

Labor's Stake in Taxes

by OSCAR A. EHRHARDT

IF we agree that a nation cannot solve all of its economic problems through tax reform, and if we agree, as we must, that a poor tax system, by itself, does not necessarily mean national bankruptcy, then we must also recognize that the determination of who pays how much in taxes can determine the level of spending by consumers and thus determine the health of the nation's economy.

In concert with a broadened tax base and aggravated by the need for social and material improvements, all commanding more in tax revenue, certainly gave birth to a new avocation in the business community—the birth of the tax consultant, the tax expert.

The picture of our tax system that emerges is not reassuring. Essentially, it is one in which different types of income are being taxed at different rates and in which special provisions written into the tax law allows many to pay at a far lower rate than that called for by the tax schedule. As a result of these modern day "merchants of Venice," these tax experts, the heaviest burden is carried by those whose income is solely from wages and salaries. Income from dividends is taxed at a lower rate even though it is still income. Income from capital gains is likewise income but is taxed at a still lower figure. And a large portion of income of dividends, interest, and self-employment income escapes taxation entirely.

In recent years, spending by all levels of government has increased substantially. Much of the increase at the federal level is caused by the necessity of maintaining an adequate defense program. At the state and local level, the rapidly expanding need for public services of our growing and shifting population has strained avail-

The Secretary-Treasurer of the St. Louis Labor Council AFL-CIO, Oscar A. Ehrhardt, a friend of Noah D. Alper, came to the annual conference of the HCS to join the panel on "Taxes and Their Effect." This is a shortened version of his contribution. In a later reflection in the St. Louis Labor Tribune he said the Henry George theory had been ignored and forgotten, and "labor should give this consideration among methods required to assure more equitable methods of levying taxes."

able resources for schools, roads and many other necessary improvements. Public employees of both state and local identities are constantly trailing in wages due to the inadequacy of our state and local revenues to meet the needs.

Public officials are timid to face the issue or, for other reasons, refuse to project a fair and equitable program of taxation for fear of reprisal of a public which continually demands more and more services. Our local and state officials, for the most part, think only in terms of selective taxes and most unfair of all, the sales tax, hitting hardest those who are least able to bear it.

Real property tax as presently applied in this area needs attention, and immediate attention, as it no doubt does in other metropolitan areas. Here we assess on about 30 percent of the 1941 replacement value on the improvements, which is the only thing the replacement figure can be applied to. Investments in real property for investment purposes are the main causes of development of slum areas, resulting in reduced valuation and reduced taxes, as they fail to maintain this type of property while the general improvement around them increases the value of land on which they stand—until finally taxes must buy back this land at a greatly higher cost. Correc-

tion of this ridiculous abuse cries for a long past due solution.

What should be valuable productive land is being permitted to be used in St. Louis for street level parking lots, while the elderly with limited and low fixed incomes struggle to exist under a tax structure which supports these abuses, and are fearful of improving their properties for this would naturally increase their assessed valuation.

As I understand it, if ever the Henry George theory were applied it should be on the local level to wipe out abuses and detrimental speculation. Neither makes any contribution to economic advancement, but instead serves as an economic millstone.

Many studies have revealed that city slums require far larger expenditures for police protection, fire prevention, health, education and other services than is received from them in taxes. Meanwhile the flow of better-off families to the suburbs to escape the congestion and tax burden of the city simply reduces tax rolls still further. Since all local governments still derive a large share of their revenue from property tax and probably will continue to for many years, there is real wisdom in investigating our local property tax procedures. Too often, as we have seen, property values have not been reassessed for many years despite the substantial increase in post-war values. In many localities, partiality continues to be shown to the owners of industrial and commercial property. In addition, local governments must consider other alternative revenue sources. One of these might be an effort to obtain more financial aid from state funds by obtaining a greater share

of state collected taxes derived from local sources for local use.

Unfortunately, some of the major new local taxes—the municipal sales and payroll taxes for example—are themselves no improvement on the property tax. We are experiencing a shift in our local tax structures, or rather additional regressive tax, in as much as earnings taxes are being consumed by municipalities in greater proportions than the traditional property tax. This and the service charges are looked upon by city officials as sources of revenue yielding huge sums without too great an effort to collect. It seems to register little effect on city administration whether it is applied justly or unjustly.

One proposed solution would have the state government collect the local tax along with its own state income tax, and then remit the appropriate revenue back to the local government. Under this plan, the local community would establish its own municipal income tax rate on the basis of its own local needs. If the structure of the local and state income taxes tended to be similar (with respect to exemptions and income subject to the tax base), both the process of filing returns and of enforcing collections would be greatly simplified.

Obviously it is time our federal, state and local taxing systems explored the objective of meeting our common and collective need with some degree of sensible relationship. We now have a medium for establishing this goal through the organization of State Governors and the United States Conference of Mayors, if they would only get to it. The need is certainly obvious.

Urban land reform came into effect three years ago in the Republic of China (Formosa). As reported in The New York Times of June 19, "This is a system of taxing the unearned increment on skyrocketing city land prices and devoting the proceeds to the welfare of all the people. Taxes are exacted on the real worth of the land as stipulated by the owner. If his assessment is unfairly low, the government can buy the land at his price."