

We Tax Backwards

by Everett Gross

When I was a child, I used to listen to my elders discuss economic matters and each one spoke as if he had some final truth. This was during the depression of the 1930s. Confusion reigned among even the supposed wisest as to the cause(s) of the distressing phenomenon.

Those were my high school years and we farmed in Valley County. We were too poor to afford a newspaper or radio, so I did not know what kind of information might be in a newspaper.

While I was in the Army, offering to give up my life for my country, the farm's mortgage holder evicted my parents and many others, as did many mortgage holders. That period in our country's history is still referred to with capitalized words.

Are you surprised that I grew up hating poverty? I also hate some of the frequently used expressions which treat poverty as inevitable. Therein lies my attraction for books dealing with the subject, some of which I mentioned last week.

In 1943, I stumbled upon *The Wealth of Nations* by Adam Smith, a classic that should be read by everyone who cares about living in a free country. People in sophisticated circles will try to assure you that it is passé. Some classics, including this one, are more like a first book leading to much scholarship in subsequent years: I have found many of those follow-up books.

Someone will try to tell you that poverty, including Nebraska's distress, is caused by freedom and that the remedy is one or another abridgment of freedom. A prime example is what has happened to the support of our public schools. If you believe that we can all send money to Lincoln and hope to get more back as state aid for our schools, you surely also believe in the tooth fairy.

You have heard the argument a dozen times that other districts are wealthier than ours and they need to share with us. The state does not have a money cow and it has no source of money except us. If one district gets back more than it sends in, then some other one gets back less. Actually, two others get back less. The total sent out from Lincoln is less than the total sent in.

Every district in the country would be much better off if it would support its own schools. Now, some people seem to understand me as being opposed to the property tax. We need to define "property" here.

I did say that we tax backwards. That's right, we tax backwards: Property needs to be seen as two distinct types. The building is one type and the ground it sets on is of another type. No person built the ground, and no owner made it valuable. He may have built upon it, yes. That added value to the total -- ground plus building.

But ground plus building is ground plus building. It is not ground. His building raised the value of his neighbor's lot more than it raised the value of his own. No lot is worth much without neighbors and roads and shops and police and fire protection and schools -- don't forget schools!

On the other hand, a building gets its value by the decision and effort and payment by an owner. As I said, we tax backwards. Our property tax 'formula' is backwards. We treat property owners as if they should be rewarded for not improving, and penalized for improving.

The Progress Report observes -- if you renovate or improve a building, the tax assessor comes around and increases your tax. But if you let a building get run down, unsafe, a fire hazard or a drug nest, well then your property tax goes down!

Need we look any farther to explain most of the reason for slums and unemployment and therefore much poverty?

Ideally, the building should not be counted at all in the property tax formula. No one should profit from non-use or poor use of a location. A vast share of the very cost of government is caused by the poor use of locations. Eventually, we could phase out those economy-killers, income tax and sales tax.

The location alone could bring in all the needed revenue at a small cost of collection.

Concerning accuracy of calculation, do you know of an accurate tax? Concerning the justice of it, that is the crowning glory of it all.