

Our Anti-Incentive Local Tax Policy

Communism's great handicap is said to be its inability to offer incentive.

This, indeed, is a significant disadvantage. But the local property tax in our own capitalist country is likewise very definitely anti-incentive.

You may feel concerned about federal taxation only. But we urge you to give careful attention to the local property tax system:

- (1) Because the local property tax grossly violates the principle of incentive.
- (2) Because congressional legislation exercises a strong influence in favor of retaining this anti-incentive tax policy and against reforming it in the right direction.

Yet in a world already about a third communist, we can ill afford a capitalism that flouts the very principle of incentive essential to its success.

Our local tax policy works in two ways to make and keep house rents - and also the cost of buying a home - high. First, this local tax policy keeps taxes on the community-produced location value of land so low that owners of vacant land are encouraged to hold millions of building lots in our cities vacant and unused year after year. Inevitably, then, the prices of building lots must be higher. Hence the cost of housing must inevitably be greater. Our local anti-incentive tax policy leaves vacant lot owners plenty of "incentive" to hold land out of use, waiting for higher prices, thus greatly weakening the incentive to build homes, factories, office buildings and stores.

The other part of our anti-incentive local tax policy is the tax on buildings and other man-made capital. This, too, certainly reduces the profit or gain and presumably, therefore, the incentive for constructing buildings or making improvements of any kind.

Similar considerations apply to the problem of blight and slums and to the burdening of federal taxpayers, poor as well as rich, with the cost of slum- and blight - clearance and "redevelopment." For our local tax policy applies the principle of punishment and reward backward. Under our current local tax policy, our city governments say, in effect, to the owners of slums and other run-down property: "Don't do anything to make your buildings fit to live in or work in; for if you do, we will punish you for doing so, by increasing your taxes. But if, instead, you allow your buildings to become still more depreciated and even, perhaps, revolting, we will reward you by reducing your tax obligations."

Do you really feel that Congress ought to put an additional burden on federal taxpayers, both rich and poor, in order to clear out and redevelop

slum areas, when the very reason for their "needing" redevelopment is the anti-incentive tax policy of our local governments?

When Congress appropriates billions of dollars to provide for subsidized housing and renti-care - and likewise for slum clearance and redevelopment - it is not really helping the poor. It is definitely hurting them. The additional billions required necessitate higher federal taxes, and not all of this additional burden will be on the rich. Furthermore, a part of these extra funds raised by taxation will be used to purchase land for subsidized housing. This will tend to raise the price of building lots to a yet higher level. Hence private enterprise housing will cost even more than land speculation apart from this tax financed government demand for land would have made it cost. Our increased subsidized housing - really socialized housing - will have become more expensive than private enterprise housing had been, although partly paid for in the form of taxes instead of rentals. Also our state and local governments will feel all the more encouraged to go on with their anti-incentive tax policies!

To all of this subsidization there are only two answers that can possibly be justified. One is that the Federal government free itself from any further responsibility for the mess, by abandoning all such subsidization completely, - and fast.

The other is that Congress establish as an absolutely required condition for any such subsidization, that the city, town, county and/or state to which any subsidization is to be granted, must first begin in good faith to replace its anti-incentive tax policy with a tax policy that is clearly based on the principle of maximizing incentive to build, improve and restore. (Our fiftieth state, Hawaii, has begun to move in this direction.)

Here is an opportunity for Congress to exert a strong influence on our local governments in favor of a policy that would immensely strengthen our system of free private enterprise. Indeed, we might thereby start a trend towards such a reformed and self-consistent private enterprise system in countries now tempted by or threatened by communism.

Very sincerely yours,

Elizabeth R. Brown
Harry G. Brown

Elizabeth Read Brown
Harry Gunnison Brown