

NEWS

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FORTUNE REBUTS CRITICS OF PROPERTY TAX

One more prestigious publication has added its voice to the growing public debate over the property tax. *Fortune* (May 1972), the big business magazine, devoted its "Viewpoint" column to "A Word for the Property Tax."

In essence, author Dan Cordtz says the property tax is just too much a part of the American fiscal fabric, is too fruitful a source of revenue, too economical to be abolished. Along the way, he pays considerable attention to the advisability of shifting the incidence of the tax from improvements to the site.

Citing the recent court decisions that would bar use of the property tax for local school support and President Nixon's criticism of this levy, the article calls "the idea of shifting an important share of the property tax burden to other revenue sources... unrealistic, misleading, and potentially dangerous."

Mason Gaffney's argument is repeated — the concentration of property ownership is even greater than that of income in this country and, therefore, the property tax is not regressive, "If property were assessed correctly and taxed equitably, the burden would fall heavily on those with wealth."

"Viewpoint" also makes reference to Prof. Dick Netzer's work and sums up: "Not only are the property tax's purported flaws exaggerated, but its virtues are too often slighted. Properly applied, it can help a free real-estate market function in a way that maximizes the benefits to society."

Commenting on Allen Manvel's study for the National Commission on Urban
(continued on p.3)

The Rebuttal of Fortune (continued from p.1)

Problems, which showed land prices rising seven times faster than commodity prices and four times faster than consumer prices between 1956 and '66, *Fortune* acknowledges this to be the effect of economic growth pressing against the inelastic supply of land and "society's investment in infrastructure and services." "Realistic property taxation," the magazine asserts, "would compel the owners of undeveloped and underdeveloped property to pay a fair share of the cost of services from which their land derived its additional value."

The point is well made. The property tax's unpopularity stems in part from its high visibility. Payroll levies and excise imports, while they may be more harmful, are less painful because they are less obtrusive. "Taxes ought to be visible, not concealed," *Fortune* states. Moreover, the burden of the property tax is falling with increasing weight on individuals, the politically potent middle-income group. Individuals paid 60c of every property tax dollar in 1967 vs. 55c in 1957, the article notes.

An important reform, according to "Viewpoint", would be "to end the steady erosion of the underlying base on which the tax is levied." This is the familiar but often politically tricky idea of denying exception to religious and other non-profit organizations on property they own but do not use for their direct operations.

The article canvases the arguments for using location value taxation as a spur to urban renewal and suggests the use of zoning or public acquisition of land as a more effective means of city development than "the random decisions of real estate speculators." It cites Southfield, Mich. and Rosslyn, Va. as having "transformed in a few years from run-down, moribund areas with little economic activity into booming commercial centers" as a consequence of having assessed land and improvements in more realistic ratio.

Most interesting is the account of an owner of a 5-acre commercial site in Rosslyn who complained about an increase in assessment from \$3,000 an acre to \$196,000, but was silenced by the chief assessor's offer to buy the land for that figure.

"The agenda for property-tax reform is a lengthy one," *Fortune* says, concluding, "Reform may turn out to be the best way of attaining the goal of those calling for relief."