

TAXATION IN THE
URBAN MUNICIPALITIES OF
SASKATCHEWAN

113633

A REPORT

TO THE

GOVERNMENT OF THE PROVINCE OF SASKATCHEWAN

BY

ROBERT MURRAY HAIG, Ph.D.

Assistant Professor of Economics, Columbia University



REGINA:
J. W. REID, King's Printer
1917

THE UNIVERSITY OF CHICAGO
LIBRARY



HONOURABLE
Minister
I

SIR,—
I take
the Urban
disclosed
the past s
readjustm

Column
i

LETTER OF TRANSMISSION

HONOURABLE GEORGE LANGLEY,
Minister of Municipal Affairs,
Parliament Building,
Regina, Saskatchewan.

SIR,—

I take pleasure in submitting herewith a report on "Taxation in the Urban Municipalities of Saskatchewan" which sets forth the conditions disclosed by the survey of the incidence of taxation, undertaken during the past summer at your request, together with my suggestions for a readjustment.

Very truly yours,

ROBERT MURRAY HAIG.

Columbia University,
in the City of New York,
November 5, 1917.

[This
the summer
Langley, M
extended th
May 7, 19
the incident
It was expl
the opinion
"desirable

After
in the pro
period he
information
Moose Jaw
the towns o
Grey and
invited the
villages to
letters rais
of municip

The ge
the provin
tions for n
of the two
municipali
and the co
visited var
representat
hearings w
opportunity
information
gator met in
at length so
Finally, an
the East con
measures.

The in
the course o
provincial o
of whom co
his indebted
at all stages
R. A. Selig
the investig
confidence.

PREFACE

This report presents the results of an investigation undertaken during the summer of 1917 in response to an invitation from the Honourable George Langley, Minister of Municipal Affairs of the Province of Saskatchewan, extended through a letter signed by Deputy Minister J. N. Bayne and dated May 7, 1917. The letter requested "a general survey and investigation of the incidence of taxation in the urban municipalities of Saskatchewan." It was explained that a committee of prominent city residents had "expressed the opinion that a change in the methods of taxation which exist" was "desirable in order that the burden may be more equitably spread."

After some preliminary study of documentary material, the writer arrived in the province on July 23 and remained until August 28. During that period he visited the following municipalities for the purpose of gathering information bearing upon the problem: the cities of Regina, Saskatoon, Moose Jaw, Prince Albert, North Battleford, Swift Current and Weyburn; the towns of Watrous, Battleford, Scott and Melville and the villages of Earl Grey and Waldron. In a letter dated July 28 Deputy Minister Bayne invited the clerks of all cities and towns and the secretary treasurers of all villages to submit representations on the question of taxation. In response, letters raising interesting points were received from a considerable number of municipalities not personally visited by the investigator.

The general plan followed in the investigation was first to secure from the provincial officials their criticisms of the existing system and their suggestions for modification. Next the investigator conferred with representatives of the two committees organised to consider the problem of taxation in the municipalities of the province, viz.: the Provincial Committee on Taxation and the committee of the Union of Saskatchewan Municipalities. He then visited various municipalities, conferring with public officials and with representative citizens. At the suggestion of the local authorities public hearings were held in Moose Jaw, North Battleford and Saskatoon at which opportunity was given to any one who desired to state his views or to give information. After further conferences with provincial officials, the investigator met in Regina on August 28 the members of both committees to discuss at length some of the questions upon which there were differences of opinion. Finally, an extended conference was held with Deputy Minister Bayne in the East concerning the desirability and practicability of certain of the proposed measures.

The investigator desires to record his appreciation of the aid given in the course of his work by the members of the two committees, by the various provincial and municipal officials and by the citizens of the province—all of whom co-operated in a most helpful manner. Especially does he realise his indebtedness to Deputy Minister Bayne whose assistance was invaluable at all stages of the investigation. Finally, thanks are due to Professor Edwin R. A. Seligman, whose counsel, so generously given, makes it possible for the investigator to present the plan of readjustment with a high degree of confidence.

The Crit
The Sug
Mun
The Rep

T
The Deve
Assesmen
Asses
Levic
Rate

Collection
Diffic
Rease

The Finan
The Equit

Miscellane
Appea
The A
The F
The F

The Distri
P
The P
Local
Autom
Fines
The S

A PLAN
The Solutio
Relief to L
Policy
Compi
The A
The In
The R
The R

TABLE OF CONTENTS

	PAGE
INTRODUCTORY	
The Criticisms of the Provincial Committee on Taxation.....	9
The Suggestions of the Committee of the Union of Saskatchewan Municipalities.....	10
The Report of Commissioner C. J. Yorath.....	11
PART ONE	
THE OPERATION OF THE PRESENT SYSTEM OF TAXATION	
The Development of the Present System.....	13
Assessments, Levies and Rates.....	16
Assessments.....	16
Levies.....	16
Rates.....	22
Collections.....	24
Difficulties of Collection.....	24
Reasons for Collection Difficulties.....	28
The Financial Adequacy of the Present System.....	31
The Equity of the Present System.....	33
Miscellaneous Criticisms of the Present Tax System.....	35
Appeals from Assessments.....	35
The Arrears of Taxes Act.....	36
The Poll Tax.....	37
The Business Tax.....	37
The Distribution of the Tax Burden between Urban and Rural Muni- cipalities.....	38
The Patriotic Tax.....	39
Local Licenses.....	39
Automobile Licenses.....	40
Fines.....	46
The Support of High Schools.....	40
PART TWO	
A PLAN FOR READJUSTING THE TAX SYSTEMS OF THE MUNICIPALITIES	
The Solution a Temporary Supplement to the Land Tax.....	42
Relief to Land Owners.....	43
Policy in Relation to Lands Acquired through Tax Sales.....	43
Compromises for Unpaid Taxes.....	43
The Arrears of Taxes Act.....	44
The Insurance of Fair Assessments.....	44
The Reduction of Present Rates.....	44
The Reduction of Present Assessments.....	44

CONTENTS

	PAGE
Methods of Increasing Revenues	45
The Taxation of Improvements	45
The Business Tax	46
The Income Tax	47
Poll Taxes	47
The Rentals Tax	47
The Increment Tax	47
Miscellaneous Changes	47
A Provincial Tax Commission	47
The Patriotic Tax	48

LIST OF STATISTICAL TABLES.

Table I. Distribution of the Tax Burden among the Elements in the Tax Base, Cities of Saskatchewan, 1917.....	15
Table II. Assessed Values in the Cities of Saskatchewan, 1912-1917.....	18
Table III. Total Taxes Levied by the Cities of Saskatchewan, 1912-1917.....	22
Table IV. Tax Rates in the Cities of Saskatchewan, 1912-1917.....	24
Table V. Amount of Current Year's Levies going into Arrears, Cities of Saskatchewan, 1912-1916.....	25
Table VI. Correlation between Success in Collecting Taxes Promptly and Dependence upon Land Values.....	27
Table VII. Accumulated Arrears, Taxes carried to Sale, Amounts Purchased by Cities and Amounts now held by Cities.....	27

LIST OF GRAPHS.

Graph I. Distribution of the Tax Burden among the Elements of the Tax Base, Cities of Saskatchewan, 1917.....	14
Graph II. Variation in the Size of the Tax Base, Cities of Saskatchewan, 1912-1917.....	17
Graph III. Assessed Value of Land, Cities of Saskatchewan, 1912-1917.....	20
Graph IV. Taxes Levied by the Cities of Saskatchewan, 1912-1917.....	21
Graph V. Tax Rates in the Cities of Saskatchewan, 1912-1917.....	23
Graph VI. Percentage of Current Tax Levies Collected Promptly Compared with Percentage going into Arrears, Cities of Saskatchewan, 1912-1916.....	26
Graph VII. A Comparison of the 1917 Tax Levies with the Total Accumulated Arrears on January 1, 1917, Cities of Saskatchewan.....	29

In th
and of ar
from seve
scope, ha
was unde

THE C

The f
tion, appe
in respons
a committ
This comm
once that
addressed
in the prov
and invit
which wou
of this coi
governmen
in the urba

The n
ratepayers
the present
of the prin
unable to
in the coi
unanimous
radical alte
"That
almost enti
this commi
and suggest
use for levy
tax or tax
rental value
Genera
for the pur

F
There is a
which include
tion, police fo
It has ap
has been to d
raised are obta
great hardship
of obtaining r
distribution of

PAGE

..... 45
 45
 46
 47
 47
 47
 47
 47
 48

ments in 15
 12-1917 18
 a, 1912- 22
 917..... 24
 s, Cities 25
 promptly 27
 ats Pur- 27
 y Cities

ments of 14
 Saskat- 17
 y, 1912- 20
 20
 12-1917 21
 1917... 23
 promptly 26
 Arrears, 26
 e Total 29
 ities of

INTRODUCTORY

In the task of gaining an understanding of the nature of the problem and of arriving at a satisfactory solution, valuable assistance was available from several directions. Two special committees, province-wide in their scope, had been created to consider the question and a local investigation was under way in the city of Saskatoon.

THE CRITICISMS OF THE PROVINCIAL COMMITTEE ON TAXATION.

The first of the two committees, the Provincial Committee on Taxation, appears to have found its origin in Moose Jaw where the city council, in response to a petition from a group of dissatisfied ratepayers, appointed a committee of twenty citizens to consider the entire question of taxation. This committee organised itself early in January, 1917, and, appreciating at once that the problem was one which was common to all of the cities, addressed a letter (dated January 12) to each of the other six cities in the province setting forth the need for alterations in the revenue system and inviting the appointment of representatives to a provincial committee which would present the situation to the authorities. The representations of this committee are said to have been of influence in persuading the government of the province to undertake this investigation of taxation in the urban municipalities.

The membership of this committee, made up as it was partly of ratepayers who felt that they were unjustly discriminated against by the present system and partly of public administrators, acutely conscious of the primary necessity of meeting pressing fiscal obligations, found itself unable to agree on many important points. A resolution passed early in the course of the committee's deliberations, however, recorded a unanimous belief that the existing system was unjust and recommended radical alterations. It reads:

"That whereas at the present time the burden of taxation is borne almost entirely by one class of citizens, namely the owners of real estate, this committee considers it desirable to broaden the basis of taxation and suggests that particular consideration be given to the method now in use for levying income tax, and also to taxing by means of a householder's tax or tax levied on occupants of premises in proportion to their assessed rental value."

General assent was also given to a statement of grievances framed for the purpose of submission to the investigator. This reads as follows:

Provincial Committee on Taxation.

Problems of Taxation in the Cities of Saskatchewan.

There is a budget to be raised each year to cover all expenditures for local purposes which include expenditures for schools and collegiate as well as all civic administration, police force, lighting, sanitary sewers, fire brigade, etc.

It has appeared that the easiest way in the past of levying the amount required has been to do so on real estate, with the result that about 95 per cent. of all taxes raised are obtained in this manner. It is felt that this has been unfair and has caused a great hardship on a certain section of the community, and that there are other methods of obtaining revenue which should be adopted which would make a more equitable distribution of the burden of taxation.

Some of the conditions prevailing under our present system are as follows:

- (1) The value for assessment is arrived at not on the basis of the net rental value as is in the case in some other parts of the world (adopted as a result of long experience), but the assessment is reached in another manner. A tax of (say) 2½ per cent. on such assessed value, together with special frontage taxes, may sometimes be a tax of 5 or 6 per cent. or more per annum on the actual value, and the taxes thus become a charge on the property out of all proportion to—sometimes in excess of—the revenue obtained from the property.
- (2) The burden on the owners of property is so heavy that many are ceasing to pay their taxes, and the properties have been sold by the cities for arrears of taxes standing against them, subject to certain provisions for redemption. When title absolutely passes to the tax-sale purchaser (a condition likely to prevail in many instances in the ensuing year) for an amount equal to (say) 10 per cent. of the assessment, the market may be flooded with property at a price representing a very small part of the original assessed value. This means (a) a reduction of real-estate prices generally, causing loss to those who still hold property; (b) a shattering of the present basis upon which the cities raise their revenues; (c) the final expropriation or confiscation of the equity of the original owners of the properties sold for taxes.
- (3) The income tax (so-called) as now imposed is almost impracticable and very misleading. Even such as it is, it cannot be imposed on professional or business men who pay a tax on floor space.
- (4) The poll tax bears no adequate proportion to the total amount of taxes raised and to the individual portion borne by the average ratepayer assessed on real estate.
- (5) There is no opportunity under The City Act to take an appeal against an assessment into a court of law.
- (6) The children of parents living outside the city and making no contribution to the taxes are educated in the city schools and collegiate at the cost of the city taxpayers.

THE SUGGESTIONS OF THE COMMITTEE OF THE UNION OF SASKATCHEWAN MUNICIPALITIES.

The second committee was one appointed by the executive of the Union of Saskatchewan Municipalities officially to represent that body. Therefore instead of being interested only in the city problems, it concerned itself with those of the towns and villages as well, and being more homogeneous than the first committee, it had less difficulty in agreeing upon definite recommendations. On August 2 this committee met at the Parliament Building and transmitted the following suggestions:¹

Summary of Suggestions of the Committee of the Union of Saskatchewan Municipalities.

I. The present distribution of the tax burden for provincial purposes is apparently inequitable as between the urban municipalities and the rural regions. As illustrations of this, there may be cited:

(a) *The Patriotic Tax.*—In operation this tax not only bears unevenly upon the various municipalities (those which tax improvements at a higher rate, for example, being called upon for a larger contribution) but it also applies inequitably as between the urban and the rural municipalities (for the rural municipalities tax land only while the urban municipalities usually have a broader tax base).

