

MUNICIPAL TAXATION IN NOVA SCOTIA

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PRACTICALLY, the General Property Tax as actually administered is beyond all doubt one of the worst taxes known in the civilized world. Because of its attempt to tax intangible as well as tangible things it sins against the cardinal rules of uniformity, of equality, and of universality of taxation. It puts a premium on dishonesty and debauches the public conscience; it reduces deception to a system, and makes a science of knavery; it presses hardest on those least able to pay; it imposes double taxation on one man and grants entire immunity to the next. In short, the General Property Tax is so flagrantly inequitable that its retention can be explained only through ignorance or inertia. It is the cause of such crying injustice that its alteration or its abolition must become the battle cry of every statesman and reformer."

Seligman, *Essays on Taxation*, p. 61.

A quarter of a century has passed since Professor Seligman of Columbia University, probably the greatest living authority on municipal taxation, wrote the tremendous indictment of the General Property Tax which is placed at the head of this article. Twenty years before that the Assessor of New York used respecting the same tax the following language:

"The General Property Tax is a reproach to the state, an outrage upon the people, a disgrace to the civilization of the nineteenth century, and worthy only of an age of mental and moral darkness and degradation, when the 'only equal rights were those of the equal robber.' "

Seligman, p. 36.

Since then there have been commissions on taxation without number, and with scarcely an exception they have denounced the General Property Tax as unjust, unworkable, detrimental to the best interests of the community, sinning against every canon of good taxation; yet with the exception of the City of Halifax this much denounced system is universal throughout Nova Scotia, and I believe throughout the whole of the Maritime Provinces. In Halifax an agitation lasting, somewhat spasmodically, for a quarter of a century, resulted in 1916 in a radical change. But

in the rest of Nova Scotia no serious attempt has yet been made at a reform. In this respect the Maritime Provinces have lagged much behind the rest of Canada. Quebec never had the General Property Tax; Ontario had, but did away with it in 1897. The Western Provinces also have discarded it. Here in the East it still holds sway.

In Nova Scotia the tax is imposed in the baldest and crudest form. Section (3) of the Assessment Act, which regulates the taxation in rural municipalities and incorporated towns, reads as follows:—

“All real and personal property and income shall (subject to the exemptions specified by the Act) be subject to taxation for all purposes for which municipal, town, local, or direct taxes and rates are levied by authority of law.”

The principal exemptions are the properties of the Crown, those of religious, charitable or educational institutions, and income to the extent of four hundred dollars in rural municipalities and six hundred in towns. Railways also are exempt. There is no attempt at specifying or defining the property subject to taxation. The only directions as to valuation are that all property is to be valued at the amount which in the opinion of the assessor it would realize at a sale by auction. Income is to be the actual amount of the income of the person assessed during the year preceding that in which the assessment is made, without deduction for indebtedness or cost of living.

Needless to say, all the inequalities, absurdities and injustices which have been so often pointed out as inherent and inevitable in the General Property Tax are in full force throughout the province. The attempt to tax personal property is, to use the language of an experienced and competent assessor, “a joke”. It reaches chiefly the objects that cannot escape the eye of the most unobservant assessor—a horse or a cow, a gold watch, or even a handsome ring. A motor car is a favorite mark with some. A crude estimate is made of the value of household effects from the appearance of the exterior of the house and the supposed wealth of the owner. The generality of the expression “all personal property” would cover not only tangible property, but intangible, such as bonds, shares, debts. So far as I know, little or no attempt is made to reach any property of this description, and it is obvious that to make such an attempt with any prospect of success would be far beyond the power of any assessor. With respect to another very important description of personal property, namely the goods which constitute the stock in trade of merchants, both wholesale

and retail, there appears to be no uniformity of practice whatever. There are no directions in the Assessment Act as to what shall be considered personal property to guide the assessor. The only attempt at such a definition was that contained in the Charter of the City of Halifax previous to 1916, which was as follows:—

(1)“Under the expression “personal property” shall be included:—

(a) all household furniture, moneys, goods, chattels, wares, merchandise and effects wheresoever situated within the City owned by any person, company or corporation, and

(b) all moneys belonging to any inhabitant of the City invested in public or private securities within the City.

