

PROBLEM 12.

As a matter of sound financial policy, a city for several years based its tax levies upon that part of the city which was "inside property" and ignored the subdivisions as a revenue producing entity. As for example, if the city required \$1,000,000, and the total assessment was 50 millions, of which the subdivisions were assessed for 10 millions, it levied 25 mills on the dollar instead of 20 mills on the total assessment. At the end of 1919 it found the books showed a liability to the schools of \$250,000 in excess of their demands. Discuss the situation in view of the fact that, were the city in a position to finance application for tax sale titles the subdivisions would become city property.

The crux of this question is in the last sentence. Theoretically, the school taxes on the subdivisions are paid by reason of the fact that when the city purchased the same at tax sale, it became responsible to the schools for the amount collected in respect of school taxes. On the other hand, although not directly required to do so, cities never treat school taxes as an indirect liability, paying over taxes as collected, but treat the schools' demands as an integral part of the general levy. In the present case, however, the increased levy should, whether it does in fact or not, automatically increase the liability of the city to the schools.

Let us suppose that of the \$1,000,000 actually required, \$300,000 is for the schools. By reason of the fact that \$1,250,000 was levied, \$375,000 is the equity of the schools in the tax levy, hence the excess of \$250,000 accumulated during the years this method of levying has been in vogue.

Title of these subdivisions cannot be obtained until the Registrar of Land Titles is assured by means of a certificate to be given by the Secretary of the School Boards, that the schools have been paid their equity in the lands affected.

On the other hand, the School Boards, being fully seized of the situation, may decide that the city is not morally, if legally, indebted to them in the sum of \$250,000, as their demands have annually been met in full.