(b) *Licenses.*—The provincial government imposes license fees upon automobiles, picture shows, auctioneers, etc., returning a portion of automobile licenses to the rural municipalities and none to the cities. It is a question as to whether the contribution in that way to the expenses of the government which comes from urban centres is not disproportionate to the revenues received from the rural communities.

(c) *Support of High Schools.*—High schools and collegiate institutes are supported by the urban municipalities with the aid of government grants. In many cases a very substantial portion of the enrolment comes from the rural regions which make no direct financial contribution to the cost of the schools. The committee recommends that the financial support of schools of this grade be assumed entirely by the provincial government.

¹ The suggestions were made orally, this summary being compiled from the notes of the stenographer.

II. The need of a
(a) T revenue w
convinced
to take ca
should be
(b) T and villag
cent. of fu
(c) T an effort
noted in
be applica
foot assess
(d) N centres.
fificant in r
(e) Tl to cover th
(f) It of taxatio
tax even u
(g) In local gover
tainty and
(h) A for the pur
(i) Tl certificates
(j) In affected by
no control
be evolved
under the c

Whil
City Con
of that ci
the city.
Saskator
in the sy
policy of
had "pro
it was "h
mendation
(1) Th
per cent. ar
(2) Th
of their fair
(3) Th
tion be mac
city to broa
in vogue in
Commission
(4) Th
to The City
not exceedi
price of all
to be raised
account as

¹ Report
² *Ibid.*, p

II. The methods of raising revenue in the urban municipalities stand in urgent need of alteration.

(a) The present system of depending on land values as the principal source of revenue was until recently not felt to be particularly onerous, but the committee is convinced that under the conditions which now exist unimproved property is unable to take care of the taxes which are imposed. Some other provision for raising revenues should be made.

(b) The tax on improvements should be made uniform in all the cities, towns and villages throughout the province and the committee suggests that about 50 per cent. of full value would be the proper basis for their assessment.

(c) The business tax, as at present administered, is not entirely satisfactory and an effort should be made to improve it. A tendency to restrict expansion has been noted in some places. A schedule should be fixed by the government which would be applicable uniformly throughout the province. The schedule should fix the square-foot assessment at not more than eight dollars in the highest classifications.

(d) No attempt is made to apply the present income tax law except in the larger centres. Where applied it has been found to be difficult of administration and insignificant in respect to yield.

(e) The committee recommends the extension of the special assessment principle to cover the expenses of specific services, such as scavenging and sewer service.

(f) It is suggested that the public utilities be made to bear a portion of the burden of taxation. This might be accomplished by levying a charge in the form of a franchise tax even upon the municipally-owned utilities.

(g) In the case of discontent with assessments no appeal from the decision of the local government board to a court of law is desirable. The necessity of having certainty and definiteness in the assessment roll outweighs all other considerations.

(h) Authority should be granted the municipalities to issue long-term debentures for the purpose of financing uncollected taxes.

(i) The cost of obtaining title to lands acquired through purchases of tax sale certificates is unduly great.

(j) Inasmuch as the financial problem of the urban municipalities is profoundly affected by the problem of taxation for schools (the general municipal officials having no control over the financing of the schools), it is suggested that some plan might well be evolved which would place the business management of the schools at least partly under the control of the municipal councils.

THE REPORT OF COMMISSIONER C. J. YORATH.

While this investigation was under way (August, 1917), C. J. Yorath, City Commissioner of Saskatoon, submitted to the mayor and aldermen of that city a *Special Report upon Assessment and Taxation* (published by the city, 23 pp.), in which was set forth a description of conditions in Saskatoon and the recommendations of the commissioner for changes in the system of taxation. It contained a spirited indictment of the policy of exempting buildings from taxation, contending that this system had "proven to be the most difficult method of raising revenue" and that it was "largely responsible for enormous arrears of taxes."¹ The recommendations were as follows:²

(1) That the present assessment of land values be reduced by an average of 25 per cent. and the city assessor be instructed accordingly.

(2) That the assessed value of improvements be increased from 25 to 40 per cent. of their fair actual value.

(3) That the present business license fees and business tax be abolished and application be made to the Provincial Legislature to amend The City Act so as to enable the city to broaden the basis of taxation by imposing an income tax based on the system in vogue in the State of Wisconsin, and the system recommended by the Winnipeg Commission.

(4) That application be made to the Provincial Legislature for an amendment to The City Act which will enable the city to impose an unearned increment tax, not exceeding 25 per cent. of the enhanced value, or difference in buying and selling price of all real estate bought or sold after the first day of January, 1918. The fund to be raised by this tax to be used as a reserve for financing the city's current or capital account as it deems best.

¹ Report, p. 3.

² *Ibid*, p. 17.

From the foregoing documents as well as from conversations with various individuals it was made clear that there was widespread dissatisfaction in the province with the existing tax system. This dissatisfaction was expressed both by the taxpayers who felt that the burden was inequitably distributed and intolerably heavy under the present law, and by the city administrators who were convinced that the system was inadequate to meet the financial demands of the situation. It was also evident that there were fundamental differences of opinion concerning the nature of the changes which were desirable. There were those who felt that no change should be made in the direction of lessening the taxes on real estate, while the realty owners insisted that their present burden was overwhelming. The administrators contended that no further appeal from assessments should be provided aggrieved property owners, while the owners insisted that they be protected against over-assessment by an appeal to a court of law. These groups again joined issue on the question of the enforcement of tax collections, the owners asserting that a milder policy was imperative, while the administrators declared that to modify the present policy would be suicidal. These are but a few examples of the direct clash of opinion which existed on many points.

The task of the investigator therefore was to gather information which would aid in deciding both whether the complaints concerning the present system were well grounded and also what form the proposed readjustment should take. Part I of this report deals with the first question, viz.: with the shortcomings of the present system, while Part II attempts the formulation of a programme, the adoption of which, it is believed, will best meet the situation.

THE C

The
of Sask
It has
between
being er
full val
towns a
ago whe
still furt
were pe
improve
of this
Legislat
of reduc
restrict
one year
in the p
ments w
of full v

Mc
Re
No
We

In :
and inco
franchise
a small r
ownershi
presence
because
in financ

The
tax base
are givel
cities of
amount
ments ac
in gener
1917. L
(78 per c

¹ The

² The

³ In 11
reduced th

⁴ The

⁵ The

⁶ Inclu

⁷ Cour

PART ONE

THE OPERATION OF THE PRESENT SYSTEM OF TAXATION.

THE DEVELOPMENT OF THE PRESENT SYSTEM.

The peculiar characteristic of taxation in the urban municipalities of Saskatchewan is the dependence placed upon special land taxes. It has always been the practice in this province to differentiate between land and buildings when assessing for tax purposes, the land being entered on the rolls at full value and the improvements at less than full value, 60 per cent. being the normal figure fixed by law for cities, towns and villages. However, provision was made a number of years ago whereby municipalities could reduce the assessment of improvements still further. Villages, by petition of two-thirds of the resident electors were permitted to levy their taxes on land values alone, exclusive of improvements.¹ In 1916, of the 304 villages, 81 had taken advantage of this provision and were operating on the "single-tax" basis. At the Legislative Session of 1910-11, towns and cities were granted the privilege of reducing the assessment of improvements below 60 per cent., being restricted, however, to a reduction of not more than 15 per cent. in any one year.² A substantial number of towns³ and all of the seven cities in the province have taken action under this section. In 1917 improvements were assessed in the various cities at the following percentages of full value:

	Percentage assessed			Percentage assessed
Moose Jaw	45		Saskatoon	25
Regina	30		Prince Albert	15
North Battleford	30		Swift Current	15
Weyburn	30			

In addition to taxes on real estate, villages tax personal property and incomes⁴ and towns and cities tax businesses, incomes and special franchises.⁵ Businesses are taxed on the floor space basis but yield only a small revenue. Special franchises, because of the prevalence of municipal ownership, are almost nonexistent. Taxes on incomes, largely through the presence of the peculiar practice of permitting deductions from income because of property subject to assessment, play only an insignificant rôle in financing the municipalities.

The degree of dependence placed upon the various elements in the tax base in the seven cities is set forth in Graph I and the detailed figures are given in Table I. It appears that taxes were levied⁶ in the seven cities of Saskatchewan in 1917 to the amount of \$3,890,273, and of this amount \$3,356,507, or 86 per cent., was levied on land alone.⁷ Improvements accounted for \$419,675, or 11 per cent. additional, so that realty in general comprised 97 per cent. of the total tax base in the cities in 1917. Land alone bore the smallest share of the burden in Moose Jaw (78 per cent.) and the largest share in Swift Current (96 per cent.).

¹ The Village Act, sec. 199.

² The Town Act, sec. 371; An Act respecting Cities, sec. 387.

³ In 1914 thirteen towns out of fifty-five from which reports were available had reduced the assessment of buildings below 60 per cent.

⁴ The Village Act, sec. 197.

⁵ The Town Act, sec. 369; An Act respecting Cities, sec. 385.

⁶ Including special assessments.

⁷ Counting special assessments as taxes on land.



ASSESSMENTS OF THE DISTRICT OF SASKATOON FOR THE YEAR 1916

	Regina	Saskatoon	Moose Jaw	Prince Albert	North Battleford	Swift Current	Weyburn
Levies:							
Total, including frontage taxes.....	\$1,210,273	\$919,499	\$824,322	\$359,744	\$181,179	\$227,520	\$167,736
Frontage taxes.....	188,385	128,094	71,048	53,289	17,466	8,999	11,970(d)
Total, excluding frontage taxes.....	\$1,021,888	\$791,405	\$753,274	\$306,455	\$163,713	\$218,521	\$155,766
Land.....	818,532	703,559	573,242	284,390	150,616	209,989	136,918
Improvements.....	128,758	78,349	161,954	17,468	13,097	8,522	11,527
Business.....	67,445	7,123(c)	14,312(c)	4,597	Nil(b)	Nil(e)	7,321
Income.....	7,153	2,374	3,766	Nil	Nil	Nil	Nil
Percentage of total levies:							
Frontage taxes.....	15.5%	14.0%	8.6%	14.7%	9.6%	3.9%	7.2%
Land.....	67.6	76.5	69.6	79.2	83.2	92.3	81.7
Improvements.....	10.7	8.5	19.7	4.8	7.2	3.8	6.8
Business.....	5.6	.8	1.7(c)	1.3	Nil	Nil(e)	4.3
Income.....	.6	.2	.4	Nil	Nil	Nil	Nil
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net assessments:							
Land.....	\$34,802,890	\$22,243,800(a)	\$20,039,660	\$12,054,528	\$6,299,734	\$8,574,051	\$6,370,207
Improvements.....	5,428,060	3,567,475(a)	5,656,450	743,963	552,868	345,185	532,360
Business.....	2,881,180	312,919(c)	485,335(c)	193,993	Uncompleted	Nil(e)	342,363
Income.....	320,130	166,845	145,725	Nil	Nil	Nil	Nil
Total.....	\$43,432,260	\$36,290,839	\$26,327,170	\$12,992,484	\$6,852,602	\$8,919,236	\$7,244,930
Percentage of tax base:							
Land.....	80.1%	88.9%	76.1%	92.8%	92.0%	96.1%	87.9%
Improvements.....	12.6	9.9	21.5	5.7	8.0%	3.9	7.4
Business.....	6.6	.9(c)	1.9(c)	1.5	Nil(b)	Nil(e)	4.7
Income.....	.7	.3	.5	Nil	Nil	Nil	Nil
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) The exemptions in Saskatoon are given as \$2,710,240. Detailed figures furnished by the assessor show a discrepancy of \$1,200, which is divided evenly for the purposes of this table between land and buildings.
 (b) The amount is said to be insignificant.
 (c) The accuracy of these is affected by the commutation of the business tax into a business license from which source Moose Jaw realised approximately \$31,000 additional in 1917.
 (d) Assumed to be the same as 1916.
 (e) A business license is imposed.

Detailed statistics for the towns and villages have not been tabulated, but it will be recalled that the bulk of the burden here also rests on land values and that in the case of many villages all municipal taxes are levied on land values alone.

ASSESSMENTS, LEVIES AND RATES.

Assessments.—The detailed assessment data for the cities of the province during the past six years are presented in Table II. The variations of the total net assessments as given in this table are illustrated by Graph II. It will be noted that in the case of every city there have been substantial contractions in the size of the tax base since the high points were reached in 1913 and 1914. Regina, for example, has reduced the assessment from 73 to 43 millions and Saskatoon from 57 to 36 millions. Moose Jaw has cut the assessment squarely in two, reducing it from 52 to 26 millions.

[The collapse in city land values is, of course, the explanation of the diminished tax bases. Assessors have had to recognise the fact that values have fallen sharply and that they have scaled down the assessments very considerably] is plainly shown by Graph III. Reductions of approximately one-half in the assessed value of land are apparent in each of the four largest cities of the province.

In spite of the radical nature of these reductions, however, there is reason to question whether they are radical enough. [Over-assessment is complained of on every side.] A comparison of the level of land valuations with those obtaining in similar communities elsewhere indicates that there is a sound basis for complaint and that, even at their present level, land values are undoubtedly still considerably over-assessed. [The disorganised state of the realty market makes accurate assessments exceedingly difficult.] Indeed, only a very rough approximation can be hoped for under these conditions. But the observation of the investigator has convinced him that the present level of assessments is beyond a doubt far above the true market value of the land.