(2). All bullion and coins of gold, all Dominion notes and notes of solvent banks in the province or elsewhere which are the property of any citizen and in the possession of such citizen, or in the custody of a bank or other person or company, except money deposited on deposit receipt, shall be deemed to be the moneys of such citizens and shall be assessed as his personal property.

(3). All ships and vessels, or shares therein, for the purpose of assessment shall be valued at one-fourth of their actual value, and shall respectively be assessed to the owner thereof in the ward in which he resides and irrespective of the place or port of registry.

(4). All stocks of merchandise held for sale shall, for the purpose of assessment, be valued at three-fourths of their cash value.”

In the absence of some such definition in the Provincial Act, the assessor of each municipality seems to feel free to bring under taxation such property as he deems suitable or desirable. Even the Halifax definition with its apparent exactness was of little service. Household furniture was merely guessed at. As to all the rest of the property enumerated with such an air of completeness, no attempt whatever was made to bring under assessment any class of property except the very class which was least able to bear taxation, namely “stocks of merchandise held for sale.” A genuine effort was made to assess these at the three-quarter value fixed by the Act. The inequalities, injustices and hardships resulting from this tax, and the injury it was demonstrated as inflicting on the community, were the cause of the agitation for reform which after thirty years of struggle resulted in the Act of 1916, by which the taxation of personal property in any form was abolished. In Halifax incomes were never subject to taxation. In the rest of the Province the assessment of merchandise appears to vary with the individual inclinations of the assessor. In so far as any serious attempt is made to bring it under taxation the results are inevitably the same as were manifest in Halifax and everywhere

else. One class of trade with a small stock quickly turned over escapes lightly. Another with no greater total volume of trade, but a slower moving stock, pays heavily. Certain classes of business not requiring to carry stock, yet doing a lucrative trade on commissions, escape entirely. As between traders engaged in the same line of business, there are inevitably the grossest discriminations. The man who has been so unfortunate or ill-advised as to have his stock on his premises when visited by the assessor is caught and pays; his neighbour who has been lucky enough or shrewd enough to postpone delivery of his purchases to a later day escapes easily. Probably there is not so much variation in this respect as there once was among the ordinary retail traders throughout the Province, for thanks to rapid communication stocks can be kept at a more uniform value. But in respect to the larger classes of business, especially if of a speculative character, the effect of such a tax is very great, not only in creating inequalities and injustices, but in most seriously handicapping business. That undoubtedly was its effect in Halifax. The actual tax paid on merchandise, though serious, was not perhaps so detrimental as the dread and uncertainty of taxation on a speculative venture. Instances came to my own knowledge of promising ventures being dropped or driven out of the city by apprehension and uncertainty as to taxation. It would, for instance, be impossible to establish a storage plant if the goods so stored were liable to be pounced upon by an assessor and taxed heavily for perhaps a brief sojourn in a city.

All this of course, is nothing new. Nearly a century and a half ago, in 1775, Lord Mansfield pointed out—as clearly as it has ever been pointed out since—the absurdities and injustices inherent in any attempt to tax personal property. The case¹ came before the Court of King's Bench on a motion to compel the justices of Ringwood to assess the stock in hand of certain brewers. In the judgment of the Court refusing the order, Lord Mansfield said:—

“In general I believe neither here nor in any other part of the kingdom is personal property taxed to the poor. I think the justices would not have done very wrong if they had acquiesced in the practice which has obtained ever since the stat. 43 Eliz., of not rating this species of property. The justices at sessions should have amended the rate if they thought this property ratable; and then on attempting to do it they would have discovered the wisdom of conforming to the practice which they expressly state in the case of not rating it. If they had tried to have amended it, how would they have rated this stock? Are the hops and the malt and the boiler to be rated at so much for each? Or is the trader to be rated for the gross sum which his whole stock would sell

