

In Japan, It's Land Yen that Pays

by Robert E. Dallos

"As often occurs, the price problems have fostered new wrinkles in business. In some sections of the Japanese economy, for instance, inflation has even become a business in its own right.

"In the arcade of the OTEMACHI BUILDING in downtown Tokyo, the real estate subsidiary of the nation's largest bank has placed a billboard urging passerby to invest in land. Much of the billboard is a map, jammed with light bulbs in various colors, of the Tokyo area.

"First, a series of lights flashes to show areas in which land values have risen between 10 and 15% in the last year. Then yellow lights flash showing areas where land values have risen 15% to 20%.

"Then comes a series of green lights (20 to 25%) and finally, as if to signal the jackpot, a series of red lights (over 30%).

"The thrust of the advertisement, in which there is no hint of alarm, or criticism, is 'buy now and make a mint!'"

by Lancaster M. Greene

The price of land in Tokyo has been astronomical for years. In this tight little island of over 80 million people, location values on which to produce or live is the most obvious problem.

In their enthusiasm for the Tokyo Stock Exchange, Americans are most aware of Sony and Matsushita (Panasonic), which have not changed much in the last year. Sony and Matsushita are great earners and large dividend payers, but moved little recently.

Few, however, are aware of Kitakura Silk Co. shares, which were trading at 70 to 80 yen a year ago. It has not earned well nor paid a dividend in three years, and has no prospect of paying dividends. Yet today Kitakura is selling at 560 yen, mainly because it owns land all over Japan. Land hunger is motivation.

Property Tax Reform Amendments Fail

"When you consider the alternatives, maybe the property tax isn't such a bad thing after all.

Thus begins an article in the *Wall Street Journal* which enumerates proposed property tax amendments and details the vote in nine states. California voters rejected 2 to 1 a ceiling on property taxes and on bond issues; the proposal also called for increases in the corporate income tax, the state-local combined sales and use tax, and cigarette and liquor taxes.

In Michigan, voters turned down 58% to 42% a proposal that would have transferred financing basic school programs to the state, and also rejected, 69% to 31%, a shift from a flat state income tax to a graduated one. Massachusetts similarly rejected substituting a graduated state income tax for a flat rate tax.

70% of Colorado's voters turned down two proposals restricting property taxes to 1½% of actual value; one of the proposals would have forbidden the use of property taxes to finance education. Coloradans also rejected spending state or local revenues for the 1976 Winter Olympics.

Oregonians were 2 to 1 against withdrawing property tax support of schools; the measure wasn't approved in a single county. In Ohio, voters decided against repealing their individual and corporate income tax, which is graduated; the proposal would also have barred future graduated taxes or future flat rate income taxes without direct voter approval.

In New Mexico, residents approved by 2 to 1 an amendment eliminating values-based taxes on personal property and retailer's inventories — worth about \$8 million to the state annually. The amendment also subjects commercial properties owned by the church to the property tax. Now three-fourths of the legislature must ratify this measure for it to become law.

Washington state decided against repealing all state and local tax breaks (exemptions, deductions, and so on). The vote was about 5 to 4.

Finally, 15% of the Arizona state sales tax is to be shared with municipalities that repeal their luxury taxes. This measure was approved by a narrow margin.

Somehow these proposals don't seem to be asking the right questions of the voters. But let's hear from New Mexico again.

Tax Reform Group (cont.)

Finally, two major tax reform bills were voted down this session; the first, introduced by Corman (D., Calif.), would have eliminated an alleged \$11 million of inequities in present tax law. The other came from the pen of Reuss and would have yielded a quick \$7 million by closing loopholes.

People and Taxes names 18 to its House "honor roll," including Bella Abzug (D., N.Y.), Martha Griffiths (D., Mich.), and Wright Patman (D., Texas). Everybody on the honor roll is a Democrat. There are 19 names with perfect plus scores; all are Democrats, but not everyone with a perfect plus score made it to the honor roll, and not everyone on the honor roll has a perfect score. As for minuses and zeros, they abound in the tallies of both parties.

Whether the special issue of *People and Taxes* influenced the election is impossible to say; of those who were candidates this year, Bella Abzug, Reuss, Mondale, Gibbons and Vanik were re-elected; Moss lost.

It is interesting that the revenue sharing bill was not considered by *People and Taxes* an important "reform" bill; to property tax reformers, the revenue sharing bill and the closed rule amendment were probably the most significant. But they'll be back.

Revenue Sharing (cont. from p. 1)

local government revenue, however; in this light, revenue sharing money is a drop in the bucket. All the same, property taxes would have to be increased by \$25 to \$100 on a \$25,000 house to raise the same amount. As for other taxes, New York City would have to raise its sales tax from 3% to 4.3% to obtain the \$247.5 million it will get under revenue sharing; Pennsylvania would have to increase the state sales tax by 11%, from 2.5% to 2.8%, and Michigan would have to raise its flat-rate income tax from 3.9% to 4.2%.

The only place where revenue sharing funds might not be used to reduce the property tax is Dallas, where one city councilman wants to use it to abolish the monthly garbage collection fee of \$1.50. The city councilman claims the fee is overly burdensome to the poor and those with fixed incomes.

Meanwhile, Pittsburgh's Mayor Flaherty made a stunning announcement less than 24 hours after Congress passed the revenue sharing bill. "As a result of economies and efficiencies achieved by our administration during the past three years, we have a surplus of \$13 million." Mayor Flaherty therefore wants to cancel the 1% wage tax in Pittsburgh next year. The wage tax brings in about \$13 million, equal to the surplus.