[Not only is land over-assessed, but buildings appear in most places to be under-assessed to a still greater degree than that contemplated by the councils.]¹ The assessors testify that in valuing improvements they assign very conservative figures. This policy operates, of course, to make the real discrimination against land greater even than the apparent one.

Levies.—Earnest attempts to economise have borne fruit in the direction of reduced tax levies in the cities. These reductions, while substantial, have not approached in importance the reductions in the tax bases. In 1915, the year of the highest levies, the total in the seven cities amounted to \$4,360,466. In 1917 the corresponding figure was \$3,890,273, a reduction of 11 per cent. The annual levies for each city are given in Table III, while the same data are pictured in Graph IV. In most of the cities, it will be seen, the levies are now on or about the same level as in 1913. Regina, however, levies about \$200,000 more than was the case in 1913. Saskatoon appears to have the best record for cutting down expenditure, the levy in 1917 being three hundred thousand less than that of four years before.

¹On the face of the figures there appears to be considerable variation in the degree of accuracy of building assessments. For example, although Moose Jaw is probably only one-half as large as Regina, improvements there are assessed (net) at \$5,656,450 (nominally 45 per cent. of full value) while in Regina they are assessed (net) \$5,428,060 (nominally 30 per cent. of full value).

REG

SASKA

MOOS

PRIN
ALBNOI
BATTSW
CUJ

WE.

culated,
on land
re levied

s of the
ne varia-
rated by
ave been
h points
need the
millions.
from 52

on of the
act that
essments
approx-
h of the

there is
essment
d valua-
ates that
nt level,
The dis-
s exceed-
e hoped
ator has
a doubt

st places
lated by
nts they
to make
rent one.

t in the
s, while
s in the
he seven
gure was
each city
raph IV.
bout the
00 more
st record
hundred

on in the
se Jaw is
d (net) at
ssed (net)

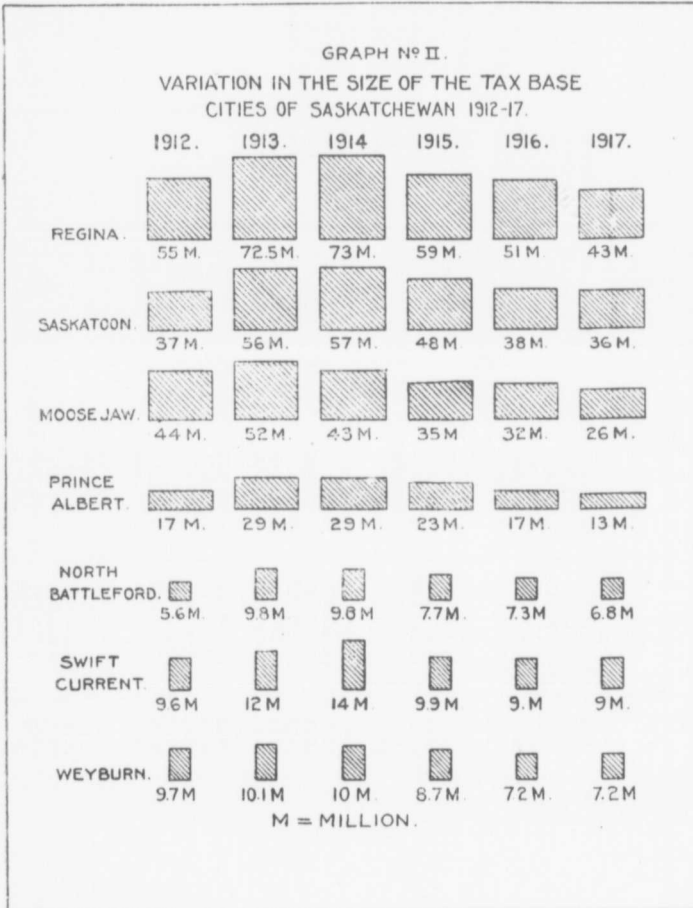


TABLE II.
Assessed Values in the Cities of Saskatchewan, 1912-1917.

	1912	1913	1914	1915	1916	1917	Land	Improvements	Business	Incomes	Exemptions	Net Total
Regina.....							\$63,544,796	\$4,354,765 (30%)	\$2,678,003	\$ 91,921	\$15,642,397	\$55,027,088
	1912	1913	1914	1915	1916	1917	82,537,840	5,712,594 "	3,294,101	132,910	19,174,815	72,502,630
							82,209,110	7,260,430 "	4,037,977	221,096	19,951,780	73,776,833
							68,402,910	7,410,540 "	2,791,284	253,575	17,197,630	59,185,119
							57,787,590	7,543,590 "	2,616,130	177,570	17,138,560	50,986,320
							47,499,150	7,624,010 "	2,881,186	320,130	14,892,210	45,452,260
Saskatoon.....	1912	1913	1914	1915	1916	1917	35,471,415	2,899,385 (35%)	1,576,693	2,000	3,052,005	36,897,498
							54,463,930	3,573,980 (25%)	2,003,346	7,120	3,712,005	56,336,371
							54,461,350	3,920,505 "	2,091,164	Nil	3,833,435	56,639,584
							45,392,800	4,189,575 "	1,905,875	102,335	3,419,950	48,170,635
							35,727,543	4,260,365 "	347,367	139,775	2,797,250	37,677,800
							34,253,695	4,267,620 "	312,919	166,845	2,710,240	36,290,839
Moose Jaw.....	1912	1913	1914	1915	1916	1917	36,182,541	5,003,098 (60%)	2,316,693	162,166	Deducted	43,664,498
							44,037,931	4,934,320 (45%)	2,883,993	141,042	"	51,997,286
							35,234,596	5,608,395 "	2,290,749	8,520	"	43,142,260
							27,622,512	5,674,515 "	1,778,937	10,406	"	35,086,424
							24,716,735	5,611,340 "	1,518,847	24,580	"	31,871,492
							20,039,660	5,656,450 "	483,335	145,725	"	26,327,170
Prince Albert.....	1912	1913	1914	1915	1916	1917	15,742,702	802,020	660,665	Nil	"	17,205,447
							28,442,225	526,225	227,273	"	"	29,195,723
							27,962,433	526,400 (15%)	258,353	"	"	28,694,386
							22,270,390	714,173 "	215,086	"	"	23,199,649
							15,897,060	711,243 "	200,548	"	"	16,778,851
							12,054,528	743,963 "	193,993	"	"	12,992,484
North Battleford.....	1912	1913	1914	1915	1916	1917	4,821,680	478,150 (45%)	279,567	Nil	Deducted	5,579,397
							8,971,717	498,035 (30%)	348,929	"	"	9,818,681
							8,971,717	498,035 "	348,929	"	"	9,818,681
							6,962,326	691,515 "	Nil	"	"	7,653,871
							6,576,751	690,740 "	Nil	"	"	7,267,491
							6,289,734	552,808 "	Uncompleted	"	"	6,852,602(a)

TABLE II—Continued.

	1913	1914	1915	1916	1917	Uncompleted	Income tax	Business tax	Net Total
Swift Current	8,971,717	498,035 (30%)	498,035	498,035	498,035	348,329	348,329	348,329	9,619,403
	8,971,717	498,035	498,035	498,035	498,035	348,329	348,329	348,329	11,993,489
	6,902,326	691,515	691,515	691,515	691,515	Nil	Nil	Nil	13,910,575
	6,576,751	690,740	690,740	690,740	690,740	Nil	Nil	Nil	9,928,111
	6,299,734	552,868	552,868	552,868	552,868	Uncompleted	Uncompleted	Uncompleted	8,971,829
									8,919,236
									9,688,465
									10,109,500
									10,025,350
									8,728,144
									7,247,341
									7,244,930

TABLE II—Continued.

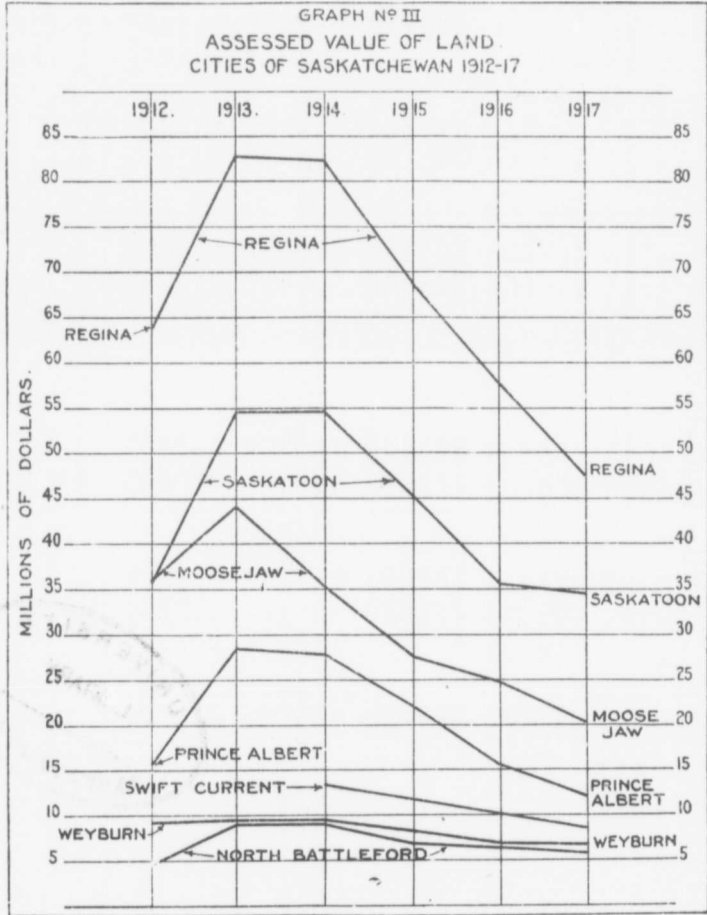
	Land	Improvements	Business	Incomes	Exemptions	Net Total
Swift Current	.....	.....	Nil(c)	Nil	Deducted	\$ 9,619,403
	\$13,617,825	\$292,750 (15%)	.....	.....	.....	11,993,489
	.....	.....	.....	.....	.....	13,910,575
	.....	.....	.....	.....	.....	9,928,111
	8,574,051	345,185 (15%)	.....	.....	.....	8,971,829
	.....	.....	.....	.....	.....	8,919,236
Weyburn (b)	9,161,740	661,205	\$435,470	Nil	\$569,950	9,688,465
	9,625,790	661,205	435,470	.....	595,335	10,109,500
	9,591,400	646,675 (30%)	410,020	.....	622,805	10,025,350
	8,229,563	733,800	407,601	.....	642,820	8,728,144
	6,732,367	740,785	368,274	.....	594,655	7,247,341
	6,732,062	787,410	342,563	.....	616,905	7,244,930

(a) Not including the business assessment, which, however, was insignificant in amount.

(b) The figures for the years 1912-1914 include the assessments for the part of the school district which lay outside the city limits.

(c) A business license is now imposed in Swift Current in lieu of a business tax.





WEY
S.C.
N.

GRAPH NO. II
 TAXES LEVIED BY THE CITIES OF SASKATCHEWAN, 1912-1917
 INCLUDING FRONTAGE TAXES

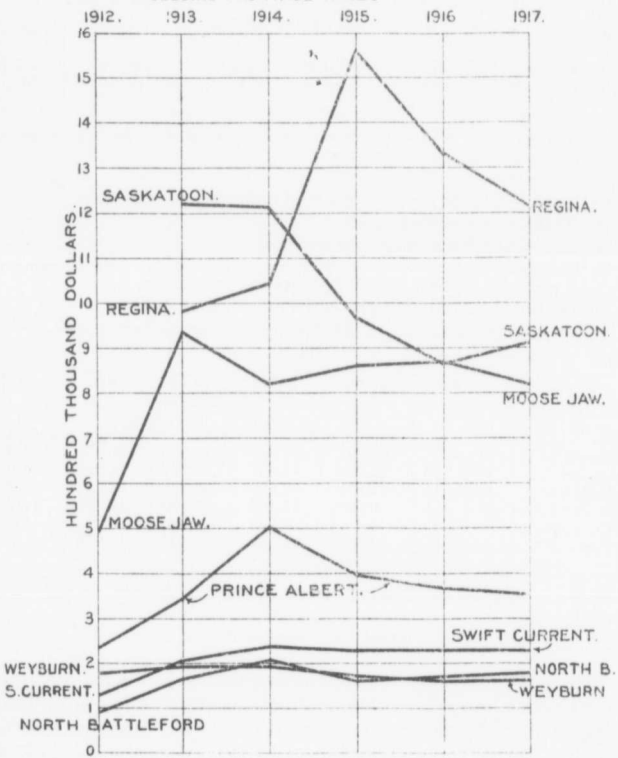


TABLE III.

Total Taxes levied by the Cities of Saskatchewan, 1912-1917 (a)
(including Frontage Taxes) (g):

	1912	1913	1914	1915	1916	1917
Regina		\$981,717	\$1,045,855	\$1,562,563	\$1,330,981	\$1,210,273 (c)
Saskatoon		1,223,045	1,206,373	972,395(d)	867,588 (e)	919,499(d)
Moose Jaw	\$495,190	937,793	823,982	862,521	867,805	824,322(b)
Prince Albert	229,099	346,294	500,506	399,789	373,104	359,744
North Battleford	89,926	171,175	202,079	160,925	171,513	181,179
Swift Current	127,697	201,300	237,199	227,404	228,797	227,520
Weyburn	180,254	193,270	193,721	174,869	163,830	167,736 (f)

(a) Amounts less than one dollar taken to nearest dollar. Includes special assessments and patriotic tax.