1. Cowper's Reports 326

for? If the justices had considered, they would have found out the sense of not rating it at all, especially when it appears that mankind has, as it were, with one universal consent refrained from rating it; the difficulties attending it are too great, and so the justices would have found them. As to the authorities which have been cited, they are very loose indeed; and even if they were less so, one would not pay them very much deference, especially as they differ; and the rules they lay down have not been carried into execution for upwards of a hundred years. They talk of visible property. What is visible property? I confess I do not know what is meant by visible property. If every visible thing should be determined to come under that description, in that case a lease for years, a watch in a man's pocket, would be ratable. Visible property is something local in the place where a man inhabits. But that does not decide what a man's personal property is. Consider how many tradesmen depend upon ostensible property only." The decision of 1706, that a tradesman was liable in his stock, was extra-judicial. "But supposing it were not, what do they mean by the visible stock of an artificer? Some artificers have a considerable stock-in-trade, some have only a little, others none at all. Shall the tools of a carpenter be called his stock-in-trade, and as such be rated? A tailor has no stock-in-trade, a butcher has none, a shoemaker has a great deal. Shall the tailor, whose profit is considerably greater than that of the shoemaker, be untaxed and the shoemaker taxed?"

By the English Act of 1840 personal property of every description is absolutely exempted from rating, as it had been long previously by practice.

That this province should do the same is the first requisite to any consideration of reform in our tax system. It is probable that such reform would have taken place before now if it were not for the fact that until somewhat recently there was no great number of wholesale or manufacturing businesses in the province outside of Halifax, and that the taxation of the retail shops throughout the province was comparatively a matter of indifference to their owners. In the absence of competition from outside their own neighborhood they had no difficulty in passing the tax on to their customers. With the advent of the large Ontario and Quebec departmental stores as sharp competitors in every part of the province the situation has changed. The change has been met in part by constant applications to the legislature for exemptions or limitations of taxation, and in part apparently by a general disinclination of the town assessors to apply the tax fully by assessing stocks-in-trade at even their auction value. Either remedy is obviously illogical and unjust. It is manifestly high time that this province put itself in line with the rest of the Dominion in doing away with this mediaeval absurdity.

Equally unjust, absurd, and unworkable is the attempt to tax incomes for municipal purposes. Whatever may be said for the

merits and success of an income tax for the country as a whole, the attempt to impose such a tax for local and municipal purposes has no merit or justification. It is worth noting that while the British income tax is constantly referred to by the upholders of our municipal income taxes, the idea of applying that tax for local purposes has apparently never even occurred to anyone in Great Britain. The injustices and anomalies inevitable in such a tax, such—for example—as the taxation of property in one town and the taxation of the income from it in another, are innumerable. The justice of requiring two business or professional men, to each of whom the municipality gives exactly the same return by way of opportunity or civic services, to pay unequal amounts varying merely because of their different skill or industry, is not easy to see. A municipality has little or no means of ascertaining incomes or anticipating them at their source, as is done in England and now in Canada by intercepting the dividends of companies or profits of partnerships before reaching their participants. In practice, I understand, these difficulties are met by the usual Nova Scotian way of dealing with a troublesome law, namely by not enforcing it or doing so only perfunctorily. The only incomes actually reached are those that are fairly thrust under the noses of the assessor—such as salaries of clerks and other officials whose incomes are known or can be ascertained by enquiry. All other persons either escape entirely or are left to make such return as their consciences prompt them. In one town (Dartmouth) the results of attempting to collect the tax were so meagre, unsatisfactory, and unjust, that a special act was obtained dispensing with the tax there.

One curious anomaly in connection with the municipal income tax should be mentioned—the odd requirement that when the recipient of an income derives his income from an industry established in one municipality, but himself lives in another, his tax is to be paid in the former not in the latter. One would suppose that the most obvious requirement of justice would be that the tax should be paid into the fund from which the person making the payment derives the civic benefits attendant on his residence—such as streets, police, light and schools.

There appears to be a pretty general feeling that the present Act is antiquated and unsatisfactory and an acquiescence in the belief that a reform of some sort is necessary. But there does not seem to be any unanimity as to what shape the reform should take. Of course, there is the usual demand that the present law be tightened up and enforced more stringently. The easiest answer to

such a claim is that there is probably not one state in the United States in which the most desperate efforts in that way have not been made, with the invariable result that the more earnest the attempt the greater was the evasion and non-success. The General Property Tax is hopeless—and a change of system is imperative.

