

Debate with The Times ---

The following editorial, entitled "Threat to Homeowner Taxes," appeared in the April 28, 1980 issue of *The New York Times*. On May 17, the *Times* published Philip Finkelstein's reply. Both pieces are being reprinted with permission of *The New York Times*:

Threat To Homeowner Taxes:

For more than a century, New York State law has required local governments to tax every kind of private real estate at full market value. Instead, they tax family homes at a lower percentage of their true value than, say, department stores or apartment houses. Five years ago, the state's highest court ruled that tax law must mean what it says, a decision that has panicked homeowners who understand it. They recognize that court-ordered full-market valuation will impose much heavier tax bills on most homeowners, while business properties will get tax reductions. Albany legislators, sensitive to the political liabilities and social problems posed by such a tax shift, are seeking ways to offset the court ruling.

A state commission recommended keeping the present law but adding protections for homeowners who could least afford higher taxes. The Legislature considered that insufficient. Some legislators hope to nullify the court ruling by repealing the law that mandates full-market valuation. Others urge a new law permitting localities to tax different classes of property differently. That approach seems most likely to offer permanent protection against a sudden, violent tax change.

Assemblyman John Esposito of Queens leads the fight for repeal of the present law requiring equal treatment of all property. The simplicity of the suggestion appeals to many homeowners. But the Democratic majority in the Assembly believes, with most tax lawyers, that the courts would invalidate a repeal because it would allow each state district to make its own rules and thus deprive property owners of the constitutional right to be treated equally under state standards.

Speaker Stanley Fink believes it futile thus to invite another correction by the courts. He would repeal the full-market valuation rule statewide but would then define nine different categories of property that local governments could tax differently much as they now do illegally. Each category—business, farm or residence—could be appraised at a different percentage of full value, or taxed at a different rate.

The Fink bill assumes that local governments would continue to favor owner-occupied homes. To make it easier to distinguish between them and apartment houses, it would permit local government to set up two sub-classes of residential property that could be treated differently. The unusual complexities of New York City housing would be dealt with by permitting four such residential sub-classes.

No classification system will prevent a tax increase on homes that have not been sold or significantly revalued for a long time. So the Fink bill also provides that tax increases resulting from a general revaluation need not be paid until the home is sold.

Any bill that creates a single legal standard and yet distinguishes among different kinds of property is sure to be as complicated as the baseball rule book. But the Speaker's proposal seems sound even if it is harder to understand than Mr. Esposito's bill. The Court of Appeals is not about to reverse its 1975 decision. Mr. Fink offers the most realistic way of living with it.

Put The Realty Tax Burden Where It Belongs

by Philip Finkelstein,
The New York Times, May 17, 1980

You were right to note that State Assembly Speaker Fink's bill to preserve current taxes on homeowners is hard to understand. In your support for this legislation, you apparently misunderstood it too.

The Fink bill would simply legitimate the status quo, as if the only thing wrong with the assessments was their illegality, as ruled by the court. But assessment policy throughout New York State, and especially in New York City, is also inequitable, inefficient, irrational and economically disastrous. All these evils would be locked into law if the state adopted a remedy that is no reform at all.

Not all homeowners benefit from current tax assessment formulas. Outside the city, suburban homeowners are among the highest-taxed in the world. Even in New York City, homeowners suffer from assessment disparities within the same class that are at least as great as those between classes. No amount of classification could correct such inequities, as admitted by the Fink proposal itself, which throws that problem right back to the appellate process.

Assessments now fall heavily on properties that are well developed, maintained and utilized but deal kindly with neglected, abandoned and vacant parcels. Thus, city and state reward speculators and slumlords, and punish investors, decent homeowners, and neighborhoods.

Fortunately, there are better alternatives to protect the city homeowner without penalizing everyone else, including the renter who pays more in taxes without any other benefits.