(b) Estimate.

(c) Does not include accounts added to make up minimum levies.

(d) Water arrears subtracted.

(e) Water arrears and minimums deducted.

(f) This figure is obtained by applying the 1917 rate to the 1917 assessment base, and adding in the 1916 levy of special assessments.

(g) The frontage taxes are given in the following table:

Special Assessments Levied, Cities of Saskatchewan, 1912-1917 (a)

	1912	1913	1914	1915	1916	1917
Regina	(c)	\$90,881	\$170,880	\$192,299	\$188,385	\$188,385
Saskatoon	(c)	208,377	213,157	212,052	130,450	128,094
Moose Jaw	\$34,706	52,750	72,457	73,727	71,932	71,048 (b)
Prince Albert	10,511	42,813	62,509	66,271	65,674	53,289
North Battleford	481	6,006	17,485	17,406	17,466	17,466
Swift Current	2,645	3,407	7,675	8,986	8,986	8,999
Weyburn	5,581	10,339	11,153	13,336	11,970	(c)

(a) Amounts less than one dollar carried to nearest dollar.

(b) Estimate.

(c) Information not available.

Rates.—The assessment bases having diminished much more rapidly than the levies, rates have risen. From the statistics given in Table IV it appears that the arithmetic average of the tax rates imposed in the seven cities in 1912 was 14.60 mills. In 1917 this rate was 23.73 mills. Graph V sets forth the variations in the rates from year to year in each of the cities and also the variations in the arithmetic average of the rates. Without exception the rates are seen to have increased substantially and in every case now to be above 20 mills, the limit imposed by the recently repealed restriction in The City Act.

917 (a)

1917

1,210,273 (c)
919,499 (d)
824,322 (b)

359,744

181,179

227,520
167,736 (f)

udes special

ssment base,

)

1917

188,385
128,094
71,048 (b)
53,289
17,466
8,999
(c)

ore rapidly
Table IV
sed in the
3.73 mills.
in each of
the rates.
tially and
ed by the

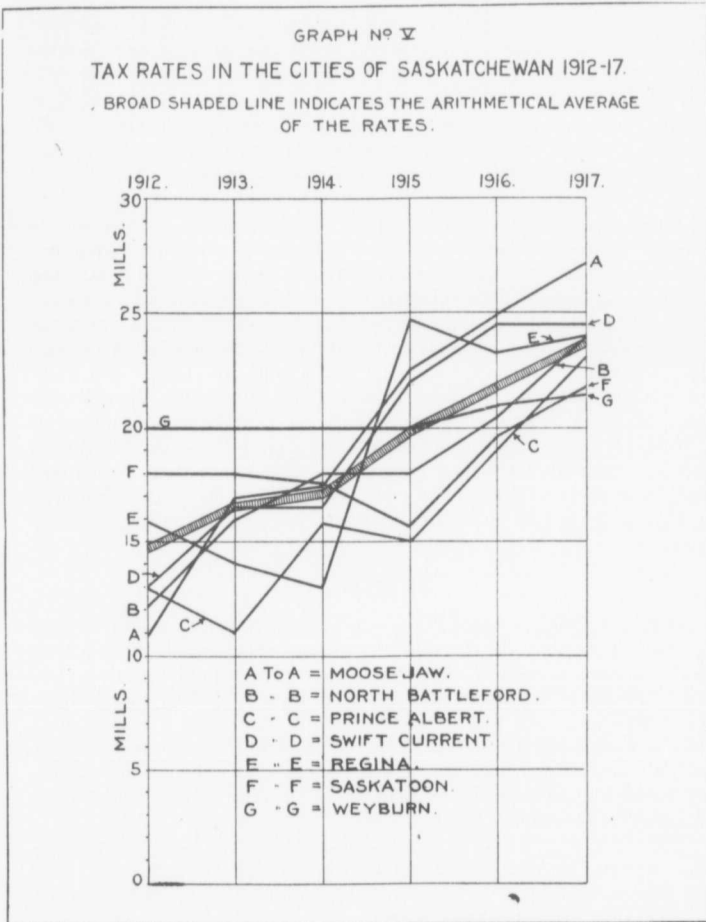


TABLE IV.

Tax Rates in the Cities of Saskatchewan, 1912-1917 (a):

(In mills per dollar of assessed valuation)

	1912	1913	1914	1915	1916	1917
Regina	15.88	14.00	13.00	24.70	23.30	24.00
Saskatoon.....	18.00	18.00	17.55	15.76+	19.55	21.80
Moose Jaw.....	10.80	17.00	17.50	22.50	25.00	27.20 ^(b)
Prince Albert.....	13.00	11.00	15.85	15.00	19.00	23.10
North Battleford.....	12.20	16.00	18.00	18.00	20.50	24.00
Swift Current.....	13.00	16.50	16.50	22.00	24.50	24.50
Weyburn.....	20.00	20.00	20.00	20.00	21.00	21.50

(a) The rates are those applying to public school supporters.

(b) Estimate.

Rates in towns and villages appear to exhibit a similar tendency to increase. In those villages, moreover, which by petition have exempted improvements entirely, tax rates have recently advanced to truly startling levels. According to data submitted by the Department of Municipal Affairs, the arithmetic average of the rates imposed for village purposes in seventy-four "single-tax" villages in 1916 was 35.25 mills and in addition school rates were imposed averaging 28.38 mills, totalling 63.63 mills. Particularly high rates obtained in Earl Grey (108 mills), Howell (120 mills), Marcellin (100 mills) and Windthorst (public school supporters 115 mills, and separate school supporters 141 mills). The difficulties attendant upon the imposition of such rates are so apparent that a considerable number of the towns and villages¹ are this year voluntarily abandoning the tax on land values only and are broadening their bases of assessment.

COLLECTIONS.

Difficulties of Collection.—The aspect of the situation which is causing greatest concern is the difficulty being experienced in collecting taxes. A large portion of the taxes are not being paid promptly and a very considerable part must apparently be accepted as uncollectible. This is alarming both to the administrators, who are in a quandary as to how to make good the revenues thus lost, and to those property owners who are contending to pay their taxes, because under the present system they anticipate an attempt to load a still heavier burden upon them as an effect of the unpaid taxes.

Under the revenue laws taxes levied during a given year are payable before the end of the year, going into arrears on December 31. The levies are made and the tax bills sent out on different dates in the various municipalities. In some cases collections are made semi-annually and in some by the one-payment plan. Substantial discounts are usually offered for prompt payment. In all cases, penalties are imposed after December 31.

To allow one's taxes to go into arrears has never been considered one of the deadly sins in a community's code of honour and, even in prosperous

¹ Report gives the number of villages as 12, but this was confessedly incomplete. The town of Yorkton has increased its assessment of improvements to 60 per cent.

times, i
lected i
part up
it was
one to
case in
taxes w
uncolle
compar
the ve
In Reg
the arr
years a
Curren
taxes l

Amou

Regina
Saskato
Moose J
Prince J
North I
Swift C
Weybur

(a)
(b)
(c)

TI
very s
depend
are set
ing th
upon
order
1916 t
the cit
values
values
the ot
in coll
matter
under

¹ M
relative
levies.

times, a substantial part of the current year's levy usually remained uncollected at the end of the year. This practice was doubtless founded in part upon the lenient policy followed in penalising arrears. In some cases it was said to be more profitable to allow the public treasury to finance one to this extent than to secure the money for taxes elsewhere. In any case in the cities, even in 1912 and 1913, from one-fifth to one-third of the taxes was permitted to lapse into arrears. The amounts of the current levies uncollected at the end of each year are given in Table V and these figures are compared with the annual levies in Graph VI. This graph makes plain the very alarming increase in the amounts annually going into arrears. In Regina, which makes the best showing of all the cities in this respect, the arrears comprise twice as much of the year's levy as was the case four years ago, only two-thirds of the taxes being collected promptly. In Swift Current, which makes the worst showing, only about one-fourth of the taxes levied is now collected within the legal period.

TABLE V.

Amount of Current Year's Levies going into Arrears, Cities of Saskatchewan, 1912-1916 (a):

	1912	1913	1914	1915	1916
Regina.....		\$171,003	\$327,457	\$630,243	\$496,875
Saskatoon.....	\$316,808	477,787	643,969	514,553	398,350
Moose Jaw.....	168,980(b)	371,995	415,250	410,522	371,873
Prince Albert.....	50,001	111,371	256,201	223,868	215,960
North Battleford.....	29,878	72,887	104,422	98,452	100,758
Swift Current.....				145,002	163,627
Weyburn (c).....					

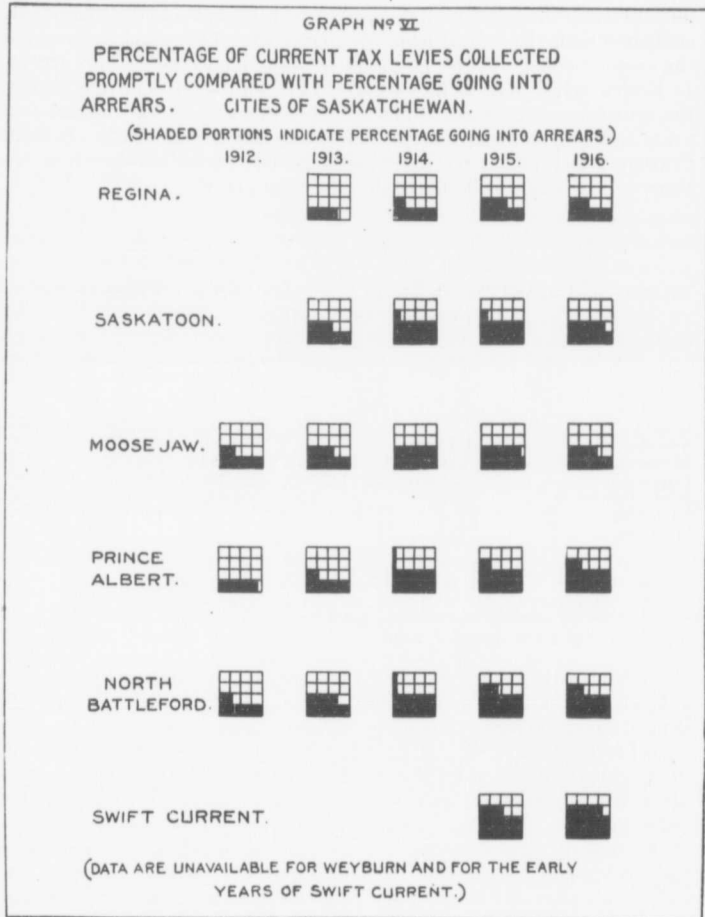
(a) Amounts less than one dollar taken to the nearest dollar.

(b) Approximate. At this time all tax accounts were combined.

(c) The accounts in Weyburn are not kept in a form which makes possible the production of this information.

There exists a correlation which is exceedingly interesting and probably very significant between the difficulties of collection and the degree of dependence upon land values in the tax base. The facts for six of the cities are set forth in Table VI. It is evident that the cities which are experiencing the greatest difficulties of collection are those which lean most heavily upon the taxation of land values for their financial support. The order in which the cities stand in regard to success in collecting their 1916 taxes on time is almost exactly the reverse of the order in which the cities stand in regard to the fullness of their dependence upon land values as a part of the tax base. This would seem to indicate that land values form the least dependable portion of the tax base, and that, had the other elements been larger, less difficulty would have been encountered in collecting taxes. In other words, it is not possible to dismiss the whole matter by claiming that another tax system would have done no better under the circumstances.¹

¹ Moose Jaw furnishes an interesting confirmation of this position in that its relatively good record for collections was made in spite of relatively high tax levies.



Cor

Regina . . .
Moose Ja
Saskatoon
Prince Al
North Ba
Swift Cur

(a) F

Wh
the tax
the fall
sale, ap
the tax
held in
taxes ca
the por
because
certifica
ulated a
did priv
even as
sale cert
the mos

Acc

Regina . . .
Saskatoon
Moose Ja
Prince Al
North Ba
Swift Cur
Weyburn

(a) T

t

(b) L

s

t

(c) T

c

TABLE VI.

Correlation between Success in collecting Taxes Promptly and Dependence upon Land Values (a):

	Order of success in collecting Taxes promptly	Order of degree of dependence upon Land Values, excluding Special Assessments	Order of degree of dependence upon Land Values, including Special Assessments
Regina.....	1	6	5
Moose Jaw.....	2	5	6
Saskatoon.....	3	4	4
Prince Albert.....	4	2	2
North Battleford.....	5	3	3
Swift Current.....	6	1	1

(a) Based on 1916 data.

When taxes have been in arrears six months the realty against which the taxes are charged, is advertised to be sold, the sale taking place in the fall of the year. Unless redeemed within two years from the date of sale, application for title to the realty can be made by the purchasers of the tax sale certificates. The first group of tax sales under this law was held in 1915, and the second in 1916. Table VII presents the amounts of taxes carried to sale in the cities of the province upon these occasions and the portion of the offerings which were bought in by the cities themselves because of the absence of other purchasers. It also shows the tax sale certificates still held by the cities on August 1, 1917, and the total accumulated arrears of the cities on January 1, 1917. In the case of no city did private purchasers appear at the sale in sufficient force to absorb even as much as one-half of the offering and the large quantities of tax sale certificates which, as a result, fell into the hands of the cities, are for the most part still held by them.

TABLE VII.