To attempt any lengthy and complete discussion of the theory of municipal taxation in the scope of a magazine article would be absurd. But a reference to it seems inevitable. So far as any theory has a place in the public mind, other than the "line of least resistance" or "to hit a head wherever you see it," the only theories one usually encounters are that taxation should be "in proportion to ability to pay," or, in the alternative, that it should be "proportionate to benefit received."

Notwithstanding that the "ability to pay" theory rests on the authority of Adam Smith and is to many apparently the very Ark of the Covenant of taxation, it appears to be gradually dropping in popular favour. Apart from any question of its theoretical soundness, there seems to be no way, in so far as municipal taxation is concerned at any rate, of applying it with any degree of accuracy or justice. In practice the only tests of "ability" that are applied, or can be applied, by a municipal assessor are the possession of visible, tangible property, or the receipt of an income. Both tests are completely inadequate. So far as income is concerned, even supposing an assessor to be able to discover it in any instance other than fixed salaries or other easily ascertainable cases, the charges on it are quite as important in respect to "ability" as the amount received. A bachelor with no dependants and \$2,000 a year is really much better able to pay than a man with a family and double the income. As to the possession of visible property, it again affords no criterion of the financial "ability" of its possessor apart from consideration of the charges upon it. A stock of merchandise worth \$100,000, but for which acceptances for the greater part of its value are outstanding, is of less assessable worth, if the ability to pay is to be the standard, than a much smaller stock not so encumbered. But if such encumbrances are to be taken into account, even if possible or desirable, the door is made wide open for tax evasion by the creation of fictitious charges. In most of the states of the Union the attempt has at one time or another been made to exempt from the assessment of personalty the charges upon it, with the result that by means of chattel mortgages, bills of sale, and similar devices the greater part of such property has escaped. As a working theory "ability to pay" is not possible.

The alternative theory of "benefit received" has at least in its favour the fact that it is in harmony with other transactions of a business nature, in most of which we pay—or are supposed to pay—for what we get. The civic corporation, though in many respects unlike an ordinary business company, resembles it at least in the respect that it takes money from us and is supposed to return some value for what it takes. But unless there is agreement, or at least clear understanding, as to what it is that the city gives its taxpayers in return for their money, the theory is likely to be grossly misconceived. The ordinary man is apt to consider that the city's return is confined to the services performed by the city out of the moneys collected by it in taxation—streets, lights, police, fire protection, schools. If this were all, the theory would be ridiculous, because the extent and manner in which such services are availed of by the ratepayers obviously have no relation to the amount of taxes contributed by them respectively. To attempt to appportion the extent of one's contribution to the civic budget by a calculation of the extent to which they were enjoyed respectively would be a grotesque absurdity. Such services are really only a part, and a very small part, of the return which the city makes to its inhabitants, bearing about the same relation to the total return that light and janitor service and elevator service do to the total rent paid for an apartment or a suite of business offices. Analogies are very poor arguments, more often misleading than instructive. But, if not pushed too far, they serve as most useful illustrations, and the analogy just suggested of an apartment house or a business block may well serve to illustrate the principle on which the "benefit received" theory can, in my opinion, be best supported.

The one thing that a city has created, and has to sell, is the value of the land within the city. By the city, I mean, not the legal entity of the civic corporation, but the people, present and past, by whose presence and labours on that spot of earth the city has been built up. Rural land may have a value inherent in itself as an instrument of production. Urban land has a value only as the actual or potential site of a building, and—speaking generally and without reference to change of values from time to time within the city area dependent on the shifting of business or residential districts—that value started with the foundation of the city and has steadily grown with its growth in wealth and population. Any one who finds it to his advantage for business or residential purposes to become an inhabitant of the city can fairly be charged by the city for the use of the value thus created. Obviously this is true so far as concerns the taxation directly imposed

on the owners of real property. And it is a fair proposition for debate that the whole burden of taxation should be imposed on real property, with the further discussion of the question whether the tax should be levied on the value of the land alone or upon the combined value of the land and the buildings upon it. To enter on that discussion would be to tread again the well beaten paths of Single Tax controversy, and I have no wish or space for this. Public opinion, so far as I have been able to gauge it, has never in this province been favourable to the pure gospel of Single Tax, and is, I think, less so now than formerly.

