Tax Slums to Death

"LET'S Tax Our Slums to Death" was the large headline which must have surprised many of the millions of readers of Look Magazine in the Christmas issue.

This article by Arthur Rubloff, a Chicago builder, offered a three-point plan to take the profit out of slum ownership. (1) Tax laws should be changed so no piece of property, over its lifetime, could be depreciated in excess of 100 per cent, (2) Government should insist that landlords establish "replacement reserves" as a condition for any depreciation allowance. (3) Tax-assessment procedures of local governments should be changed in terms of the rental it produces and the high potential value, owing to its location (often in the heart of a city), if a decent building were put in its place.

The author stated that one out of five American lives in a slum dwelling, millions of which need substantial repairs—but these are not forthcoming because slum landlords find the wretched buildings very profitable. Quoting a former Federal Housing Administrator, he warned that any city which did not attempt to halt blight would be "flirting with disaster."

Furthermore, figures show that not only do slums cause misery, but they are costing taxpayers very dearly. Even those who do not live in slums may be paying as much as 90 per cent of the cities' costs of servicing them.

And the cure? The headline suggests the builder's remedy—a fair one, he believes—tax them to death. "As the laws now stand," he says, "the depreciation-allowance gimmick is reaping unwarranted profits for slum landlords. If a building depreciates at 4 per cent a year, you might think that there would be no depreciation allowance left after 25 years. The fact is, however, that the depreciation starts all over again when another party buys the property. This and the fact that old buildings may be depreciated at a fast clip are what make slum ownership profitable."

Federal and local governments will spend $40 billion to eradicate bad housing in the next ten years, but slums will still be erected faster than they are eliminated unless the tax laws are revised. "Radical?" queries Mr. Rubloff, "Not really. Napoleon III did it more than a century ago, when he offered tax benefits to those who built new buildings along his new Parisian avenues. It's time we caught up with Napoleon."

The Hunt Is On

With the spread of realty investment activity, 1961 should be a year in which the demand for prime properties rises to new highs, the president of a New York real estate firm stated. "The time is ripe for aggressive, imaginative real estate practitioners to ferret out heretofore overlooked and neglected properties which can be made into substantial income earners [*and which the owners may have been withholding in anticipation of just such opportunities*] by revising their existing financial structure and infusing new life into their management and operation," he said.

It is precisely this unabating demand for residential, commercial and industrial space, combined with "economic pressures," that is multiplying the fortunes of "imaginative realtors" and creating strangulating speculation. Perhaps the only encouraging note is the fact that in isolated but significant cases, like that outlined in Look Magazine, the situation is being understood as a problem in proper assessment and taxation.