Accumulated Arrears, Taxes carried to Sale, Amounts Purchased by Cities and Amounts Now Held by Cities:

	Total taxes carried to Sale, 1915 and 1916	Tax Sale Certificates purchased by City at 1915 and 1916 sales	Total amount Tax Sale Certificates held by City, Aug. 1, 1917.	Total accumulated arrears January 1, 1917, including Tax Sale Certificates
Regina.....	\$469,740	\$241,913	\$176,753	\$702,315 (a)
Saskatoon.....	1,257,572	725,305	492,489	892,892 (b)
Moose Jaw.....	308,565	264,900	232,376	762,542
Prince Albert.....	299,908	272,638	347,442 (c)	581,281
North Battleford.....	146,587	103,314	80,750	195,970
Swift Current.....	173,566	155,401	152,438	320,104
Weyburn.....	Nil	Nil	Nil	270,141

- (a) The treasurer's figure, which does not take into account the last day's collections, is \$817,574.
- (b) It is not entirely clear whether this item, taken from the combined balance sheet as of December 31, 1916, includes all items, particularly all of the tax sale certificates.
- (c) This figure evidently includes the item of taxes paid by the city on the 1915 certificates, which amounted to \$112,364.60.

In Graph VII the total accumulations of arrears as they stood on the cities' books at the beginning of 1917 are contrasted with the tax levies for 1917. In the case of the four smallest cities the accumulated arrears now exceed in amount the current tax levies in the cities. Regina appears to be in the strongest position by this test, but even there the arrears, amounting to more than seven hundred thousand dollars, have reached a figure which is more than one-half as large as the current year's levy.

The same correlation as was noticed between the dependence on land values in the tax base and the difficulties of prompt collection becomes apparent here again in connection with these data of accumulated arrears. In general, the cities which have gone furthest in the direction of the single tax are seen to have the largest accumulations of unpaid taxes, just as they had the highest percentage of current levies going into arrears.¹

The purchasers of tax sale certificates at the 1915 sale may apply for title to the property in the fall of 1917 in all cases where the certificates have not been redeemed. How much property will be redeemed at the last moment is a question upon which opinions differ widely. Doubtless the certificates in the hands of private individuals will be more fully redeemed than those in the hands of the municipalities, for they are the certificates which, on the whole, are secured by the more attractive realty. Grave questions of policy arise here in regard to what the municipalities shall do with the land when they acquire it by tax sale procedure. What is wanted is the money represented by the certificates and the need for the money is in some cases very great. But great care must be exercised lest a hasty attempt to realise on this asset act as a boomerang and result in a smaller return to the public treasury. For it is entirely within the range of possibility that the offering of large quantities of land by the municipalities at prices which cover the public charges against it will so demoralise the realty market as practically to eliminate land as a source of public revenue. Certainly the municipalities would have difficulty in maintaining present assessments if they themselves were at the same time offering on the market large quantities of land at an insignificant fraction of the assessed values.²

The difficulties of collection therefore are already serious and promise only to become much more serious unless changes are made in the tax system and unless skill is used in formulating a land policy in relation to the property acquired by the tax sale procedure.

Reasons for Collection Difficulties.—The reasons for the increased difficulties in collecting taxes are apparent when the real estate conditions in the region are understood. Where land values are highly speculative, taxes levied upon them are highly uncertain and anything which disturbs the speculative outlook, also disturbs the basis for taxation. The selling value of a parcel of land always represents a capitalisation of estimated future returns from the land. In settled static communities the value would be a capitalisation of a regular, even series of incomes. In new and dynamic communities, the value is not a capitalisation of the income now being realised so much as a capitalisation of much larger incomes expected and hoped for in the more or less vague future. Indeed, perhaps, the typical

¹ Cf. *supra*, pp. 25, 27.

² Cf. *infra*, p. 43.

A C
ACC

13
12
11
10
9
8
7
6
5
4
3
2
1
RE

HUNDRED THOUSAND DOLLARS.

stood on
the tax
accumulated
Regina
there the
ars, have
ent year's

on land
becomes
arrears.
he single
s, just as
ars.¹

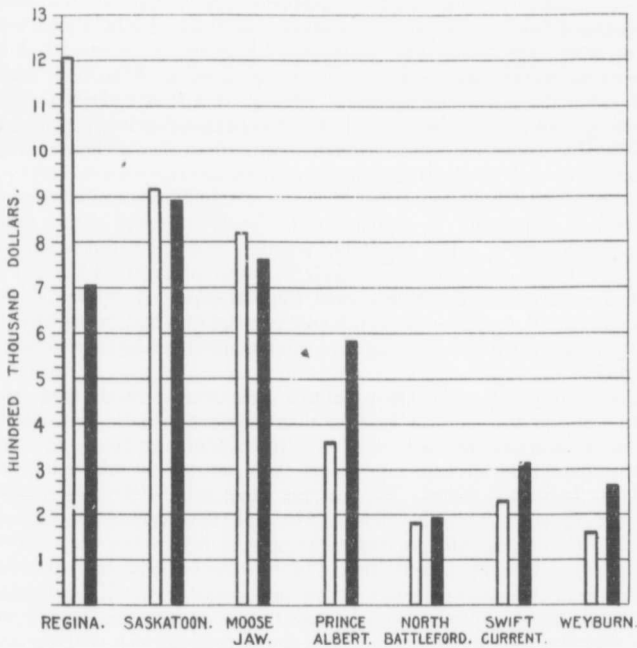
ny apply
rtificates
d at the
doubtless
ore fully
are the
e realty,
cipalities
. What
need for
exercised
ld result
thin the
l by the
t will so
a source
culty in
me time
fraction

promise
the tax
ation to

increased
ditions
ulative,
listurbs
selling
timated
e value
ew and
me now
pected
typical

GRAPH N^o VII

A COMPARISON OF THE 1917 TAX LEVIES WITH THE TOTAL
ACCUMULATED TAX ARREARS ON JANUARY 1ST 1917.
CITIES OF SASKATCHEWAN.



case in western Canada is that of a parcel which at present is yielding no income at all but which depends entirely upon its far distant prospects for its present value. This vagueness and uncertainty is the very foundation for speculation. Values are speculative because of the presence of this unknown factor, concerning the importance of which there may be differences of opinion. It is evident that when anything occurs to affect unfavourably the future prospects of the region the land values will be unfavourably affected and when speculative land values are almost the only elements in the tax base, the revenue system will tend to break down and crumble to pieces.

Even before the war broke out, many had decided that urban land values had reached unjustified levels. The country had been developing rapidly. Settlers had been taking up farm lands in large quantities and cities were obviously needed to serve them. But how large they were to be and where they were to be located were unsettled questions and upon their answers large fortunes depended. Saskatoon in ten years had changed from a hamlet with scarcely one hundred inhabitants to a city of more than twenty-five thousand. Every village apparently held similar possibilities and every city, by the application of the same scale, could rationally expect to become a metropolis within a decade. The upward rush of realty values, based almost entirely upon the more or less unreasonable hopes for future growth, occurred in Saskatchewan as it has always occurred under similar circumstances, and the point was reached where total land values, imputed on the basis of actual sales made, probably exceeded in proportion to population the level obtaining in any other region in the world. The inevitable reaction was intensified when the war entered as another factor to disturb the future prospects of the region. Suddenly instead of an active market for real estate, there was almost no market at all, for there were no longer persons who had money or were able to borrow it with which to back a conviction that prices of land would go higher.

As has been seen the municipalities concentrated their taxes upon the land and in assessing the land for taxation they followed very closely the values indicated by current sales. Real estate men found the high assessments valuable corroboration of their assertions concerning the great worth of their lands. The low tax rates and the high borrowing powers thus made possible, commended high assessments to the city officials. Under the dynamic conditions present, little interest was taken by owners of land in the apportionment of the taxes between improvements and land. Taxes were scarcely taken into account at all, and when considered, the exemption of improvements was accepted largely in the belief that the stimulus to building and the advertising value of the plan counterbalanced any possible ill effects. Values were high, tax rates were low, property was moving freely and so long as these conditions persisted, the land tax exhibited no fiscal weakness.

The advent of the depression, however, radically altered all this. To take a typical case, consider the changed position of a man of limited resources who had purchased a vacant lot as a speculation. Taxes, if he took them into account at all, he thought of as a bothersome but insignificant type of fee which he had to pay to the public treasury for the privilege of speculating. Receiving no returns from the land it was necessary for him, of course, to draw upon his income from other sources to pay his

taxes, compar theless depressi diminis speculat for him combin speculat in so m chooses to do s on land but in a or influ desire n every o tax whic but in a is the e municip limits o a part o comm n

In s the Sas object o to yield aspects of all, e The describe pointed its finan be colle question to meet other fir Ow The wh other w taxes is of the p depende for the r ment ca reason t become become

taxes, but the prize for which he was playing was normally so large in comparison with this fee as to render it of slight importance. Nevertheless this speculator is placed in a peculiarly weak position by the depression, for at the same time when the prize for which he is playing diminishes in value, the fee or tax for the privilege of continuing his speculation increases in amount. Moreover, it is often more difficult for him to secure the money with which to pay his fee. These factors combine in many cases to make the proposition so unattractive that the speculator abandons it as a "bad bet." This is exactly what has happened in so many cases in the municipalities of Saskatchewan. If a speculator chooses no longer to carry his land, there is no way of compelling him to do so. There are doubtless some cases of owners paying their taxes on land even after it is no longer economically wise for them to do so, but in such cases the owners are either ignorant of the true conditions or influenced in their action by other motives, such, for example, as a desire not to be known in the community as one who does not meet his every obligation. It is apparent that there is a very definite limit to the tax which can be imposed on vacant land. The same condition holds true but in a different degree in the case of improved land. This fundamentally is the explanation of the collection difficulties experienced by the urban municipalities of Saskatchewan. The tax has been pushed beyond the limits of its fiscal capacity and if it is desired to preserve land values as a part of the tax base there is no option but to reduce the fee to a sum commensurate with the prize which the speculator can hope to gain.

THE FINANCIAL ADEQUACY OF THE PRESENT SYSTEM.

In spite of the prominent place always accorded to social consequences the Saskatchewan urban municipalities impose taxes with the main object of raising money for public purposes, and a tax system which fails to yield the necessary funds, therefore, fails fundamentally. The fiscal aspects of the present situation consequently deserve consideration first of all, even before the questions of equity.

The difficulties encountered in the collection of taxes have been described and the fundamental reasons for those difficulties have been pointed out. The fact that delay is experienced in collecting levies has its financial inconveniences and that a large portion of the taxes cannot be collected at all raises a financial problem of serious proportions. The question here to be discussed is whether the present tax system is adequate to meet the situation or whether the problem is so great as to necessitate other financial measures than those now available.

Owners of real estate are hard pressed by the present tax system. The wholesale surrender of property for taxes can be explained in no other way. If the preceding explanation of the cause for failure to pay taxes is correct, it follows that no hope for an improvement in this direction of the present tax system can be expected until land values rise. This is dependent upon the development of a better general economic outlook for the region. With the end of the war, or soon thereafter, this improvement can be confidently anticipated. In the meantime there is every reason to believe that the financial problem of the municipalities will become progressively more serious, and that the present tax system will become progressively more inadequate.

Relief cannot be secured in sufficient amount by a further reduction in tax levies. Controllable expenditure has in most cases been reduced to a minimum. The state of the loan market makes extensive borrowing an impossible solution of the present difficulty. Assessments of land values, which make up almost the entire tax base, are too high already. There is no legal obstacle to higher tax rates, but there is an insurmountable economic obstacle, in that such a course would in all probability result in the surrender of more land for taxes rather than in an increase of revenue. No relief, but instead sudden and complete disaster, would probably follow any attempt to realise immediately upon the lands which are being surrendered to the municipalities for taxes. To offer them in large quantities for the amount of the charges against them means that the city itself establishes a price for realty at a small fraction of the values which it seeks to maintain on its assessment rolls as true market values. How an enormous shrinkage in the assessment base and a further demoralisation of realty values could be prevented in such a situation is difficult to see.

The financial problem, of course, varies considerably from city to city in seriousness and urgency. The accumulated arrears, for example, are much more of a menace in some cities than others. A mere comparison of the statistics of arrears, however, does not tell the whole story, for much depends upon the method of financing arrears in vogue in the various cities. Weyburn, it is true, has accumulated arrears to an amount which exceeds considerably the current year's levy. But in Weyburn the pressure of tax sale has not yet been applied, so that a larger proportion of the arrears may be collectible than in the other cities. Moreover the city would not be embarrassed seriously at once by a failure to collect its arrears for it has not spent them in advance. In other words, arrears collected are available for future needs. Contrast with this the situation in Regina, the city which makes the best showing for financial strength on the basis of its success in collecting its taxes. Practically all of its arrears, which are substantial, have been already spent, that is, loans have been secured from the bank in anticipation of collections and the money paid out from the treasury. The bank, therefore, is in a position to dictate to some extent the policy of the city in regard to its uncollected taxes and to any property the city may acquire by the tax sale process. If the arrears cannot be collected, future provision must be made to meet the financial problem thus developed. The other cities lie between these two extremes. Moose Jaw makes a modest levy (\$50,000) at the behest of the bank to finance tax arrears. The Saskatoon arrears appear for the most part in the form of deferred payments to sinking and depreciation funds, although a substantial sum, secured by arrears, is due the bank. The arrears are a staggering problem in Prince Albert, where the loan from the bank approximates \$450,000, and almost a trifling one in North Battleford, where the bank debt is only about \$40,000. Swift Current, with a note at the bank of about \$150,000, secured by arrears, has a situation more urgent than several of the other cities, but not at all unmanageable, provided collections are more complete in the future.