There are many reasons, less possibly of principle than of civic expediency, against such a system. But the one that appeals as strongly as any other to myself is that it is desirable to affect directly by taxation as many persons as possible and thus compel them by the most sensitive of nerves, the pocket, to take a personal and direct interest in civic affairs. A tax on real property alone, which only filters down to the non-property owners through an increase in rents, will not arouse the same interest in civic expenditures as a direct demand from the City Collector. The reform required, and so far as I can judge demanded by public opinion, is to rid ourselves of the absurdities and anomalies of our attempt to tax personalty and incomes, and to find some satisfactory substitute for the deficiency in the assessment rolls that would be caused by the removal of these sources of taxation.

It is when we search for this substitute, that the theory of "benefit received" as I have endeavoured to explain it finds its best justification and application. The "benefit" which the inhabitant of a city receives is the value given him by the city when he occupies a portion of the city's area, and enjoys not merely the benefit of the various civic services, but also, and what is far more important, the privileges, opportunities and conveniences incident to that occupation. To the business or professional man the city virtually says "You wish to make your livelihood among us. Very well, it is none of our concern what business you do, whether you make money or lose it, whether you require a large stock or a small one, or none at all. It is for you to say how much of the area which we have made valuable you wish to occupy. With the use you make of it, or whether you are wealthy or poor, it is no more our concern than it is of a landlord in respect to a tenant. Pay us for the value of the privilege and do what you please, so long of course as you observe the laws."

Obviously to the business man such a system has many attractions. He need no longer fear to load his premises with

stock apprehending not only that his taxation will be unduly severe, but that a competitor may escape. He can calculate his taxation in advance with a fair approach to accuracy. It also removes one of the worst anomalies and injustices of the system under which many classes of traders—such as commission houses and brokerage firms—although doing in many cases large and profitable business and occupying valuable business premises, largely escape any direct tax through their not being under the necessity of carrying any assessable personalty. The amount of the tax adjusts itself automatically by the value of the premise occupied. The occupier can be trusted to determine what he requires, and the value of what is occupied is a very fair measure of the value of the privilege conferred and the benefit received.

The same considerations apply with equal force to property occupied for residential purposes. The occupier pays for the privilege he receives—the privilege of being a resident on the city area with all its conveniences, attractions and civic services. In fact he pays roughly on that basis as matters stand, for the tax on furniture, which is practically all the personalty assessed outside of merchandise, is really guessed at by the assessor from the character of the house in which it is placed. The use of the assessed value will be only an accurate and logical substitution for haphazard guesswork.

With so much then to be said for them as against the attempt (for it never was or can be more than an attempt) to tax personal property and income, it is small wonder that taxes based on the occupation of real property have come rapidly into favour of recent years. The first application of the idea that I am aware of was in the province of Quebec, where it took the form of a business tax based on a fixed percentage of the rental of property occupied for business purposes. A committee of merchants in Halifax in 1891 recommended the adoption of a similar system for that city with the addition of a "habitation tax" for residential property, and a similar recommendation was made by a Commission appointed by the Provincial Government in 1896, but failed to meet with the approval of the legislature. In the meantime a similar agitation had been going on in Ontario, where the General Property Tax had been in force with the same results as elsewhere, and merchants were (as they were also in Halifax) beginning to feel the competition of their Montreal competitors offering goods not subject to taxation. In 1897 Ontario repealed the tax on personalty and substituted a business tax, but in a different form from that of the Montreal Act, as to which I shall have more to say later on.

A habitation tax was not imposed, and the income tax was retained. As, however, the latter is not imposed on persons assessed for a business tax, and is subject to many exemptions, it does not appear to be a very formidable imposition, and in practice as I am informed it is not very effective, reaching as such taxes do elsewhere only the fixed and easily ascertainable incomes. From Ontario the principle of the business tax spread in various forms over the western provinces. In 1916 it, together with a tax on all occupiers of residential property, was recommended by the Mayor's Committee of the City of New York, and in the same year the legislature of Nova Scotia passed an Act doing away with the taxation of personal property in the City of Halifax and substituting a "business tax" of one per cent on the value of premises occupied for business or professional purposes, and one fourth of one per cent on the occupiers of residential property.