One such remedy would be to provide a homestead exemption to help balance the shift to full-value assessment. We would go even further toward genuine reform by exempting improvement together, so long as we assess and tax the full value of land. City homeowners who typically have a valuable improvement on a very small lot would benefit

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greatly from such a reform. So would all those who use valuable land wisely and well.

Only those who profit from urban deterioration, suburban sprawl, and real estate speculation would bear a heavier burden. We need no legislation to protect them.

Postscript:

The Assembly has since passed the Fink Bill, but the Senate has not. The Governor has proposed legislation that would allow exemptions only on homestead improvements, leaving a full value assessment on land. No final action is now expected until after Election Day.

The following correspondence resulted from the above exchange:

To the Editor:

That was a great letter by Philip Finkelstein in the *Times* of May 17 on providing "a homestead exemption to help balance the shift altogether, so long as we assess and tax the value of land." I have recently moved to New York from Pittsburgh, the city which has gone farther than any other in America—though several in Pennsylvania have gone a long way—toward shifting the tax burden from buildings to land. The ratio is now five on locations to one on improvements. Pittsburgh is never mentioned among the cities needing outside aid to avoid bankruptcy.

John C. Weaver
New York, N.Y.

May 27, 1980

Dear Mr. Finkelstein:

I read with interest your letter in the *New York Times*, of May 17, 1980. I would very much appreciate if you could send my any report you have regarding the proposal set forth in your letter.

Sincerely,

Franz S. Leichter
New York State Senator

June 6, 1980

To the Editor:

It isn't that Dan Sullivan's article in the latest newsletter isn't interesting. It's just that some of his statements are questionable. For instance, that George's "first major book, *Progress and Poverty* became the best selling economics book of all time." I would need to see some statistics on that. I find it hard to believe that George beat out Marx though I don't know how many copies of "Das Kapital" have been sold.

Similarly, the unsubstantiated claim that George's run for mayor of New York "was the greatest case of election fraud in American History." With all the crooked elections this country has known, some

research and figures should back up a claim like that. Otherwise a casual reader would think we weren't serious theorists.

Oddly enough, the day I read the *Henry George News* I came home to find a sheaf of papers under my door that brought some George theories unpleasantly home to me. I live in a co-op. There are a hundred apartments in the building and we maintain it well, making the West Side community a better and safer place to live. There is a proposal to increase the real estate taxes on co-ops only (not condos or other buildings) to reflect the sale price of the individual apartments. This would drive our maintenance up to thousands of dollars a month. Few in our building are rich people. Although our apartment prices might be driven down, all the moderate income people living in the house would be driven out. Would George have condoned that? Of course he lived in a time before people lived in a community like this and shared maintenance costs. A hundred years ago, people in a position to sell property for profit were wealthy.

Yours truly,
Nancy Lang

Note:

This letter was sent to Robert Scrofani pertaining to the letter he sent to Mrs. Rosalynn Carter, which was printed in the May issue of the Henry George News.

DEPARTMENT OF STATE

Washington, D.C. 20520

April 18, 1980

Mr. E. Robert Scrofani
Executive Vice President
Henry George School of Social Science
833 Market St.
San Francisco, Ca.
94103

Dear Mr. Scrofani:

I have read with interest your letter to Mrs. Carter concerning agrarian reform.

I was heartened to see that perhaps the Government of El Salvador has learned some of the lessons that you have pointed out from the Asian experience. Of course, the verdict on El Salvador is not in yet, but we are optimistic. Perhaps the greatest problem at the moment is that the extreme left sees the success of the agrarian reform as denying them the popular support that they need as a vehicle to power. The left is using violent tactics in an effort to provoke the failure of the reform effect.

Sincerely,

Arlen R. Wilson
Country Officer for
El Salvador

Report from Santo Domingo

by Fryda LaFond Ossias

It was with joy that I went to address the graduating class of the Henry George School in Santo Domingo on May 30th. The Director Lucy de Silfa had invited a member of the Board of Trustees of the New York School to participate.

