

New York Assembly Committee on Ways and Means

Testimony on Cap on Property Taxes

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Honorable Assembly Members:

I am speaking in opposition to the bill to cap increases in property tax rates at 2% or the rate of inflation, whichever is less.

- Limitations on property taxes are a Republican program to shift taxes from large property owning corporations to ordinary taxpayers.
 - On average about 50% of taxable real estate is corporate property, not residential
 - Over 90% of corporate income goes to the top 20% of US families, making them the primary payers of taxes on corporate property.
 - Proposition 13, which rolled back and froze California property taxes in 1979, was promoted by real estate interests. The largest beneficiary was Standard Oil of California, which saved \$25 million a year in taxes.
 - On the PBS NewsHour 2/25/2011, Republican Governor of Indiana Mitch Daniels boasted how he had put through “the biggest tax cut in the history of the State of Indiana,” by replacing property taxes “two for one” with sales taxes.
- It is profoundly undemocratic to limit the ability of citizens of local governments to tax themselves to provide desired services. There are no such limitations on sales or income taxes.
- There is no “property tax crisis” to justify such a measure.
 - The February 2011 Gallup Poll asked respondents to “name the most important problem facing this country today.” Answers were: Unemployment—35%; Economy in General—29%; Healthcare—16%; Dissatisfaction with government—12%; Federal budget deficit 11%; Other—29%.
 - The most recent Gallup poll addressing the local property tax, in 2005, found 35% of respondents considered it the “least fair tax” vs. 20% for the Federal income tax—but still far short of a majority.
- The tax on residential property within a given jurisdiction is highly progressive, because the value of homes rises much faster than income. Studies have shown home value rising with the 1.8 power of income.
- Many anecdotes supposedly show how property taxes burden poor homeowners. These anecdotes are tendentious.
 - A recent New York Times story, [Rising Property Taxes Overwhelm Many Who are Living on the Edge](#), recounts the cases of four families threatened by rising property taxes. Despite the suggestion in the title "living on the edge" none of these families is poor. There's a couple whose income from a pottery business has fallen off; they are spending \$300,000 in savings to buy a new home in Nova Scotia. There's an 81 year

old woman hanging onto her house, assessed at \$73,000 but probably worth several times that, plus an investment in 23 acres of woods in a nearby town. There's an elderly Westchester couple with a 3 bedroom house and \$850,000 in savings; they have health problems and an autistic son to care for. There's a couple where the husband was twice laid off communications executive job, forcing them to give up their four bedroom house on 1.5 acres, defaulting on a \$290,000 mortgage. Each of these cases could equally have been a story of business failure, job loss, poor health, or--in the case of the elderly woman, reluctance to cash out of an investment property--the 23 acres of woods.

- The hardship of elderly or disabled homeowners can be addressed by a program to defer taxes with interest as long as owners remain resident.
- We don't need property tax relief; we do need property tax reform. Like the income tax, the property tax is afflicted with loopholes and poor administration.
 - There's no justification for multiple classes of property in New York City, each assessed and taxed at different arbitrary rates.
 - There's no justification for special assessments for farmland or forest land. These loopholes just provide cover for speculators.
 - There's no justification for special property tax abatements to attract businesses to particular locations. Such deals cost more than they generate in jobs, and again, benefit primarily speculators.
 - All property should be assessed at market.
 - In order to avoid penalizing development in central locations, and maintenance of existing structures, it's especially important to keep the land component of property taxes up to market.
- Since all citizens have an interest in the education of children, it would make sense to follow New Hampshire and implement some property tax revenue sharing between richer and poorer jurisdictions.
- In summary, this property tax cap proposal is yet another corporate wolf dressed as a poor widow.
- I attach my article, "Restore the Original Wealth Tax!," to appear shortly in *Dollars and Sense Magazine*.