On the basis of these facts, as well as others too numerous to set forth in detail here, the conclusions are reached, first, that even those municipalities which are most favourably situated must somehow secure more money than they are at present collecting; and, second, that the present

tax syst
In other
the direc
is increas
as they a
worse, w
to secure
Of the m

The
of the pr
the own
there are
all is beir
to others
Indeed i
burdened
is now o
pay his t
[Exp
involves
ideals]
or unfav
An inve
of certain
a dogma
would ar
and idea
of the in
the func
fundame
urged in

It w
that the
data we
the taxe
the own
because
revenues

It s
the abov
The first
burden o
presumal
or "ben
meet exa
a uniform
capital v
does is t

tax system has been pushed to the very limit of its financial possibilities. In other words, there exists a fiscal exigency which calls for action in the direction of changes in the tax system. The urgency of the matter is increased by the fact that conditions cannot be expected even to remain as they are but in the absence of action will inevitably become progressively worse, with only one possible result. The direction which the changes to secure more revenue should take is reserved for discussion in Part II. Of the necessity for changes there can be no doubt.

THE EQUITY OF THE PRESENT SYSTEM.

There exists in the province a widespread belief that the incidence of the present system is inequitable and that the burden imposed upon the owners of realty is unjust and unreasonable. On the other hand there are many citizens who express the conviction that no injustice at all is being done the landowners and that to permit the burden to be shifted to others would be merely voting an unfair bonus to the realty interests. Indeed it is a question as to which is the louder, the complaint of the burdened landowners or the protest of those who insist that the speculator is now only getting his deserts and that no one else should be asked to pay his taxes for him.

[Expressing an opinion concerning the equity of a system of taxation involves reference to standards based upon one's social philosophy and ideals.] A system is just or unjust as it involves consequences favourable or unfavourable to the ends deemed desirable in the community affected. An investigator can point out consequences which follow the adoption of certain policies but it borders upon the presumptuous for him to assume a dogmatic attitude towards general questions of equity. To do so would amount, first, to a guess as to what the community's philosophy and ideals are; and, second, to a criticism of them from the point of view of the investigator's own philosophy and ideals. It is, indeed, peculiarly the function of the community itself to determine the question of the fundamental fairness of the tax system. However, some of the contentions urged in the course of the investigation deserve discussion.

It will be recalled that the Provincial Committee on Taxation agreed that the present system is "unfair."¹ In support of this position data were submitted which indicated, first, that the great bulk of the taxes under the present system rests on one class of citizens, viz.: the owners of realty; and, second, that there is an unusual condition because in certain municipalities elsewhere a much smaller share of the revenues is raised by taxes on real estate.

It should be pointed out that the establishment of one or both of the above points would not prove the inequity of the present system. The first contention rests for its validity upon the assumption that the burden of taxation should be distributed among all classes of citizens, presumably in accordance with some criterion such as "ability to pay" or "benefits received." Certainly the present arrangement does not meet exactly either of these standards if they are interpreted as implying a uniform contribution from all classes of property in proportion to the capital value of the property. But after all what the contention really does is to raise the question as to whether the demands of equity are not

¹ Cf. *supra*, p. 9.

more fairly met under the Saskatchewan system where land values bear an especially large share of the tax burden. Moreover, the second point, that land bears a larger share than elsewhere, merely emphasises this same query.

One who attempts to base an argument for a change in the present system upon the broad ground that it is inequitable that land in Saskatchewan should bear a special burden undertakes an exceedingly difficult task. In the first place the general principle implied is not an established one. It is by no means true that it is a maxim universally accepted that the demands of equity are met when land is placed on the same plane as other property. On the contrary in many countries, land is now recognised as a particularly attractive subject for taxation, not merely because of the administrative simplicity of the tax but also because the imposition of a special burden coincides with the community's conception of justice. Moreover the question of equity is not one which can be considered apart from the local situation. [In Saskatchewan the discrimination against land is of long standing, dating back to territorial days,¹ and the owners of land for the most part purchased their present holdings in the knowledge that this discrimination was the accepted policy in the province.] Indeed it appears even to be true that the exemption of improvements was increased very largely at the behest of these same landowners at a time when they felt that the system served their particular interests. These conditions, peculiar to the Saskatchewan situation, must be taken into account when changes are urged upon the grounds of equity.

But even though it is difficult to maintain that no discrimination at all may fairly be made against land, it is nevertheless possible to present an appealing case for the landowner on the ground that the degree of discrimination which is now present is greater than is sanctioned by the community. For the landowners can admit that they purchased their land in the expectation that it would be more heavily taxed than other property and still logically insist that the burden which is now thrust upon them is more than they bargained for and more than they can be expected to carry. Land bought five years ago was usually assessed at a price well within what could be obtained for it in the market while assessments are now often far above market prices. Tax rates, nevertheless are now nearly double what they were.² The restriction in The City Act which limited rates in cities to 20 mills has been eliminated and the rates often exceed that figure.³ [Land values have suffered much more heavily because of the depression than have other kinds of property but the burden has not decreased in proportion.] These are unusual times, it is true, and every one must expect unusual burdens. But the landowner can well demand a definite answer to the question as to whether it is desirable that these additional burdens shall continue to be distributed in a manner which discriminates between the investor in land and the investor in other types of property.

Interesting data were submitted to the investigator showing that the net profit on real estate investments is very small under present

¹ It may be contended, of course, that the policy was adopted by the community not because it coincided with any well considered theory of equity, but on grounds of mere expediency. How much weight should be given to this point is difficult to determine.

² Cf. *supra*, pp. 22-24. The average rate in the cities has increased from 14.6 mills in 1912 to 23.7 in 1917.

³ Cf. *supra*, p. 22.

condi
financ
also n
Detail
taxpay
as to
a low
it may
to be
securi
should
ment,
chewa
high r
must l
the low
due to
For ex
moder
drug o
and hi
presen
A
presen
necess
who u
that th
of mu
the tax
upon v
unusu

In
specific
and co
burder
tax la
they re

A
municipi

¹ Sc
houses l
severe v
floating
the larg
in this o

² Cf

conditions. This material, first of all, is of value in that it reveals the financial possibilities and limitations of the tax system. Claims were also made that such material proved the inequity of the present system. Detailed knowledge of how the tax system affects the interests of the taxpayer is, of course, of extreme importance when forming an opinion as to the equity of the system. It should be pointed out, however, that a low rate of profit on realty does not of itself prove unfairness. Indeed, it may be contended that low rates of return on realty investments are to be expected. In the first place the investor in realty counts upon securing part of his return only when he sells the land and he therefore should not expect each year the current rate of interest on his total investment, including land entered at a speculative price. Again, in Saskatchewan, realty conditions are highly uneven. In good times unusually high returns are secured and in bad times correspondingly low returns must be accepted as a matter of course. It has been urged further that the low returns now being realised by some classes of realty investors are due to a change of the type of property in demand in the community. For example, in Moose Jaw, there is said to be a lively demand for small, modern houses, while the large houses formerly much desired are now a drug on the market.¹ On the other hand, as the facts of over-assessment and high rates show, the tax system has undoubtedly contributed to the present depressed level of profits.

After all, discussions of equity are more or less superfluous in the present situation for, as has been seen,² there exists a fiscal exigency which necessitates changes in the tax system of the nature desired by those who urge modifications on the ground of equity. It is a fiscal necessity that the burden on land be lightened sufficiently to preserve it as a source of municipal revenue and this involves a reduction to the point where the taxes will be approximately what the landowners expected and counted upon when they purchased their holdings, plus a reasonable share of the unusual burden now present.

MISCELLANEOUS CRITICISMS OF THE PRESENT TAX SYSTEM.

In addition to the charges of inequity and financial inadequacy, specific criticisms have been urged against various parts of the tax law and complaint has been made concerning the distribution of the financial burden between urban and rural municipalities. The criticisms of the tax law will first be briefly examined with a view to determining whether they rest upon a firm foundation.

Appeals from Assessments.—Land is over-assessed in many of the municipalities and this condition exists in spite of every effort on the part

¹ Some explain this change in demand on the ground that the small, easily heated houses have become more attractive because of the high prices of coal and the unusually severe winters experienced of late, and others believe that the disappearance of a large floating population has destroyed the profitable practice of subletting extra rooms in the larger houses. The following data regarding vacancies in Moose Jaw are interesting in this connection:

	January, 1915	January and February, 1916
Vacant houses costing more than \$1,500.....	196	121
Vacant houses costing less than \$1,500.....	259	308

² Cf. *supra*, pp. 31-33.

of the owners to correct it. This in itself is an indictment of the machinery provided for considering the appeals of aggrieved property owners. That machinery consists, first, of an appeal to a committee of the local council, usually composed of the men who have supervised the original assessment. Second, there is an appeal from this committee to a district judge in the case of all municipalities except the cities and certain designated towns where the appeal is to the Local Government Board. Finally, there is an appeal to the highest court in the Dominion, an inconvenient and clumsy arrangement, but nevertheless one which has been used in at least two cases of late, again demonstrating the strength of the dissatisfaction.

Taxpayers complain that it is useless to appeal to the council committee for the defendant is also judge and jury. The appeal to the Local Government Board, while in most respects satisfactory, is lacking in one important particular. The board it is claimed, is not and cannot be an entirely suitable body to exercise this function of judging the fairness of individual assessments so long as it exercises some of its other functions, such as the approval of debenture issues, for the board is placed in the position of first passing judgment upon the ability of a municipality to meet certain financial obligations and then considering the complaint of the man who feels that his share of that financial obligation is greater than it should be. It is contended that the minds of the members of the board in the nature of things must be affected by the financial needs of the city, and therefore that the board cannot fairly be made the final arbiter in the province on a question of justice to an individual. The abolition of the appeal to the board is not urged by those who complain. What is desired is an appeal from the decision of the board to some court within the province.

The investigator is convinced that the property owners have good grounds for their complaint. The only objections which have been made to granting an additional appeal have been based upon the desirability of having the assessment finally settled at as early a date as possible, and upon the anxiety lest the supreme court (to which the appeal is desired) be too fully occupied already to give tax appeals prompt attention. The first objection could easily be met by providing that the assessment shall be considered determined when it receives the approval of the Local Government Board, that taxes shall be paid on that assessment and that any redress ordered as a result of further appeal shall be adjusted out of the succeeding year's tax levy. What readjustment in the duties of the supreme court would be necessary, the writer is not in a position to judge.

The language used in some of the statutes appears deliberately to invite over-assessment. Thus in section 371 of The Town Act one reads:

"In case the value at which any specified land has been assessed appears to be more or less than its true value, the amount of assessment shall nevertheless not be varied on appeal if the value at which it is assessed bears a fair and just proportion to the value at which the lands in the immediate vicinity of the land in question are assessed."

The condition at which this section is aimed is, of course, familiar. But in practice it has undoubtedly operated to maintain assessments which were above the full market value of the land.

The Arrears of Taxes Act.—There is general agreement that the present law governing the collection of back taxes¹ is superior from every

¹ For a brief account of the provisions of this law *cf. supra*, pp. 24, 27.

point
been
owners
that t
title t
the w
suffic
that a
effect
that t
owners
presen
that t
taxes
munic
burden
of the
the mu
proper

Th
urged
of the
which
under
to plea
consid
tax sal
very e
subst
has ve
unfavo
would
be loo

Th
everyw
tion is
the nu
toward
were th
tion de
What
cussed

Th
on seve
applic
develop

¹ *Cy*
² *A*
Railway
in supp
palities.
³ *Cy*

point of view to that which was formerly in force. The criticisms have been, for the most part, complaints against its stringency from property owners whose taxes have fallen into arrears. A suggestion is made that the law should be changed so as to make it impossible to take title to land by the tax sale route until one year after the end of the war. The obvious difficulty which, according to the officials, is sufficiently serious to render unwise the adoption of such suggestions, is that any relaxation in the terms of the Act would have a demoralising effect upon the payment of current taxes. Let the impression be gained that the government will not permit the law to take its course and property owners will consider their tax obligations even less seriously than at present. Such suggestions, it is contended, are in their essence proposals that the municipalities lend to the property owner the amount of his taxes at a high rate of interest. But, even at the high rate, the municipalities are not in a position to undertake this additional financial burden. Indeed plans of this type may easily lead to an abandonment of the whole policy of enforcing the payment of taxes and would make the municipalities financially dependent upon the mere good will of the property owners.

Those who favoured the more liberal treatment of tax delinquents urged radical amendments to The Arrears of Taxes Act at the last session of the Legislature. A change was consequently introduced (section 69a) which made possible the extension of the redemption period for one year under certain conditions. This amendment was not sufficiently generous to please the petitioners but was nevertheless sufficiently radical to cause considerable difficulty to the administrators. Letters from investors in tax sale certificates have been submitted to the investigator which show very clearly that they consider even this slight amendment to the Act substantially a breach of faith. City officials testify that the amendment has very seriously affected the market for tax sale certificates.¹ The unfavourable effects of attempts to ease the lot of the tax delinquent would in all probability outweigh the good accomplished. Relief must be looked for from other directions.²

The Poll Tax.—Curiously enough the poll tax, which has been almost everywhere abandoned, is still tolerated in Saskatchewan. The explanation is undoubtedly that property owners are not averse to compelling the numerous transients who own no taxable property to pay something towards municipal expenses. The objections made to the investigator were that the contribution was not so heavy in proportion as the contribution demanded of land owners and that the tax did not extend to women. What part the poll tax should play in a scheme of readjustment is discussed later.³

The Business Tax.—Complaints are made against the business tax on several grounds. In the first place it is contended that as at present applied, with each city determining its own schedule, an irregularity develops among the municipalities which is undesirable in its effects.

