

The Need for Revamped Tax Laws

by CLAYTON C. BAUER

SAN DIEGO is bursting at the seams. With local business booming and wages high, the law of rent with its usual magic is sweeping away what in a free economy would be labor's and capital's gain. California's population may soon reach 20 million. The highway carries 25 million visitors to Mexico every year. Tourists come, linger and return, lured by the ideal climate.

Land speculators look covetously at this corner of the nation. One tenant complained that his landlord had raised his rent three times in three months. Numerous navy families here, with their men at sea, get along on less than \$3,000 a year. Lower income housing is scarce but I've seen no real slums in the city yet. Everybody talks about taxes, and the wildest schemes are offered as tax relief.

Thus when Philip E. Watson, Los Angeles County Assessor, proposed to limit to one percent of assessed valuation the amount of property tax revenue that could be used for non-property purposes ("people-related" services such as education and welfare), it had the plausibility that speculators love. This amendment will be voted on at the November election, five days after the tax bills are issued — and indications are that those tax bills will be high.

Oddly enough it was the promoter of another limitation who exposed the Watson presumptions at the outset, saying Watson's Amendment would raise property taxes and give assessors arbitrary power to increase market values to confiscation levels. The Los Angeles Times editorialized against the measure and few large firms dared go for it.

However, the Real Estate Association almost to a man gave its support,

and the San Diego County Grange approved it on the thin excuse that it would put the state in such a mess that the tax laws would have to be totally revamped. J. Roy Holland of the California Taxpayers' Association said passage of the Watson Amendment would phase out over a five-year period the use of property taxes for the support of schools and welfare and would not (could not under the law) provide an alternative source of funds. California government finances would collapse and long court battles must necessarily ensue. Other experts see the sales tax doubled to 12 percent and the state income tax tripled with the state taking over local taxing powers.

If the amendment is defeated credit may be largely due to Joseph Jensen, chairman of the Metropolitan Water District, who said it would halt multi-million dollar water construction projects over this desert region. If water were cut off from millions in Southern California about 80 percent of the business would wither away. Even the speculators would lose their shirts. So if anything saves the state from the Watson Amendment it may be something as simple as the memory of a burning thirst on a hot day in Death Valley.

For leading California Georgists the arena of activity has expanded. While they continue to contribute their services as teachers, they also observe the changing scene and express opinions as is their privilege. Hence when Proposition 9 (the Watson Amendment) emerged Henry B. Cramer of San Diego wrote an attack on it which was published in the Evening Tribune, and the HGS of Northern California engaged researcher Roy Davidson of San Diego, under a grant, to make an ex-

tensive study of the proposed legislation.

On completion of the report HGS Executive Secretary Robert Tideman, sent a release to the press stating that the amendment could benefit only 10 percent of Californians, would hit tenants hardest, and would greatly benefit the owners of properties with large assessed valuations, some of whom would enjoy windfalls in tax savings of \$10 thousand a year.

It was shown that the property tax accounted for 20 percent of taxes collected in the state and the land value component of the property tax for only 6 percent, and that this land tax component provides the only positive deterrent to land speculation and continuing escalation of land prices. Davidson's alternative proposal was redistribution of the property tax rather than reduction, with increased emphasis on land values, equalized assessments, more frequent reassessments and elimination of exemptions.

The California Homeowners magazine for September also exposed the benefits which would accrue to large owners of under-assessed property protected by the amendment. Editor Michele Hamilton Greenhill pointed out that "Watson's hoax" would place a burden on low income families who would have to pay the vastly inflated sales tax resulting from a shift away from property.

This plan certainly does not mean lower taxes for the average homeowner nor is it a step towards cutting down on government spending, wrote Mrs. Greenhill. If the measure called for limiting property taxes and was extended to limiting sales and other taxes, and if the loss in revenue were shifted to oil companies by eliminating the depletion allowance, it might be worth looking into.

Calling it an attempt to shift the bur-

den of local government to the state and federal governments in another step towards socialism, the editor said that when governments take over a program the costs skyrocket out of all proportions. Worse yet, all local control over such programs is hopelessly lost forever. Only in socialist countries do you find school systems supported solely by state funds. Also, "since when is a homeowner better off paying sales taxes than property taxes?"

Whether this amendment wins or loses it should serve to alert voters everywhere to the increasing tendency to reach into the grab bag for various new taxes, generally designed to protect large landowners. These may be countered here and there by a variety of land price tax proposals.

At the International Conference in Wales in September a German Geologist, Gustav Bohnsack, mentioned a federal building tax which became effective in 1960 on building sites. But he said it does not compare with LVT because it was not levied on all land but only on the few vacant sites covered by law and which were ripe for building. Nevertheless it was the first time a land tax fell on owners who withheld their land from use in hopes of higher profits.

In the German Federal Republic a revaluation of all land, with buildings and other improvements, is being made, and a real estate tax will follow some years hence on the basis of the revaluation. Meanwhile Mr. Bohnsack has introduced a land price tax on the selling price of land which he says is intelligible to the citizens and easy to ascertain because all sales have been officially registered on cards and maps. This has naturally been rejected by the associations of landowners. He concluded that we should incessantly propagate Henry George's ideas but not get lost in illusions and unrealistic dreams.