

IT IS A "given" in politics that facts and feelings are two different things, one not necessarily dependent upon the other. What that means in the State of New Hampshire is the recurrence of what tend to be known as "great tax debates."

New Hampshire is the least heavily taxed state among the 50 in the United States, and it is at the same time blessed with some of the most favorable conditions: low unemployment, good quality education, a strikingly high increase in average *per capita* income, and a steady gain (well above the US average) in population which some have categorized as "people voting with their feet."

For at least 20 years, New Hampshire citizens have made it clear through their ballots that they do not want, and will not accept, new taxes. They believe that the secret to solvency is not to raise more money but for government to spend less. The public prejudice is so firmly established that there has arisen what politicians know as "the pledge."

It is generally conceded that a candidate for governor must, whether to win election or even to win his party's nomination, start by taking the pledge: "If a sales or income tax bill comes to my desk I will veto it."

Since governments thrive on money, however, political hopefuls searching for new spigots keep probing for a clue that feelings have somehow parted company with facts. Hence these "great tax debates," the most recent of which is going on right now.

THERE have been recent public tax proposals from lesser known legislative leaders in both parties. Newspapers have given those proposals more space, and some radio stations more time, than might otherwise be expected, for at least two reasons. First, taxes are news, particularly in New Hampshire; and second, many journalists (especially those who have moved here from papers and stations in other states) are a little embarrassed to find themselves in a state so different from all the others, having neither a sales nor an income tax.

It was State Democratic Party chairman Joseph Grandmaison who stuck his neck out

BY RICHARD NOYES

for the most visible round in the debate: a day-long conference held in Concord, the state capital, on a Saturday in mid-September. He was criticized by some members of his party for even talking about taxes, and the absence of a number of his party's leaders was noticeable.

One leading Democratic State senator had actually stomped out of a party meeting not long before, when a visiting politician from another state got on to the subject of new taxes. Grandmaison solved that one by inviting the senator to moderate a "plenary session" in the afternoon, following "panel sessions" Saturday morning when three costly "needs of local communities" were aired separately. As it turned out, the day was spent talking about almost every other "crisis" than that of the property tax.

Grandmaison, politically nimble, insulated himself from criticism in several ways. He asked the president of the state's Business and Industry Association, a recent import from Massachusetts whom Grandmaison had sharply criticized several years before when he was an advisor in Michael Dukakis's bid for gubernatorial

## TAXING DEBATE IN THE STATE OF LOW TAXES

reelection, to deliver the keynote address on a safe subject: the business profits tax. This, everyone agrees, is a monstrosity, driving major industry away now that there is a national economic downturn, and it must be changed.

He invited two major critics of new taxes - Dartmouth College economist Colin Campbell and Tax Relief, Inc., President George Lovejoy - to add their voices with the "broad-base taxers" during the plenary session. And he asked a long list of local government leaders, selectmen, planning board chairmen and the like to attend, that being the select group of New Hampshire citizens most closely exposed to necessary government spending, and thus the "rising" property tax. They are the people most likely to see the property tax's continuing flood of money as a crisis.

The title given the event - Conference on the Property Tax Crisis - is one clue to what chairman Grandmaison thought might be accomplished. The largest single tax in New Hampshire's state/local fiscal package is, in fact, producing more and more money, and only last year (the most recent one for which we have all the facts) crossed the \$1 billion threshold. It had produced only \$887.7

million in 1987. The property tax share of state/local revenue is somewhat down from a decade ago, but it still produces about as much as all other taxes combined.

A second clue to the chairman's strategy is the phrase printed in capital letters on the ear of the envelope in which all the invitations were mailed out. "FIGHT PROPERTY TAX HIKES!" it said, a choice of words which backfired on him when one practical and knowledgeable educator during the panel session on schools rose to speak. Property taxes pay for education, said School Superintendent Randy Bell, "so what are we doing here fighting against their increase?" Bell has a long history of frustration with trying to get more money for schools from a sales or an income tax.

Grandmaison's political perspicacity in inviting local leaders, many of them nonpartisan, was borne out Saturday morning as the auditorium began to fill up. They were, far and away, the largest single group of attendees. Some party leaders were conspicuous by their absence. It would have been pretty lonely without the local leaders.

It turned out, all in all, to be an amicable day. No one was booed. The day's logic was summed up, in a closing session, by one of the party's young leaders who has been able to stay aloof on taxes, and who admits he wants some day to run for governor, "but probably not yet."

Edgar "Ned" Helms, a former State Commissioner of Health and Human Services, put the stress in his summary on "facts". Here are some of those facts about New Hampshire:

1) There are two states in the American union which have neither a general sales nor a general income tax: New



• Richard Noyes

Hampshire and Alaska (which had one until the discovery of rich oil reserves there, which have since made other sources of revenue redundant).

2) New Hampshire, at 8.36% percent in the 1986 ratio between state/local taxes and average per capita income, is the least heavily taxed state in the Union. (Alaska, coincidentally, is the most heavily taxed state at 25.29%, although the natural resources factor in that total sheds a different light). 3) The state's Business Profits Tax, at \$143.2 million, was the biggest single source of general fund revenue for the state, and is the biggest single source of money for that fund. It raises more than a third of everything the state Department of Revenue Administration collects.