¹ Cf. *infra*, p. 44.

² A memorandum submitted by Mr. R. R. Nichol, of the Canadian Northern Railway system, urges a two-year period before the sale of land for taxes. The argument in support of this proposal refers more particularly to conditions in rural municipalities.

³ Cf. *infra*, p. 47.

An accountant in one city, it is urged, should pay the same amount as business tax whether he locates in Saskatoon or Moose Jaw. A type of municipal competition springs up which, it is felt, ought to be discouraged.

In any case there can be no doubt that the local freedom in this direction has greatly crippled the business tax as a revenue producing device. Local pressure is brought to bear very effectively with the result that the assessment is often set at ridiculously low figures.

The business tax is also sometimes criticised on the broad ground of equity in that it does not approximate a charge on net revenue but, on the contrary, taxes the man who fails as heavily as him who prospers.¹ Yet there are those to whom the tax commends itself because of this peculiarity.

Finally, it is asserted by some that the business tax has a tendency to restrict the size of quarters used by business establishments.

In the opinion of the writer a higher degree of uniformity is desirable in the business tax schedules, but complete uniformity among all of the municipalities of the province should not be attempted. The proposal to withdraw from the municipalities the right to determine their own schedules would probably not be seriously opposed, but would, on the contrary, win active support from the administrators in some places because of the embarrassment caused by the pressure of local business men who object to high assessment schedules. The business tax has interesting possibilities from the point of view of equitableness when combined with certain other taxes which will be later discussed.² Finally, although it is desirable that the tax be left so low as not to involve undesirable social results, such as the crowding of business into a small floor space, it is necessary to remember the financial urgency and to compare this disadvantage of the business tax with the disadvantages of the alternatives.

There should be mentioned also two criticisms encountered which were not directed against the tax system but which, nevertheless, have a fiscal significance. One point relates to the form of organisation in use in the smaller cities. In two of the cities the opinion was expressed that considerable financial saving could be effected by a more simple system of organisation. This raises the question of the desirability of classifying cities into two or more groups.

The other criticism was directed at the suffrage and insisted that it was bestowed too liberally. One proposal was that only taxpayers on assessments of more than \$5,000 be permitted to vote for money bylaws. Whether financial conservatism and responsibility can best be promoted through limited suffrage or through liberal suffrage coupled with close provincial supervision, is an unsettled question which perhaps only experiment can decide.

THE DISTRIBUTION OF THE TAX BURDEN BETWEEN URBAN AND RURAL MUNICIPALITIES.

In addition to the dissatisfaction with the methods of raising municipal revenues, complaint is made of financial burdens which rest upon the

¹ This assumes, of course, that they are in the same line of business and use an equal amount of floor space.

² Cf. *infra*, p. 46.

municipalities obtained

The Saskatchewan revenue the principle upon which provincial revenue unrelated to the opportunity the province upon a ripe. It a single yield a special tax

The levied a the rates and a rate improve expenditure

We tax will its short defects "all the tax base land alone business to pay base. C upon mo which va The municipal competition

In a basis be taken speedy a to develo

Local revenue made th

The revenue purposes t

² Law

³ Iner

⁴ Cf. i

municipalities as a result of the manner in which provincial revenues are obtained and the manner in which the high schools are financed.

The Patriotic Tax.—Until the outbreak of the war there existed in Saskatchewan a complete separation of sources of provincial and municipal revenue. The localities were given real estate, business and incomes as the principal elements for their tax bases, while the province depended upon subsidies, indirect taxes and fees of various sorts. As a result the provincial system has developed into a collection of miscellaneous and unrelated revenues which have been seized upon at various times as opportunity offered. Doubtless the moment is rapidly approaching¹ when the province must seriously consider a reorganisation of its revenue system upon a more intelligent plan, but the time for this appears to be not yet ripe. It is a remarkable fact that the provincial tax system contains not a single elastic element—not one tax whose rate can be varied at will to yield a sum necessary to meet the needs of a budget. A possible exception to this statement is the patriotic tax, but this after all is considered a special tax levied for particular purposes.

The patriotic tax, which was established by an Act passed in 1916², levied a special rate of one mill³ on the dollar upon "the total value of all the rateable property" in the municipalities (including rural municipalities) and a rate of one cent per acre upon the lands in the outlying "local improvement districts," the proceeds to be used for meeting certain expenditures connected with the war.

Were it not for the fact that there is every prospect that the patriotic tax will be retained for several years as a part of the provincial system, its shortcomings might not deserve attention. Of the seriousness of its defects there can be no question. First of all, in imposing a flat rate upon "all the rateable property" the law ignores the differences between the tax bases used in the various municipalities. In some municipalities land alone is taxed. Other municipalities tax, in addition, improvements, business and income. The village which taxes land only is called upon to pay much less to the patriotic fund than one which has a broader tax base. Complaint is made that in general the urban regions are levied upon more heavily than the rural. Again, of two municipalities the one which values its property more conservatively escapes with a lighter tax. The municipalities have not been slow to grasp this fact and the era of competitive undervaluation appears already to have begun.

In the opinion of the writer the apportionment should be made on a basis more equitable than mere "rateable property" and steps should be taken to equalise the assessments among the municipalities.⁴ Unless speedy action is taken in this direction the patriotic tax is likely very soon to develop into a very troublesome part of the revenue system.

Local Licenses.—In the course of its development the provincial revenue system has gradually absorbed many licenses and complaint is made that this results in the municipalities paying a larger share of the

¹There is a growing need for revenues and a growing conviction that some of the revenues now used for local purposes, e.g., the surtax, are better suited for provincial purposes than for local.

²Laws of 1916, chapter 6.

³Increased to one and one-half mills in 1917.

⁴*Cf. infra*, p. 48.

provincial expenses than would be the result were the licenses made a source of local revenue and the provincial treasury supplied by some form of general direct taxation. Although a definite statement cannot be made without knowledge of the nature of the substitute source of revenue, this claim is probably well founded. Certainly it is true that many licenses which are used as local sources of revenue elsewhere are used in Saskatchewan to supply the provincial treasury. In some cases the provincial licenses are not exclusive in the sense that other local licenses may not be also imposed. But, according to the local authorities, they are made so high as to preclude the addition of local licenses.

Automobile Licenses.—Somewhat similar is the dispute concerning fees from automobile licenses. Approximately one-sixth of the automobiles of the province are owned in the cities. Yet the cities receive no direct financial returns from the fund accumulated in the provincial treasury from motor licenses, while the country districts are given subsidies from the fund for road purposes. The city residents claim that they have streets to maintain just as the country has roads and that they should share in the distribution. It is difficult to answer this argument, for the retort that the city cars make use of the country roads carries its own rejoinder that the country cars reciprocate by using the city streets. It is, however, commonly considered good practice to subsidise road building from central treasuries even where similar favours are not extended to city streets, so that the province cannot be charged with adopting unusual means to penalise the cities as compared with the country. Much of the complaint is undoubtedly based upon the form of the distribution. If, for example, the funds were expended directly by the province for the same purposes, instead of being given in the form of a cash grant to the country districts, there would be less objection.

It has been urged that automobile licenses should be done away with entirely but this is scarcely a fiscal possibility at the present time. The real question involved is whether the people of the province desire provincial subsidies for road building alone or for both roads and city streets.

A possible source of additional revenue for the cities consists of an additional license fee for automobiles. The fees are already as high as is customary elsewhere but probably an increase of 50 per cent. for local purposes would not be considered unduly burdensome.

Fines.—Dissatisfaction is expressed because so large a portion of the fines collected by the cities for various misdemeanours is claimed by the provincial treasury. Formerly a contribution was made by the province toward the expenses of the local administration of justice, but this has been discontinued.¹ This situation is also an unusual one, but the amounts involved are not large. In Swift Current, for example, the total fines in 1916 amounted to \$5,767, of which the province claimed \$2,350. Of the fines collected in Saskatoon the city received \$2,098.85 and the province \$2,884.

The Support of High Schools.—High schools and collegiate institutes in Saskatchewan are municipally controlled institutions which receive their financial support primarily from taxes levied by the cities and towns. The students, however, are often drawn from a wide territory and conse-

¹ At least so far as the salaries of the magistrates are concerned.

quently the urban taxpayers are called upon to bear the total cost of high schools which serve both city and country. The accuracy of this statement is somewhat affected by the provincial grants from the "Supplementary Revenue Fund," but these usually do not approach an adequate compensation for the service rendered. The burden involved can be better appreciated when it is understood that as much as 30 per cent. of the enrollment in Prince Albert and 35 per cent. in Saskatoon come from outside districts. The *per capita* cost of high school instruction moreover is very high. In Moose Jaw it approximates \$110; in Prince Albert, \$136; and in North Battleford, \$260.

This is a situation which demands attention. The suggestion of the Committee of the Union of Saskatchewan Municipalities is that the provincial government assume the entire financial burden of these institutions. But even if the consent of the government could be secured, a surrender of local control is almost necessarily a corollary of such a proposal and this is not desired by the municipalities. A solution could be found by requiring the rural municipalities from which the students come to pay the cost of their tuition. This plan has been widely used in the United States. However, this problem is one which is being considered also by Doctor Harold W. Focht in connection with the educational survey being conducted by him. It may be that this financial problem, as well as various educational problems, will find a common solution in some general reorganisation of school district boundaries suggested in his report.

The survey of taxation in the urban municipalities of the province reveals a sound basis for much of the criticism of the existing system. All the available data indicate that the concentration of the burden upon land values has been carried to a dangerous point. If it is desirable that land titles remain in the hands of private persons, and if it is desirable that speculative land values form a substantial source of municipal revenue, action must be taken at once to reduce the burden to a size which will persuade land owners to pay taxes rather than surrender their holdings. Even a cursory examination of the situation will show that the municipalities cannot afford to invite a serious impairment of the revenues from land values,¹ and there is apparently no substantial sentiment in favour of the adoption of the policy of public ownership of land. Consequently the primary task of a plan for readjustment is to make financially possible the reduction of land assessments to reasonable levels and the reduction of rates imposed on these assessments to a point where prompt collections can be confidently anticipated.

¹ This is true even though they should contemplate holding the land for future sale or rental.

PART TWO

A PLAN FOR READJUSTING THE TAX SYSTEMS OF THE MUNICIPALITIES.

THE SOLUTION A TEMPORARY SUPPLEMENT TO THE LAND TAX.

In considering a plan for readjusting the financial systems of the municipalities of Saskatchewan it should always be kept in mind that the present adverse conditions are abnormal. The war itself is in large measure responsible, for although the depression was already present before the war began, it has undoubtedly been more lasting and severe in some of its effects because of it. The revival of prosperity which everyone expects after the war should of itself bring an adequate solution of the present financial problem, and in all probability it will be possible to return to the system which was so popular in the past but which is so inadequate at present. The wisest solution consists of the adoption of certain temporary expedients to meet the present emergency—expedients which may be disagreeable in themselves and more or less intolerable judged by the standards of ordinary times, but nevertheless much less disagreeable and much more tolerable than bankruptcy.

In devising means of meeting the present emergency, especial care should be used to maintain the advantage won by the establishment of the land tax principle. By asserting the community's claim to so large a share of the land values, the municipalities have developed an asset of great value and one which it would be sheer folly to dissipate or surrender.

Any plan for readjustment should be predicated on the assumption that the special taxation of land, to the extent that the same has come to be generally accepted as normal and proper, will be retained as the basis of the system. This source of revenue has demonstrated, however, its lack of dependability under conditions such as now prevail. What is needed, then, is a group of financial expedients to supplement the land tax during the present period of stress and which may be available for use in similar emergencies without the unfortunate delay which in this case has so accentuated the problem.

The plan of readjustment here proposed is framed with reference to the needs of the municipalities of the province in general and is not presented as a cure for the most acute cases. No mere rearrangement of the tax system can repair the financial damage done in a few of the municipalities by stupid and careless engineering, by selfish and mistaken policies of railway development and by extravagant and reckless municipal administration. But the seriously embarrassed municipalities are, after all, few in number. Indeed, when one considers that in spite of the highly dynamic conditions which have been present, only three among all of the three hundred and ninety-one urban municipalities in the province have failed to meet their obligations promptly, the record is creditable. But, as has been seen, a great many of the municipalities, which up to the present have met all obligations, cannot continue much longer on the present basis without directly courting disaster.

Assu
will mak
must be
extend.
which ca
of view i
part of t
will obvi
in the o
extend a

Poli
the esta
formulat
sales. A
quickly
opinion
which wi
In gener
thus acc
to hold
compron
In the c
lots for d
would re
be made
develope
sales at
accept a
placed in
than the

Com
putting t
form a c
exceedin
payment
is a prosp
of the ta
Agreeme
that the
payer it

The
policy in
the best
ance wit
be more
cases co

¹ It is
amendme

RELIEF TO LAND OWNERS.

Assuming that revenues can be secured from other sources which will make it possible to extend relief to the owners of land, the question must be considered as to how much relief it is necessary or desirable to extend. It should be asserted at the very outset that this is a question which cannot receive a definite, dogmatic answer. From the fiscal point of view it is necessary that the relief be sufficient to make land a dependable part of the tax base. The amount of relief necessary to bring this about will obviously vary some what from city to city. It may also be desirable, in the opinion of the people of the province, to go further than this and extend a larger degree of relief on the grounds of equity.

