

California's Tax Revolt Issues Warning

Clearwater Sun

June 4, 1978

The writer, a Belleair resident, is a retired Time Magazine executive and a diligent student of tax laws.

By PERRY PRENTICE

THIS IS A good week for Florida homeowners, Florida employers and Florida job-seekers to be glad Florida is not California.

For California property taxes and California government spending have soared above the breaking point and started such an hysterical tax revolt that Tuesday Californians will be voting on a choice of two hysterical tax cut proposals. Both are being promoted and headlined as "property tax reforms" but they are nothing of the kind. They are just property tax stoppages whose passage would create fiscal chaos in local governments until the state bails them out with revenue from some other source. Meanwhile, teachers are screaming that passage of the reforms would close the schools while firemen are shouting that it would let fires burn, etc., etc., etc. But Nobel-award-winning economist Milton Friedman has gone on the air to give them his full support as the best way to serve notice that government overspending must stop.

That's why this is a good week for Florida homeowners to be glad Florida is not California, for the property tax on California homes is more than twice as heavy. Out there property tax collections have doubled since 1975, and in 1975 a federal housing administration study found they were already 76 percent higher there than here.

Likewise Florida businessmen, employers and job-needers can all rejoice that the Dunn and Bradstreet subsidiary to which big employers are not likely to turn for advice on where to locate or expand their operations, give Florida a far better rating than it gives California. California's rating is worse than any state in the country except New York.

And if we are wise perhaps the biggest reason for all of us to be glad Florida is not California is that the tax revolt in California is giving us ample warning to correct what is wrong with our own tax system before Florida also faces a tax revolt.

One of the two tax cuts Californians will be voting on is the Jarvis-Gann amendment that went on the ballot because more than 1,500,000 voters signed the initiative petition. This would cut the

property tax from \$10.5 billion a year to \$3 billion, push assessments back to the 1975 level and limit future assessment increases to 2 percent a year unless the property is sold or improved. The other reform is the Behr Bill, rushed through the legislature in the hope that it would shift less of the tax burden from the local to the state level. This would limit the property tax cut to residential property.

Before the 1978 property hysteria struck California, the Statewide Homeowners Association played a leading role in defeating the 1972 Watson amendment that would have cut the property tax in half. The California Realtors spent a quarter of a million dollars fighting for this realty tax cut, but the California Taxpayers Association found that its passage (then as now) would require either cutting local government spending by 40 percent or tripling the heavy state sales tax or doubling the heavy state income tax. Said the head of homeowners association: "The only people who would benefit from such a tax shift would be big landowners and land speculators. It would make most homeowners end up paying more taxes instead of less."

In California the outcry for cutting the property tax includes the preposterously false plea that the property tax is the most "regressive" of all taxes and comes down hardest on the poor. The truth is almost the exact opposite, and it should take only a few minutes' thought to make it clear that the property tax may well be, not the most regressive but the least regressive of all taxes because:

- ✓ The majority of the poor who do not live in subsidized housing quarters pay rent and therefore pay no property tax at all. Their rents are based on "all the traffic will bear" and would not be a penny less if the property tax were abolished.

- ✓ Unlike the well-to-do, the poor have to spend all the money they make, so the sales tax hits the poor hardest of all.

- ✓ The poor have fewer ways than the rich to offset the cost of inflation, the hidden tax that has been cutting the purchasing power of everybody's income by more than 8 percent a year.

And American's No. 1 land economist Dr. Mason Gaffney believes the proper-

ty tax is less regressive than even the steeply graduated federal income tax, because the ownership of real estate wealth is so concentrated that 43.5 percent of its value is owned by the richest 6 percent of the owners. So some of his studies have found that the top 10 percent of property tax payers pay more than 50 percent of the property tax, whereas it is commonly accepted that the top 10 percent of the much larger number of federal income tax payers pay only 30 percent of the income tax.

CALIFORNIA IS the Golden State where everything is big, bigger, or biggest. California is where one big company owns more square miles of land than all the homesites in the state. California is where the Irvines bought a Spanish land grant for \$90,000 and sold it last year for an unearned increment of more than \$400,000,000. California is where a taxpayer's suit made the Los Angeles assessor raise the assessment on Gov. Reagan's speculative land holdings back of Santa Monica six times as high, but nothing daunted, the assessor cut them right back to the old level the next year. California is where the clouds opened and the floods came and more rain descended in three months last winter than the normal rainfall for three whole years, but the weather service went right on seeding the clouds for more. California is where land and housing prices have been shooting up fastest of all.

Florida's growth problems and Florida's tax problems are far less gargantuan than California's, but they are already serious and growing too fast to neglect. The new state budget is up 14 percent. (The same rate of increase as in California.) State government jobs are growing twice as fast as our state population and government pay is 23 percent higher than in private industry. The boom in Miami Beach has collapsed, plush hotels are half empty, and Miami Beach is desperately fighting for legalized gambling casinos to stave off bankruptcy. The latest census report shows personal income per capita growing slower in Florida than in any other southern state, with 26 percent more Floridians than the national average living below the poverty line. In Pinellas County 31 percent of the population is older than 65 and living on retirement income whose purchasing power is

being cut by inflation. Only the service industries are growing. Housing costs and housing prices have doubled since 1965, and that may help explain why Florida's population is growing only half as fast.

Perhaps worst of all, Pinellas Appraiser Ron Schultz is quite right when he says that for two generations the Legislature has been so dominated by the landed interests that it has never passed up a chance to shift the burden of taxation off idle land onto residential property. Everywhere in Florida idle and underused land is grossly undervalued. In Pinellas County more than 70 percent of the property tax falls on the homes where the voters live. Only 7 percent falls on the 39.7 percent of the county classified as vacant and less than one-fifth of 1 percent falls on land classified as agricultural.

But this year the Constitution Revision Commission gave no consideration to a proposal to allow local governments the option to choose to tax land more heavily than private investment in improvements.

The gross under taxation of unused land is one major reason Florida has been notorious for years as the land of boom and bust and the happy hunting ground for land speculators smart enough to get in on the boom and get out before the bust. In the 1972-1973 boom the Miami Herald said land speculation was making new millionaires at the rate of one a day. But the bust that followed was the costliest in the history of the Sunshine State.

No other tax reform could do more to give Florida a stable economy than the tax reform the Constitution Revision Commission refused to consider.

No other tax reform could do more to attract more employers to provide more and better Florida jobs than the reform that would give Florida counties the option to tax land heavily enough to halt its disastrous price inflation and assure employers that any new plant would never be taxed.

And for similar reasons, no other tax reform could do more to attract a bigger percentage of prosperous families to Florida and a smaller percentage of newcomers with incomes below the poverty line and retirees dependent upon Social Security and on inflation-threatened pensions and other inflation-threatened retirement incomes.

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