4) The Property Tax, however, about a third of which pours in from steadily increasing land values, raised \$1.03 billion in 1988, making it far and away the major fiscal factor.

5) Land values in New Hampshire, even using local assessments which fall dreadfully short of market values, are rising ever so much faster than the other half of the property tax base, capital improvements. The total base was up 11.5% in 1988 over 1987. And land values increased more sharply.

6) The gain in assessed land values for 1988, over 1986, was about 37% per annum compounded.

7) Land values, adjusted from assessed values by the ratios for each town and city established by the state, comparing asse-

ssments with sales, went up \$9,091,827,642 in the two-year period, while property taxes - supposedly in a "crisis" - were drawing off only about \$1.9 of those billions. Thus all the new homes, stores and factories added to the base during that year, a busy one for construction, in effect escaped taxation entirely.

The \$1.9 billion drawn off to pay for schools, police and fire departments, human services and all the other good things which serve to make New Hampshire's not-quite 9,000 square miles more valuable, still left more than \$7 billion of new market value on owners' hands.

WHAT CHANCE is there that political ingenuity can turn these facts into a widespread feeling that there really is a "property tax crisis?"

Economist Colin Campbell points out that actual property tax rates are coming down. Using full value assessments, the real rate fell from more than \$20 per thousand in 1983 to less than \$15 in 1988.

The property tax share of state/local revenue was running at about 60% a decade ago. It is more nearly 50% now.

Dr. Campbell's view of the situation, moreover, has given at least some people the impression that he is advocating a higher property tax. One recent account of his views carried this headline: "Taxes too low, says former professor." He may not have said quite that, but close.

Campbell does not go quite so far as to point out that the 37% hike in land values here over the two years 1986-88 is not an entirely healthy situation, but one that could turn around to haunt the prosperous state. Land prices began to fall in New Hampshire in 1989; not so fast as they fell in Texas a few years

Continued on Page 11 ▶

# over Tories TV auction

*in fact, air-rents are not fully captured from the commercial companies.*

Provision in the Bill is made for taking into account the programme-making abilities of companies that bid for broadcasting rights. But opponents of the air-rents auction system are not convinced. They point to Australia, where TV companies are supposed to be in trouble because they desperately over-bid for broadcasting rights.

Mrs Thatcher is not being deflected from her insistence that the full value of the natural resource being used by commercial companies should be paid to the community, but considerable opposition is expected during the Parliamentary debates on her Bill.



• Margaret Thatcher

## Privilege and scandal

WASHINGTON: Land is a major part of the problem of housing affordability, says James Christian, chief economist of the US League of Savings Institutions. "Where there are jobs, there are higher incomes, and where incomes are higher there are enough people who can afford to pay for the privilege of using the land to push out of the market people who can't afford to pay."



• Williams

## DANGER HOMES

LONDON: About 250,000 homes could be at risk from cancer-causing radon gas, according to Alan Blythe, Director of Environmental Health for Woodspring Council, in the county of Avon. Radon, a naturally occurring radioactive gas, kills 2,500 people each year through lung cancer.

But Mr Blythe says the hot spots should be kept secret. "We have advised local environmental health officers that householders could sue local authorities for compensation if potentially damaging information is released which could affect property values and could reasonably have been foreseen to have that effect."

VANCOUVER: New Democrat Bob Williams is angrily demanding explanations for what he calls "a major flip of scandalous proportions." The British Columbia government sold prime waterfront land for \$2.2m to a company which resold that day for \$10.5m.

◀ From Page 7

ago, but fast enough so that not all of the "winners" may prove nimble enough to stay out of trouble as the economy slows.

There will always be those who say we need new and higher taxes. These great tax debates will continue.

Dr. Daphane Kenyon is a new resident. She lives in Windham, just across the border from "Taxachusetts" (as New Hampshire people like to call it), having moved here only a few weeks ago. She is a college economist who teaches in Boston.

Dr. Kenyon agreed with Dr.

Robert Ebel of the Advisory Council of Intergovernmental Relations, a Washington-based think tank which invariably chides New Hampshire for its unique dearth of taxes. Ebel said again, and Kenyon agreed, the state needs new taxes because of the principle of diversity. Since any tax has flaws, they argue, a broader mix of "diverse" taxes is good policy.

Retired *Fortune* magazine editor Gurney Breckenfeld, on the other hand, says diversity is simply a means of "plucking the greatest amount of feathers with the least amount of squawk."

Dr. Kenyon thinks New

Hampshire ought to consider a sales tax. Her advice is bound to carry some weight. She has excellent credentials. Dr. Kenyon was billed in the program for the conference, ironically, as a Resident Fellow at the Lincoln Institute for Land Policy, which is in Cambridge, Massachusetts, and which has some historical awareness of Henry George who urged us to "abolish all taxes on labour and industry."

Such inconsistencies abound, of course, which helps explain why there is a great tax debate going on in New Hampshire these days, despite the hard facts.