

Economic News

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TAXES, TAXES, TAXES

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The State of California is facing a tax increase which could bring dire economic problems.

Businessmen and homeowners have been asked to pay an unfair share of the local property tax burden for many years. Now the state legislature has increased state taxes by \$1 billion. Homeowners, businessmen and renters will be paying an unfair share of that burden too.

INCREASED SALES TAXES

The heaviest portion of the increased state taxes is in the form of the sales tax. The argument put forth by legislators who backed the increase in the sales tax has been that the sales tax is a broad based tax and thus is a fair and equitable tax. Of course that argument is untrue and misleading. It is true that the sales tax is broad based, but it is not true that it is equitable. While it is paid by everyone making purchases, the middle income and lower income groups pay a greater share of their earnings for sales taxes than do higher income groups. That is not the only reason why increasing the sales tax is bad for the economy. The main reason for it being bad for the economy is that the money is collected by the state and the state in turn doles it back to the local communities, but never gives back as much as was paid by the local community. Not only do they not get back what they put in but what they get back is now controlled by the state.

HOMEOWNERS HURT BY STATE TAX INCREASES

Increased state taxes are more of a burden on homeowners than if the same amount of money would be collected from increases in property taxes. The only tax relief for property owners by increased state taxes are for the large land owners and slum owners. They, not the homeowners get property tax relief from increased state taxes. Slum and speculative land owners also benefit from assessment policies of assessors, who assess homeowners at 25% of their market values, but assess slums and speculative land at much less. It is very possible for homeowners to pay two or three times the property taxes as slums and vacant land of equal market value.

SALES, CIGARETTE AND INCOME TAXES INCREASED BY STATE

Recently passed increases in sales, income and cigarette taxes will hurt the economy of the state of California. California's unemployment percentage is already 30% higher than the national average, and will go even higher as more money is removed from the private sector through increased state taxes. What this administration doesn't seem to realize, just as the past administration didn't seem to realize is that money taken from the private sector into the public sector without a corresponding replacement in that private sector, will cause unemployment and a business setback.

\$1 BILLION TAKEN OUT OF ECONOMY WILL HURT CALIFORNIA

There is a vast difference between \$1 billion spent on cars, homes, TV sets, stoves, refrigerators or clothes and \$1 billion sent to the state in increased taxes. If the cities, counties and school districts really need another billion dollars, the economy would be far better off if that billion dollars would be collected locally from absentee slum owners and absentee land speculators. Then the local communities would not be deprived of the needed billion dollars which would leave those communities in the form of state taxes, and the cities, counties and school districts would have their billion dollars too.

HOW MUCH IS KNOWN ABOUT ECONOMICS AND FREE ENTERPRISE?

President Johnson told Congress last week that it cannot be satisfied with "business as usual" in meeting the crisis of the nation's slums. In a letter to

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Senator Mike Mansfield, D-Mont., majority leader, he said, "These problems demand the best that an enlightened nation can plan, and the most that an affluent nation can afford."

Evidently the President does not know too much about economics and free enterprise. Surely he must know that the federal urban renewal program has in 19 years spent billions to clear slums only to find that slums are growing faster than the federal programs can tear them down.

No amount of federal funds will rid our cities of slums if slums remain a profitable investment. In California, for example, slums are the best investment in the state. Next to slums, as a good investment, is speculation in land. This situation will exist as long as these investments are given favored treatment at the local property tax level. No one would deny those investments the right to make a profit, but when such investments are subsidized at the local, state, and federal levels at the expense of homeowners, businessmen, labor and farmers, the merits of such a subsidy are questionable.

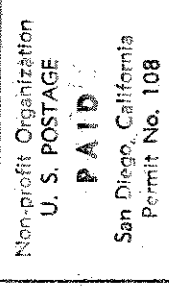
ASIDE FOR BEING SUBSIDIZED, SLUMS ARE CAUSING CIVIL UNREST

Not only are the existence of slums costly to all other tax payers, they also are a basic cause of the civil unrest witnessed in the last few years. Since it is obvious that federal and state programs are not solving the problem, why doesn't the federal government let private initiative and free enterprise do the job. And it would do the job if incentives were provided in the form of profit motive. A tax program must be devised that will put a penalty on slums, not a penalty on good housing as is the situation today.

PROFIT MOTIVE IS BACKWARDS

Today the profit motive is backwards. If you improve your home or business or farm your taxes go up. If you allow your property or business or farm to deteriorate your taxes go down. Thus, the homeowner who spends his week-ends fixing, planting, painting or in any way improves his property value, will pay higher taxes. On the other hand those who do not fix, paint or improve their property can expect to, and do pay less taxes. Until this situation is corrected, slums will be with us, and no amount of federal funds are going to get rid of them.

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