in assuming a taxable timber value of at least $100,000,000. Add to this a further $50,000,000 for quarries, water privileges, etc., and the situation stands thus:

Farm lands	$ 400,000,000
City and town lands	1,000,000,000
Public franchises	250,000,000
Mineral rights and lands	200,000,000
Timber limits, water privileges	150,000,000
Total "land value"	$2,000,000,000

Now it was shown in the previous article, already mentioned, that the total tariff tax amounted to about $150 per annum per rural family during 1910-1914, one-quarter of which (about $40) went into the federal treasury. In 1911 there were, in Ontario, 226,000 farm occupiers. There cannot be appreciably more at present. Assuming the same number, the farmers of Ontario have been contributing $20,000,000 per annum to the federal treasury through customs duties, and about $60,000,000 to the tariff beneficiaries. Out of a total customs revenue of $92,000,000 the whole of Ontario has certainly contributed less than $40,000,000. However, let us assume this to be Ontario's share, and let us find out how much of it the Ontario farmers would pay if a direct tax on "land values" were substituted for the indirect tariff tax. The proportion of total "land values" which is allotted to farm lands is one-fifth (see table). Therefore under this system Ontario farmers would pay one-fifth of $40,000,000, or $8,000,000. The situation therefore stands thus:

(1) Under the direct tax on "land values" Ontario farmers pay $8,000,000, all of which goes into the federal treasury, whereas

(2) Under the indirect tariff tax Ontario farmers pay $80,000,000, of which $60,000,000 goes into the pockets of tariff beneficiaries.

We perceive therefore the tremendous relief which would be given to Canadian agriculture by such a change in our system of taxation and we discover further that theoretical considerations are confirmed by an examination of existing conditions.

The Question of Sufficient Revenue

Next we must answer the question: Will a direct tax on "land values" give sufficient revenue?

Ontario "land values" already sub-