The graduation ceremony almost did not take place because a thoroughgoing transportation strike had begun the night before and threatened to bring the nation to a standstill. But the determination and enthusiasm of 135 students were such that they managed to get there; the ceremony did take place with all its pageantry and was a great success! It was held in the beautiful auditorium of the new Biblioteca Nacional (the largest in the country's new Cultural Center). The program included a very moving recital of poetry and a drama-dance performance, rather controversial satire on Dominican modern history. Some of the important people portrayed in the drama, prominent political figures, were parents of graduates and, therefore, were in the audience as invited guests.

The valedictorian's speech was on freedom (economic and political) and the role that Georgist philosophy could play.

My short speech was in Spanish (my Spanish goes back to the days when my parents took me, as an undergraduate, to Havana for a summer vacation from my native Haiti.) I talked about the part new graduates will play in reaching and educating those not ready for our message in the classroom, and the task, a difficult one for the New Georgist, who must answer the questions: "Are you a Dreamer or a Realist" or "Is your message relevant for our time?" or "What does the gasoline situation have to do with land monopoly?" or "Where do you stand with regard to strikes?"

My visit was quite timely, for the strike focused the interest of everyone in the country on economics. Almost every TV and Radio program had something to do with problems of unemployment and inflation. The price of gasoline had jumped overnight from \$1.85 to \$2.39 (fixed by the government), and this triggered the strike. The newspapers dealt almost exclusively with the country's economic and political problems.

Matthew, my husband who accompanied me to Santo Domingo, and I were on a local TV Station and we were constantly questioned on the goals and purpose of the Henry George philosophy. The specific questions put to me were: "What is the purpose and What are the goals of the Henry George School in New York and the HGS in Santo Domingo?" I was granted an interview of one hour by the LISTIN DIARIO, one of the leading newspaper of the country. The editor in chief Don Rafael Herrera listened rather sympathetically and asked the usual questions we Georgist always face and resorted to the definition of land which of course stops most arguments. I was also interviewed on the School and its purpose, at

HGI invited to New HQ

The Henry George School has invited Robert Clancy to move the office of the Henry George Institute to the school's new headquarters opening this summer at 5 East 44th Street. The Institute will occupy offices on the third floor of the new building, the same floor as the library.

The Robert Schalkenbach Foundation will occupy the fourth floor of the new building, with the offices of the school on the fifth. This will place three of the national Georgist organizations in the new headquarters, with facilities for joint programs and activities throughout the year.

The 1980 Joint Georgist Conference will be the first major event in the new building.

the airport upon my departure for a radio program to be aired the following Saturday.

We travelled to the new HGS extension in Nagua on the North Shore, 3 hours from Santo Domingo, where a new class, in our Lesson V, that presumably had been cancelled because of the strike, was called to order within 15 minutes in spite of a torrential rain. This class had 92 enthusiastic students. Among them were young educators, farmers, lawyers, agronomers, some leaders of farmer's union, one or two radical journalists and one radio commentator.

I made some recommendations to Lucy de Silfa who in turn has some suggestions for the success of our philosophy in this land that is historically a land of opportunity. Santo Domingo is where Columbus put down his anchor and opened the new world. This is where, on the same island, slavery was later abolished for the first time in the history of the new world for a whole country, thus liberating one of the most important factors of production.

I have a vision of a New Economic Freedom: The Single Tax ... there! Where the land is so obvious and a lot less hidden than in the industrial nations, it could be there where the freeing of LAND, will bring about real freedom. And maybe once again this island will have another first and be an example for other nations.

Spancake Joins Research Center

Larry R. Spancake has joined the staff of the Center for Local Tax Research in a consulting capacity. Mr. Spancake, an instructor in Economics at Fordham University, has degrees in Economics from Pennsylvania State University and Yale University. He is writing his dissertation on the provision of housing services and the public sector, and collaborated on an article which appears in Volume 34 (1979) of *Public Choice*.

Both Mr. Spancake and George Kerchner, Senior Associate of the Center, are tabulating data for the sixth annual edition of "Effective Real Property Tax Rates," to be published in the fall.