As to the imperative necessity of taxing real property directly to the owners in some manner, there is no dispute. It has always borne the lion's share of the burden of taxation and there can be no question that it must continue to do so, although there has been and still is much controversy as to the mode and incidence of taxation upon it, on which I propose to say a few words later on.

But as to the other subjects of taxation swept in by the generality of our existing Tax Act there appears to be a growing feeling that a change of some sort must be made, and, if one can judge from the experience of other places, it is probable that one measure of reform will be the abandonment of the personal property and the substitution of at least a business tax in some form. Whether the income tax will also go, to be compensated by a "habitation tax" is less clear. The apparent simplicity and fairness of an income tax seems to have an irresistible fascination for the average man. Some day, in its municipal form, it will follow its partner in injustice and inefficiency—the personal property tax, but possibly not at once. The tax system then, with the possible exception of an income tax if any, and of various special taxes, such as those on banks, insurance companies, loan companies and the like, will be based entirely on the value of real property. As to these special taxes, they as a rule had their origin in the instinctive attempt to reach the businesses that were escaping taxation owing to their non-ownership of assessable property. As these businesses as a rule are occupiers of valuable real property, the justification of a special tax in addition to a fair business tax will not be easy, and these taxes also will tend to disappear.

Such a reform will, in itself, be a long step in advance, but there

will yet remain many matters around which controversy can take place in respect both to the occupation taxes and to the tax imposed directly on the owners of real property. Somewhat curiously the City of Halifax, where as City Solicitor and Chairman of the Court of Tax Appeals I have been brought into the closest touch with taxation questions in concrete form, has served as a most useful experimental station in which the results of different systems both of occupation taxes and real property tax can be studied.

There appear to be two widely different modes of determining the business tax and also the habitation tax if one is established. These modes follow two contrasting modes of determining the city's budget. One, probably the less common, is that followed in Montreal, in which the rate at which the city is permitted to tax is fixed by statute. When the assessors have made the valuations of property subject to assessment the total amount of the civic revenue is known, and the estimates must be so framed as not to exceed it. Obviously under this system the amount of any ratepayer's tax is dependent on one variable only—the value placed by the assessor on the property in respect to which he is assessed. Logically under such a system a business or habitation tax would also be at a fixed rate, and this has been the case in Montreal. Whether it is best so is another matter on which there is room for a good deal of controversy.

The contrasted system and, I believe, the one in more general use in Canadian cities, is where the rate of taxation is left, either absolutely or within limits, to the governing body of the city. In that case estimates are prepared and transmitted to the assessing department to strike such a rate on the valuations made as will, together with any other sources of civic revenue—such as rents of city property, and the amounts realized by any fixed taxes—produce from the general ratepayers the sum called for by the estimates. Obviously again under such a system the amount of the tax of the general ratepayer would depend on two variables—the valuation of the property and also the rate so struck, and it is not logical that one part of the tax system should be made to depend on one variable, the valuation of the property only. Accordingly the Ontario Act, instead of a fixed rate of business tax, provided that it shall be assessed against the occupiers of premises for business or professional purposes at the general rate, but upon certain percentages of the assessed values of the property so occupied. The percentages, under that Act, vary from 150 per cent in the case of a distiller, down to 25 per cent in the case of retail dealers in cities of a certain size. The reason for these discriminatory percentages

was, I understand, largely to conciliate various antagonisms to the Act. Their justice is not apparent, and in practice I understand they are a source of considerable difficulty and confusion.

When the City of Halifax asked the legislature for a business tax in place of the former tax on merchandise, the essential differences in these two systems of civic budget-making was overlooked, with consequences that soon manifested themselves, not only in respect to the business and household taxes but, to a greater extent in respect to another change to be referred to later on. The rate of business tax was fixed at one per cent of the value of premises occupied for business or professional purposes, except in the case of premises of an assessed value of less than two thousand dollars, the rate for which was placed at one half of one per cent. The household tax in the same way was placed at a fixed rate of one fourth of one per cent on the assessed value of premises occupied for residential purposes, with an exemption of premises of less value than one thousand dollars.

