

Center for the Study of Democratic Institutions

The Fund for the Republic, Inc.

Box 4068, Santa Barbara, California

September 15, 1966

Mr. Walter Rybeck  
10615 Brunswick Avenue  
Kensington, Maryland 20795

Dear Mr. Rybeck:

Thank you for your letter of September 12 regarding my views on taxation to be passed along to the HUD policy makers. I am almost inundated now with writing commitments, but I'll do what I can. I appreciate the importance of your request.

Sincerely yours,



Robert M. Hutchins  
President

What Kind Of World?

## Our Ramshackle Tax Structure

By Robert A. Hutchins

We may need a tax cut, but what we need even more is a drastic revision of our whole ramshackle tax structure.

Taxes should reflect and promote sound public policies. The real property tax, which is the main support of local, municipal and county governments, reflects and promotes almost every unsound public policy imaginable.

It encourages urban blight, urban sprawl and land speculation. It hinders urban rehabilitation, construction, investment in building and improving homes and orderly development.

The reason is that the tax is based on the market value of the property. Raw land has a lower market value than any other kind of real estate.

Therefore, the man who buys raw land and does nothing with it pays comparatively little in taxes. The more he puts into it, the higher his taxes. He is penalized for making raw land into a farm or a place to live. The more he spends on the farm or on his home, the more he is penalized.

The man who lets his property run down will pay lower taxes than the man who keeps his up. This is one of the causes of urban blight.

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The speculator drives the prospective buyer in search of cheaper land farther and farther from the center of town. This is one of the causes of urban sprawl.

The speculator, by forcing up the price of land, puts a premium on squeezing the most housing into the

smallest area. This is one of the causes of suburban slums.

The tax system almost compels the buyer of land to become a speculator. If he improves his land, his property tax will rise. If he improves it, and gets any revenue from it, his property tax and his income tax will rise.

If, on the other hand, he sits on the land, does nothing with it and sells it at a great profit, he will pay little by way of property tax and will be taxed on the profit at the favorable rates applied to capital gains.

The profit will result from the growth of population and the development of the community. The speculator can take no credit for it. His efforts, energy and sacrifice did not produce it. He is like any other mo-

nopolist who corners a good thing. He has to do is wait until those who need what he has will pay his price.

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The remedy is absurdly simple. 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 working space, a common thing that is getting scarcer every day.

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