

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

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"Tax Law Favors Homeowner"

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Once upon a time there lived in the Land of Politics twin brothers. Each had one wife and two children, and had jobs that paid them \$25,000 a year.

They lived in new identical \$40,000 homes, and were equally generous (or at least claimed to be) with respect to contributions to tax deductible charities and the medical profession. To the myopic observer they were virtually one and the same person—but not so to the sharp-eyed Internal Revenue Service.

The service saw them as two fundamentally different people. It knew that one rented his \$40,000 home, which was owned by a bank. The other was a "homeowner"—that is, he was starting the 30-year process of buying a palace. Actually, the same bank that owned Brother Tenant's home also owned that of Brother "Homeowner."

Real estate taxes were high on the block where the brothers lived, being \$2,000 a year on homes valued at \$40,000. Moreover, the bank felt that it should make 8 per cent on its invest-

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City Ignores Housing Agency Scandal

Beleaguered by mismanagement and corruption, New York City's Housing and Development Administration was up for dismantling after a thorough going over by a special committee of the City Council.

That was early in the year. Now the City Fathers are going to rehabilitate the agency by adding another department to the already existing multitude. A Housing and Development Corporation, previously authorized by the state legislature to administer public aid to private housing, was voted into existence with pocket money of \$700 million in bonds.

The chairman of the same committee which denounced HDA urged passage of the bond issue because "the well has run dry — there will be no more subsidized middle-income housing built in this city unless this passes. We cannot let housing construction come to a dead halt." He explained that the Council would create a new HDA structure, and that the corporation would be the first step in a "thorough house-cleaning" by the Council.

Other councilmen were not so sanguine about house-cleaning by first tacking on a new room. One declared the housing program a "blueprint for disaster," to be administered by "the same incompetent officials" who "mismanaged HDA." Another called it a "wolf in sheep's clothing." Two councilmen voted against the bond issue on the grounds that it would not benefit middle-income families, but rather called for tearing down low and middle-income housing and replacing it with upper-income housing.

Nevertheless, the City Council debate on the issue lasted only an hour and a half, with the final vote 26-6.

The board of the new Housing and Development Corporation consists of the senior vice-president of an investment bank, the assistant vice-president of a savings bank, the Director of HDA, and the Finance and Budget Directors of the City.

Public programs never die, public wells never run dry.