If the amount required for the city's estimates had remained constant, or with merely a small and gradual increase, the disproportion between the taxes based on a fixed rate and those produced by a rate varying with the sum required might have been a long time in manifesting itself. But contemporaneously with the change Halifax,—for reasons which are immaterial—entered on a sudden period of great expansion, in which, while the population and real property values increased rapidly, the civic expenditures increased still more rapidly, with the necessary result that the variable rate on real property rose rapidly with the increase both in the assessed values and also in the rate, while the taxes dependent on the fixed rates increased only in proportion to increased values of the premises occupied. If the occupant was fortunate enough to occupy premises the value of which was not deemed by the assessor to have increased his tax remained the same, while that of the owner of real property was doubled. The injustice of this naturally led to a demand for reform, the propriety of which was conceded by the business and professional parts of the community. In 1921 the fixed rates were repealed, and for them was substituted a rate for business tax struck at the general rate of fifty per cent of the assessed value of the premises, except in the case of premises of less value than two thousand dollars, which are to be rated at twenty-five per cent, and a rate for household tax on ten per cent of the value of the premises occupied, with a complete exemption of premises of a value less than one thousand dollars. How these will work out is yet to be determined, but it

is manifest that a system which extends increases in taxation uniformly to all subjects of taxation is more logical and just than one which throws an undue share of such increases on one class of taxpayers only.

Still more serious were the results of overlooking the essential difference in the two forms of civic budgetting with respect to another alteration in the Halifax tax system made by the Statute of 1916. That Act introduced for the first time in eastern Canada the plan of a differential rate between the tax on buildings, or "improvements" as they are usually described in legislation, and that on the value of the land apart from all improvements. Such a differential rate had for some time been very prevalent among the cities of western Canada, some of which went so far as to entirely exempt all buildings from taxation. Its results have been by no means as satisfactory as the advocates of the scheme anticipated. While the cities were "booming," land values rapidly advancing, and property changing hands frequently, its effects were not apparently so manifest. But with changed conditions the tax burden on land became so onerous that most of the western cities have imposed additional rates on buildings. The ill effects however, had not in 1916 become so manifest as to prevent the adoption of the plan in Halifax. But again the error was made of putting the improvement tax at a fixed rate of \$1.75, while leaving the balance of the amount called for by the estimates to be levied by a rate on land apart from improvements sufficient to produce the sum required. It was not long before the unfairness of this combination of a fixed rate with a variable one manifested itself. When the reform was instituted, it was estimated that a rate on land value of \$3.50 would be sufficient. But in the first year of the new system the rapid increase in the civic expenditure forced the rate to \$5.46 and in the next year it went to \$8.27. Such a rate was of course confiscatory in the case of vacant land, and extremely onerous in all cases in which the land was proportionately high in value compared with the buildings on it. The result was an immediate demand for a further change, and by the Act of the present year already referred to the distinction between land and buildings was done away with, and the real property tax directed to be levied upon land and buildings as a whole.

There can be no question that if there is to be a discrimination in the rate, it should, as in the case of business and household taxes, be in proportion to the value on which the rate is to be struck and not by a fixed rate. There is in fact even more reason than in the case of the occupation taxes, for while the assessed values of

business and residential properties increase, with a consequent increase in the amount produced by a fixed rate, it is for obvious reasons very difficult for an assessor to raise the value of a building apart from the land. So applied, the scheme of a discrimination would be less objectionable. It would still in my opinion be undesirable.

In the space at my disposal it would be impossible to attempt any lengthy discussion of the question. It was the subject of a most elaborate investigation by Professor Haig of Columbia University. It was again discussed by the Mayor's Committee on Taxation in New York, and reported on adversely by that body in a most comprehensive report. But I may be permitted to give a brief statement of my chief reasons for not favouring it. They have at least the merit of being drawn from actual experience of its working. The principal arguments of the advocates of the scheme are first on the ground of expediency, inasmuch as it will discourage the speculative holding of land for advanced values by forcing owners either to build themselves or to sell to someone who will build, and secondly, that, as a building is not only the product of labour but practically identical in cost no matter what the value of the land on which it is placed, it should not share in an increase in the value of the land on which it happens to stand. Both arguments appear to me fallacious.

