The "Absurdly Simple" Remedy

"WE may need a tax cut, but what we need even more is a drastic revision of our whole ramshackle tax structure," wrote Robert M. Hutchins in his syndicated column.

He said the real property tax — main support of local, municipal and county government — promoted nearly every unsound public policy that could be imagined, encouraged land speculation, and thwarted urban rehabilitation. The more a man puts into his land, he noted, the more he is taxed. The man whose property runs down pays lower taxes, and this is one cause of urban blight.

The speculator drives prospective buyers far from the center of town in search of cheaper land, and this results in urban sprawl. By forcing up the price of land the speculator forces builders into the smallest possible area, and that is one cause of suburban slums.

So the present tax system practically forces the buyer of land to become a speculator. If he improves his land the property tax goes up, and if he receives revenue from it both his property tax and income tax will rise. If he does nothing, but sells at a profit, he will pay a smaller property tax and his profit will be taxed merely as capital gain. This profit, however, resulted from the growth of population and development of the community, and as the author makes clear, he did not produce it but "he sits on the land" until someone who needs it can pay his price.

"The remedy is absurdly simple," wrote Dr. Hutchins. It is to take the tax off the improvements and put it on the land. The owner would then be taxed on what the community had done for him in raising the value of his land. He would not be punished for what he had done to build up the community by using his land.

"If the tax were on the land and not on the improvements, the incentive to gamble in land would be removed. We might then hope for sound utilization of our living and working space, a commodity that is getting scarcer every day."

Message to the President

In its April 1961 issue, House & Home published an Open Letter to the President. This was shortly after President Kennedy had taken office and had given his Housing Message. In its letter, House & Home pointed to the high cost of land in cities as "The No. 1 reason (and perhaps the only reason) why private enterprise cannot meet the need for good low-income housing and good middle-income housing in big cities."

In the January 1964 issue, House & Home leads off with "An Open Letter to the new President of the United States," Lyndon B. Johnson. Rejecting the "cheap money" solution to the housing problem as inflating the price of land, the letter makes two recommendations—"strenuous efforts to solve the (federal building) code muddle"; and: *"A land policy—federal and local—that makes sense for today.* HHF Administrator Weaver has recognized this need. Land costs too much because land is usually underassessed and undertaxed. This promotes slums, land speculation, and urban sprawl. The federal government abets this by letting land speculators deduct their costs from ordinary income taxes, then cash in their profits as capital gains."