

Contest Article.

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EQUILIBRATING THE RENT AND TAX SYSTEMS

(Introducing "Tenancy-Title" Plan)

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On my street there are a number of mansions from pre-Civil War days. Some have been converted into rooming houses; others into stores and dwellings -- even quick lunch rooms and garage service shops. A number are vacant -- uglily dilapidated, with broken window panes and dirty "For Rent" and "For Sale" signs. The owners of these continue to be burdened with taxes and, no doubt, with interest on mortgages, although obviously there is no income from the empty premises.

At the same time, during last year's flurry, rents have been increased for the tenants of most of the occupied premises, but without a proportionate increase in assessments or tax rate.

This probably is a picture that may be duplicated on any urban street of the land. Even in rural sections.

Is it then far-fetched to postulate that there is something basically unbalanced in the prevailing system of taxation and property distribution?

I am not a capitalist though I operate my business and household without any debt. I am not a property-owner because during all these years I have figured that it has been, and is, more economical in my case, to rent both living and office quarters. I am not socialistic because I like individual achievement and know accomplishing gives more pleasure than accumulating.

Nevertheless, I wrote the published booklet "How and Why to Own a Home." But that was in the height of the real estate activities in the boom period ending in 1929. Since then, I have seen too many notices of sheriffs' sales, and while my ideas about the "how and why" of owning a home are correct in the light of the system in vogue, another idea has permeated my consciousness.

It is that of the need of a better system -- better in being more adequate for avoiding the condition depicted on my street as pointed out in the first paragraph. It must be a system that will equilibrate the rent and tax systems in such a manner that neither property-owners need lose, nor property-users need be gouged to offset deficits elsewhere or to enhance the owners' and operators' incomes without counteracting higher tax and other outlays.

In a general way, it may be asserted that all land in the beginning belonged to nobody. Title was acquired by the simple process of "squatting" or appropriating by force or sub-dividing by tribal accord. Through the years, plots or lots of surface land became demarcated and recorded as distinct pieces of property belonging to specified individuals -- their assigns and heirs. With this development, accumulating of properties came into being, resulting in individuals possessing, often through inheritance, considerably much more land and many more buildings than they or their families could possibly use or enjoy. From this we have the tenancy or rental system.

If I bought a \$10,000 house and owned it clear, I would not be paying rent. I would probably consider I was saving rent

to the extent of about \$80 to \$100 monthly. To use round figures, let us say \$1,200 a year. But is that wholly true? Assuredly not. I would still have to pay or lose the interest on my \$10,000. The prevailing mortgage rate being 6% per annum, the interest would be valued at \$600. Then I would have to pay taxes of various kinds as well as upkeep and repairs, which I would not have had to cover separately were I only a renter. Placing those items at a global 4% per annum, we get \$400. That would make a total of \$1,000 on the expenditure side against the liberally estimated \$1,200 "rents saved," or a net saving or "income" of \$200.

If the property is located so that there will be definite increased valuation sufficient to exceed decreased worth through deterioration and age, the \$200 would be "earnings." If, on the other hand, there is not that excess tangible increased valuation, then the \$200 will be partially absorbed, perhaps entirely lost. In the latter event, my house would be costing me the equivalent of \$100 monthly rent if I dwelt in it, and if I rented it out to a tenant I must obtain at least that much monthly to come out even.

It becomes obvious, therefore, that if I lived in that house I would not be saving money if I could rent another at less than \$100 monthly. Also, if I rented it out for only \$100 a month, I would not be making any profit, and should I treat that monthly receipt as "income" (as is the normal concept now) and spent it for living, enjoyment or what not, I would be actually dissipating my \$10,000 steadily though unconsciously.

Consequently, the "renting" system is mostly a method of pyramiding by means of fictitious increased valuations for mortgage or rent-fixing purposes on the assumption that property should increase in value like trees. But trees also wither and die.

Instead of the universally adopted renting system, I believe we should have a system of "tenancy-titles."

A renter would become a tenant-titler, holding title to the right of use by payment of a tenancy fee. The recipient of this fee would be the community, township or municipality -- not a State or the Federal Government, so as to avoid centralizing control because this in turn would create monopoly or monopolistic socialism, if such a term is permissible.

The present owners would be required to turn over their properties to the community, township or municipality, in exchange for fair monetary compensation. Part of this compensation would be dribbled back as tenancy fees, in the same way as now absorbed in rents or upkeep, taxes, repairs, etc. Tenancy could continue with the heirs, if desired, on the same plan. A tenant-titler would thus be given a certain mobility, in case he chooses to change location or premises; at present an "owner" is deprived of such mobility, except as he can afford to lose either by sacrifice sale or by assuming additional investments so-called.

Tenant-titlers would not have the risk of depreciation nor the more or less artificially generated appreciation in

value. There would be a more evenly distributed tenancy, obviating the anomaly of reported scarcity of housing facilities in the midst of plentiful vacant buildings of all types, sizes and varieties.

The community, township or municipality would, by the very nature of the plan, be able to maintain the properties at a profit, and this profit can be such as to eliminate the necessity to collect taxes, as now known, on all such properties. A more scientifically adjusted zoning could also be effectuated as a concomitant advantage.

If this tenancy-title system is adopted, there is no doubt in my mind that the speculative "mark-up" would be removed, so that the tenancy fee would be calculated on basis of actual costs of erection and amortization plus a reasonable overhead profit for the community, township or municipality for operating in a businesslike manner.

Because the tenancy fee would be on the basis mentioned, tenant-titlers should be enabled to save a difference between what their rent is now costing them and what the tenancy fee would be. With such a saving possible, they would have more money to spend for other necessities and to put a little aside for rainy days or old age. This being so, there would be a reduction in the present taxes for "old age social security" or "unemployment compensation." In fact, there would be more general employment resulting from the constant demolishing, renovations and new erections -- the most fundamentally important human activity.

The foregoing exposition relates to "homes" or build-

ings without commercial or industrial endeavors. In the cases of stores, offices, warehouses, factories and other land or premises of "productive" turnover or activities, the tenancy fee should be calculated the same as for "homes" or "dwellings" plus a percentage of the receipts or royalty on the business done. This arrangement could also eliminate what is now termed the "mercantile tax." Moreover, in other ways, the community, township or municipality would participate in the "earned wages" of such land or premises. These "earned wages" participation would go into the general fund for communal betterment, thereby benefitting the community as a whole rather than be allowed to become transferred to heirs both living and unborn.

A paramount feature of this tenancy-title method of equilibrating the rent and tax systems will be the removal of that blight of real estate -- easy loss through foreclosures. Between distress sales for taxes and heartless acquisition by grasping mortgagers the average supposedly fortunate property-owner, under the contracts and laws in force, is in reality a hunted prey of scheming operators.

To be assured of a place of one's choice, to live and work and enjoy while you are alive -- this is the aim of my proposed tenancy-title system. To be able to accumulate lands and buildings more than you can use so as to leave behind when you travel to the Beyond -- this is the objective of the prevailing system. Which is more sensible and better?