As to any gain to be effected by putting pressure on the real estate speculator that I believe is almost non-existent. In fact that person, as he is so often pictured, sitting idly on vacant land, watching it grow in value by the growth of the city, is, in eastern Canada at any rate very largely a creature of the imagination. In these days of high interest and high taxation it costs to carry vacant land little if at all short of ten per cent per annum on the value that can be obtained for it, and consequently unless land has a steady yearly increment in value of that amount the holder is losing money. Again, the speculator in land is a necessity in civic growth. No one wishes to buy for either business or residence land in a wholly unimproved locality, unless of course he is prepared to make the required improvements at his own expense. There must be streets, and sewers, and water, and light, and all other necessities of civic life, and these under modern practice are furnished largely at the expense of the speculator. As a rule the holders of vacant land are doing their best to dispose of it at a reasonable profit. To penalize them by heavy discriminatory taxation is not only unfair, but is very apt to have injurious consequences to the city by forcing into the market land not really

required, and thereby necessitating undue extensions of streets, sewers, paving, and other civic improvements. As to the second argument, it overlooks the undoubted fact that a building placed on a lot of land no longer represents so much labour and materials, but is an integral part of the land and derives its value almost entirely from the site on which it stands. Urban land, as I have already pointed out, has no value apart from its actual or potential possibilities as a site for a building, and in estimating the value of a property it is as practically impossible to separate the land and the building as to distinguish between the steam and the cylinder in estimating the power of an engine. A building with a high value in one location may be merely a detriment in another. The cost of a building is no criterion. A building comparatively cheap but well arranged and well located may have a much greater value than a building of much greater cost, but badly located and not so arranged as to be attractive to prospective occupants. The only practical mode of fixing an assessment value of a property is to estimate its value in money, that is what could reasonably be hoped to be obtained for it—not for the building apart from the land or for the land apart from the building, but for the property as a whole. An assessment of land value can be made with a fair degree of accuracy and uniformity in proportion to the square foot or street frontage in each locality. But to estimate the value of a building by its size or cost is practically impossible, and the attempt to do so will result only in absurdities and injustice. A year's experience in the Halifax Court of Tax Appeals sufficed to convince the members of the Court of that, and compelled them to adopt for themselves as the only mode of estimating the value of a building the rule which is contained in the Charter of the City of Winnipeg, namely, that the value of a building is the amount by which the value of the land is increased by the presence of the building on it. If then the true subject of assessment is the property as a whole, a system of discriminatory rates which will inevitably impose on the property of one owner—considered as a whole—a tax rate which, when converted into a percentage on the value of the property, will be twice or three times as high as the percentage demanded from property of another ratepayer cannot be considered just.

One other point deserves attention, namely the growing necessity for some attempt at uniformity of valuation of property throughout the province. Whether the valuations are high or low is immaterial so long as all affected by the rates are assessed and rated alike. But it becomes of great importance

when a uniform rate is imposed on properties valued at different percentages of their actual value. The rate payers may be affected in various ways. In the cities and towns the assessments are usually made by one official or Board and are therefore uniform. But in rural municipalities the assessor in one district may value at a higher or lower percentage than the assessor in others, with consequent injustice when a uniform rate is struck. Again, in the adjustment of certain expenses which are borne as a joint charge by the rural municipalities and the cities and towns within the same county areas the charge is constantly made that the higher valuations in the urban municipalities impose on the latter an altogether unfair share. The same charge is made in respect to the taxes which the Government of Nova Scotia has imposed on the municipalities—in particular the Highway Tax. As these are rated in proportion to the assessed values of property, it is obvious that if property in the urban municipalities is valued at—or nearly at—its full value, while property in the rural districts is valued at a much lower percentage, the share of the tax paid by the dwellers in the cities and towns is unfairly large.