Policy in Relation to Lands Acquired through Tax Sales.—Essential to the establishment of land as a dependable part of the tax base is the formulation of a sound policy in relation to lands acquired through tax sales. As has been pointed out, attempts by the municipalities to realise quickly upon these lands may precipitate a serious collapse. In the opinion of the investigator the policy adopted should be a flexible one which will always take into account the effect of sales upon realty values. In general, it may be said that where municipalities can realise upon lands thus acquired without compromising realty values, they cannot afford to hold the lands, and that where an attempt to realise on lands will compromise realty values, municipalities cannot afford to sell them. In the case of outlying subdivisions which will not be needed for building lots for decades to come, the case is clear. Every effort, short of that which would result in a ridiculously small return to the public treasury, should be made to realise on the land. In the case of land lying within the developed areas of the municipalities, the only safe policy is not to make sales at prices lower than those which the municipality is prepared to accept as the assessed value of the land. Otherwise the municipality is placed in the anomalous position of defending assessments which are higher than the prices for which it is willing to sell its own land.¹

Compromises for Unpaid Taxes.—In connection with the task of putting the land tax on a firm foundation, compromises for unpaid taxes form a difficult problem. Accepting less than the taxes charged is an exceedingly dangerous practice, because it tends to demoralise prompt payment and to encourage deliberate playing for a compromise. If there is a prospect of finally settling a tax claim on a basis of one-half or one-third of the taxes imposed, it is good business to allow the arrears to accumulate. Agreement to a compromise amounts substantially to an acknowledgment that the original charge was unjust, and if a rebate is made to one taxpayer it should be made to others also.

The policy toward compromises of taxes should be a corollary of the policy in regard to lands acquired by tax sales. If the present owner is the best customer for a piece of land which should be realised on in accordance with the sales policy outlined above, the payment may in some cases be more conveniently made in the form of a tax compromise. In other cases compromises should be made only in most unusual instances and

¹ It is not entirely clear whether the adoption of this policy would involve the amendment of section 24 of The Arrears of Taxes Act.

under strict central control. The city can much better afford to take over the land and hold it than to encourage taxpayers to scheme for compromises.

The Arrears of Taxes Act.—It is desirable, in the opinion of the investigator, that the amendment to The Arrears of Taxes Act, passed in 1917, permitting an extension of the redemption period under certain conditions (section 69a) be repealed and that no action be taken weakening the provisions of the present law or affecting unfavourably the foundation upon which tax sale certificates rest.

The Insurance of Fair Assessments.—The existing over-assessment of land is, of course, to be deprecated. Much would be accomplished towards a correction of the situation by the provision of additional revenues from other sources, for this would relieve the administrators of the feeling that the only way to raise the necessary funds is to maintain high assessments.

In addition, the language of the municipal Acts, in so far as it can be so construed as to condone over-assessment, should be modified. It should be made very clear that assessment at a higher figure than full cash value is not to be countenanced.

Finally, it is imperative that adequate machinery be provided to consider appeals in cases of dissatisfaction with assessments. The committee of the council has obvious defects as a court of appeal but it probably performs a sufficiently useful function in weeding out the ungrounded and merely formal protests to justify its retention. With the pressure of financial necessity removed, and with the possibility of appeal from its decisions, the Local Government Board¹ would probably give almost complete satisfaction as a body to pass upon appeals from the local committees. The occasional malcontent should be required to pay his tax, under protest, pending an appeal to the supreme court of the province, his claim for rebate to be readjusted from the following year's levy.

The Reduction of Present Rates.—There formerly existed in The City Act a restriction on the tax rate which limited it to 20 mills. Land owners bought with the knowledge that the tax rates might increase to that figure but there was in that provision some assurance that the rate would not go above it. Today there is no limit to the rate which the property owner can be called upon to pay, and in the absence of changes in the tax system there is some basis for apprehension lest the burden become generally confiscatory. A 20 mill rate on a reasonable assessment would doubtless result in greatly improved collections. It is desirable, in the opinion of the writer, to make the outlook for land owners as definite as possible, and with that end in view it is recommended that the rate on land for all purposes, including schools, be limited to 20 mills, with the provision that a higher rate can be levied only with the consent of the Local Government Board. The Board should be instructed to grant such increases only when it is convinced that the other sources of revenue are being utilised and that the higher rate is necessary to meet the financial needs of the case.

The Reduction of Present Assessments.—Data have been submitted which draw a very dismal picture of the present state of land

¹ Or the Provincial Tax Commission, if created.

values
doubtles
of undu
position
doubtles
of a few

Lar
many m
Substan
approxi
undoubt
ties by
is proba
subdivis
second p
the tax s
and fini
burden
purchas
result.

If s
that som
The pro
ability t
of impos

The
are by n
and the
implies
account
increas
the own
is to inc
practice
very hig
to the
time. I
tax on b
the den
probabil
the tena

Tax
and they
It is not
but it s
themsel
As a rou
treasury
the tax o
source o

values, particularly as compared with assessments. While there is doubtless good ground for much of the complaint, there seems to be a spirit of undue pessimism in some quarters. Many even appear to take the position that there is no future at all for real estate. This attitude is, doubtless, largely the result of a reaction from the over-optimistic position of a few years ago.

Large reductions in land assessments have already been made in many municipalities, particularly in the three largest cities of the province. Substantial revisions downward yet remain to be made before assessments approximate true values. But there are factors in the situation which undoubtedly operate to improve the outlook. First of all, the municipalities by their previous reductions have already written off the rolls what is probably the most speculative portion of the land values. The outlying subdivisions have, for instance, been scaled down to a low level. In the second place, the darkness of the present outlook is due in large part to the tax situation itself. If in the place of the present outlook of uncertainty and sinister possibilities, there were substituted an assurance that the burden would be approximately what was anticipated when the land was purchased, an immediate hardening of land values would undoubtedly result.

METHODS OF INCREASING REVENUES.

If substantial relief is to be extended to land owners, it is necessary that some of the taxes now levied on land be obtained from other sources. The problem is to determine where in the community there exists the ability to bear additional tax burdens and what are the best methods of imposing the burdens where they can be borne.

The Taxation of Improvements.—The owners of improved property are by no means an identical group with the owners of unimproved property and the transfer of part of land's present burden to buildings, therefore, implies a readjustment of the burden. This, moreover, does not take into account the shifting of the improvement tax to the tenants in the form of increased rentals. Though the burden rests in the first instance upon the owners of the houses, the tendency, according to economic theory, is to increase rentals by an amount sufficient to cover the tax. In actual practice in western Canada, rentals are rarely normal, being usually either very high or very low. The possibility of the increased tax being shifted to the tenant depends largely upon the rental situation at the particular time. If the demand for houses is strong, the probability is that a new tax on buildings would be shifted. In almost all of the cities, as it happens, the demand at present is good and is improving. Consequently the probabilities are that a substantial portion of the tax would be paid by the tenants (or by those owners who occupy their own houses).

Taxes upon improvements have been unpopular in Saskatchewan and they have been very largely eliminated as a source of local revenue. It is not to be presumed that such taxes are particularly popular anywhere, but it so happens that almost nowhere else have municipalities found themselves in a position where they could afford to dispense with them. As a rough method of approximating ability to contribute to the public treasury, there is much to be said in favour of the plan. Indeed, next to the tax on land, it is considered by most tax authorities the most attractive source of local revenue.

Under conditions as they exist at present, an increase in the taxation of improvements in the municipalities of Saskatchewan would be a desirable temporary addition to the revenue system. It would add to the dependability of the tax base, for the taxes on buildings are more certain of collection than the taxes on land.¹ It would result in a substantial increase in revenue without additional administrative expense. Its burden would fall, for the most part, where it could well be borne. It is, in short, a source of revenue which in this time of financial stress the municipalities cannot afford to ignore.

The recommendation of the committee of the Union of Saskatchewan Municipalities that improvements be assessed at a uniform percentage of their value in all urban municipalities should be adopted but with the proviso that in special cases the Local Government Board² shall have power to make exceptions where it is desirable for fiscal reasons to tax improvements at a higher percentage than the general one. For the year 1917 improvements should be taxed at 60 per cent. of their value. If the result of the year's financing makes it desirable to increase this figure the following year, a considerable margin remains. Provision should be made for an easy return to a lower assessment of buildings when the financial situation will permit it. This should be accomplished by securing the approval of an administrative body³ under conditions which will insure that reductions which are financially unwarranted are not made and that competitive undervaluation between municipalities does not develop to the injury of the financial soundness of the local situations.

The Business Tax.—The business tax formerly played a far more important part in municipal finance than is now the case. Under properly prepared schedules it should be made to assist very materially toward the solution of the present problem. The testimony is universal that the business men are prosperous and are in a good position to accept additional taxation. This can best be accomplished, in the opinion of the writer, by a combination business and income tax. The business tax should be apportioned on the floor space basis and the income tax used to supplement it by correcting the injustice due to the fact that the business tax does not discriminate between the prosperous and the unsuccessful.⁴

To remove the business tax from local pressure and to gain the advantages of uniformity, the business tax schedules should be controlled by a central authority.⁵ It is not desirable to have one uniform schedule for all of the municipalities. They should be classified into more or less homogeneous groups, the cities, for example, being distributed into two or three classes. The schedules should be drawn up in tentative form by representatives of the municipalities in each group, preferably by the assessors, and submitted to the central authority for approval. The schedules should be prepared on the basis of an expected revenue considerably higher than is now being realised even in the cities where the business tax now yields the highest returns. It should aim to distribute the burden equitably as between different groups of business men.

¹ Cf. *supra*, pp. 25, 27.

² Or the Provincial Tax Commission, if created.

³ Preferably by a Provincial Tax Commission.

⁴ Except, of course, as the prosperous man uses more floor space.

⁵ Preferably by the Provincial Tax Commission, if created.

M
class
tax r
favou

T
provir
dition
federa
point
law in
the pr
assesse
a plan
applic
return
formul
Tl
cannot
rate ec
the net

Pe
as a ty
able to
to vary
For exa
a five-d
etc. T

Th
situati
impossi
availabi
should l

Th
at this
still fur
deemed

A J
whether
board of
tion of
connecti
are equ
which co

¹ Acc
Taxation,
authoritie

Merely making uniform the schedules in municipalities of the same class does not make equal the burden on types of business unless the tax rates are identical in the municipalities. This is an argument in favour of a fixed uniform rate on businesses.

The Income Tax.—The time is apparently not ripe for a general provincial income tax in which the municipalities share. Several conditions essential to the success of such a tax are as yet absent. The new federal income tax law renders the situation more difficult from the fiscal point of view, without making it much easier from the administrative point of view.¹ What remains is to revamp the present local income tax law into a form which will be more equitable and productive. Certainly the present exemption granted to incomes in cases where the person is assessed for other taxable subjects should be repealed. It may be that a plan somewhat like that in use in the State of Connecticut could be applied in Saskatchewan whereby every person filing a federal income tax return would also file a duplicate with the local authorities for use in formulating an assessment for municipal purposes.

The rate, in the presence of the highly progressive federal rate, cannot be made high, 2 per cent. probably being the upper limit. This rate could well be applied to the whole income, however, not merely to the net income over and above the initial exemption.

Poll Taxes.—The improvements tax will have a tendency to operate as a type of income tax on the lower ranges of income but it may be desirable to supplement it by the specific poll tax. This could be made to vary in amount with general classes of income in the lower ranges. For example, a person with an income of less than \$1,000 might be charged a five-dollar poll tax; one between \$1,000 and \$1,500 a ten-dollar poll tax, etc. This is, of course, one of the less desirable forms of taxation.

The Rentals Tax.—The rentals tax might be profitably resorted to in situations where the increase in the tax on improvements is an economic impossibility. Provision should be made which will render this tax available for such cases. The advisability of its use in particular cases should be determined by some central authority.

The Increment Tax.—Because the imposition of an increment tax at this time would probably have the effect of depressing land values still further, the adoption of such a measure in the present contingency is deemed to be ill advised.

MISCELLANEOUS CHANGES.

A Provincial Tax Commission.—It is now a serious question as to whether the time is not ripe for the appointment of a central provincial board of some dignity, power and responsibility to assist in the administration of the tax system. The necessity of providing for equalisation in connection with the patriotic tax gives point to the matter. Then there are equalisation functions as between towns and rural municipalities which could well be assigned to such a body. It could also take over from

¹ According to a letter dated September 17, from the Federal Commissioner of Taxation, the federal income tax returns are not available to provincial or municipal authorities.



301000231418

the Local Government Board the work of passing on appeals from assessments. The task of guiding the municipalities through the present period of financial stress, the formulation of the business tax schedules, the development of an effective local income tax,—all could be assigned to such a body. Experience in the United States has demonstrated the desirability of making such a board small¹ and of removing it as far as possible from political influences.

The Patriotic Tax.—As has been noted,² the basis for the apportionment of the patriotic tax stands in need of readjustment. It is suggested that the equalised assessed value of land alone would probably prove to be the most practicable available basis.

An examination of the detailed statistics of a number of the municipalities of the province has convinced the writer that the present difficult situation can be satisfactorily met by the policy outlined above. Some of the municipalities will undoubtedly require special treatment, but for almost all a temporary submission to the somewhat burdensome forms of taxation suggested will bring the desired results.

¹ The number is usually three.

² *Cf. supra*, p. 39.

