

## from the editor's notebook

Election years are noted for higher than usual levels of inanity in the utterances of public figures. This one, from a presidential primary candidate, took our fancy: a "novel" tax reform that would bring about a redistribution of income from the 20% at the top to all the rest of us.

If that isn't enough to make you chuckle, listen to the provisions of this radical plan: a 100% tax on inheritances after the first half a million dollars; a guaranteed minimum income for every individual (to be paid for by eliminating the \$750 personal exemption of the income tax), and plugging the loopholes in individual and corporate tax laws. Other, more "equitable" loopholes are to be substituted.

This is meant to be an alternative for the value added tax under study by the current administration. A value added tax in this context is a sales tax.

The best fun in the papers these days is reading about the candidates and the incumbents, each proclaiming his tax plan to be more equitable. By election day, we'll all be willing to admit that some are more equal than others.

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Lewisboro, Massachusetts is about to undergo property reassessment. And the tax assessor wants to set assessments at between 85-100% of market value.

Lewisboro currently assesses at 50% of the market appraisal of 1962; the proposed reassessment would double the tax burden of each property. According to the tax assessor, Mr. Fritz Loeffler, houses are now selling at 4 times their market appraisal in 1962, and vacant lots at 10 times their former value. Older houses, especially those with large plots of surrounding land, were last assessed at a depreciated value, so that new houses were essentially subsidizing older houses' tax bills.

The tax assessor also observed that veterans are exempted from property evaluation up to \$5,000, about 4 times more than they should get under the law. The proposed reassessment would bring the veterans' exemption down to where the law intended it to be. "This is not going to sit well with veterans' organizations," says Mr. Loeffler.

Veterans aside, taxpayers will fall into three roughly equal categories: about one third will pay more, one third the same, and one third will pay less.

Mr. Loeffler does not intend to under-assess vacant land; he will assess it at the value at which it could be sold for development. He cited the experience of Pound Ridge, New York, where vacant land was similarly assessed. Many people complained about the higher taxes, but no one actually sold land—"they are all holding it for appreciation"

Lewisboro is a small town, with only about 2,000 property owners. But they have a great tax assessor.

## Local Financing of Schools Declared Unconstitutional

Like many another golden promise, this one started in California. A psychiatric social worker named John Serrano, dismayed to be told that his son would receive an inferior education in the Chicano section of Los Angeles, moved to Whittier—and took his case to court.

The result came last August 30, 4 years after the first complaint was filed: the Supreme Court of California in a 6 to 1 decision determined that property tax financing of education is unconstitutional. The Court declared that this financing system "invidiously discriminates" against the poor by depriving them of the quality of education provided in wealthier districts. The system therefore violates the 14th Amendment, which forbids the states "to deny to any person within its jurisdiction the equal protection of the law."

The Supreme Court of California was concerned primarily with "the cherished idea that in a democratic society free public schools shall make available to all children equally the abundant gifts of learning... the heritage and inspiration of this country."

### "Fiscal Neutrality"

And indeed, the legal principle established by the California Court was almost immediately employed in similar cases in Minnesota, Texas, New Jersey, and New York. The Texas case, like the California case, was brought as a class action suit by a group of Mexican-Americans. In all but New York, courts ruled against property tax financing.

The principle established in the Serrano case and used in the subsequent

## 1972 Annual School Conference in San Francisco

The national conference of the Henry George School will be held in San Francisco for the second year in a row. Delegates and speakers from the United States and Canada will participate in the 5-day conference July 5-9. The conference hotel has not yet been selected.

cases is termed "fiscal neutrality"—meaning that any method used to finance education may not be a function of wealth, unless it be the wealth of the state as a whole.

This does not mean that property taxation cannot be used to finance education, but that spending on schools and in schools cannot be a function of the wealth of the area in which the schools are located. The decisions also do not mean that spending must be uniform—special funds can be allocated for the handicapped, the disadvantaged, or the gifted.

### Decision Embraced

The principle of fiscal neutrality is a major breakthrough because previous cases had usually gotten bogged down over the concept of a child's educational "needs" or the refusal of the courts to determine how funds marked for education should be allocated. Possibly as a result of the neutrality of "fiscal neutrality," there has been little political or bureaucratic opposition to the courts' decisions. In California, the Superintendent of Public Instruction and the State Controller "embraced" the Serrano decision, according to a statement in the New York Times of January 10. "It is very likely the state will not appeal."

Similarly in the case decided in New Jersey on January 19. Governor William T. Cahill, who has many times before called for a restructuring of the property tax system, declared that "there is no way of continuing to finance education in New Jersey in the traditional way." Although the education-finance cases in

## School Financing (cont.)

other states will probably reach the United States Supreme Court for a final verdict, the New Jersey case can be settled by the New Jersey Supreme Court. This is because the New Jersey State Constitution contains an equal protection clause similar to that of the 14th Amendment.

### Deadline Set

Due to these special circumstances, the New Jersey judge determined that the present system shall continue to operate until the state legislature has time to create a constitutional method of financing education. The deadline he set for writing a new system is January 1, 1973—and if it is not approved, some \$30 million in state aid cannot be distributed to local schools. Another deadline, January 1, 1974, is the last date which the present system can operate before the court will “enjoin” it from doing so.

### New York Case Differs

Only one day before the New Jersey decision, however, a New York judge in Westchester County dismissed the complaint of unconstitutionality of the fi-

nancing system. This complaint was brought by a man who complained that he had to pay more than others for education because of the wealthier district in which he lived.

The judge said the existing system may well be “vestigial, inadequate, and unfair,” but that a “more supreme authority” would have to decide in “reverence for the rule of law.” The judge declared that the California Supreme Court had engaged in “judicial augury” when it determined the Serrano case on the basis of what it thought the United States Supreme Court would do. One matter which complicated this case was the issue of the marketability of school bonds were the system to be struck down.

### What's at Stake

The school bond issue reminds us that it is not only equality of education at stake here, but also the financial privileges of the wealthy relative to the less wealthy. While local control of schools and other issues will be brought in to complicate the matter, now is the time for a thorough reform of the property tax—if the states can grasp the opportunity.

## Arthur Roebuck

Arthur Wentworth Roebuck, who founded the School of Economic Science in Ontario in 1938 and was its first president, died November 17, 1971. He had spent 61 years in Canadian politics, first in the Ontario Legislature, the House of Commons, and finally, the Senate.

Senator Roebuck began his career as a journalist on the Toronto Daily Star, and later became editor of the Temiskaming Herald and the Cobalt Citizen. After attending law school, he entered politics as a liberal. In the 1930's when he was Canada's Attorney-General, Senator Roebuck defended the right of workers to unionize and strike. He also served as Minister of Labor and Commissioner of the Hydro-Electric Power Commission of Ontario. In each of these positions he made it a point to cut government expenses.

Senator Roebuck was noted as a conciliator in labor disputes and often represented unions in court. He also represented the Ontario Government in a famous monopoly case. Senator Roebuck was a lifelong friend of the School of Economic Science, using his influence in many ways to increase understanding of Georgist principles.

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