

Land-Tax Plan Gets Jet Age Revival

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The most radical reform proposed for the property tax is one of the most venerable. It originated in 1879 with Henry George who died trying to become the mayor of New York.

While George's theories are still considered as crackpot by many, the land-tax he espoused in his "Progress and Poverty" has been embraced by contemporary reformers who view it as a true panacea to urban blight.

To George, all men had an equal right to use the earth. In his terms, rent was an "unearned increment" that impoverished society in general while enriching the landlord. His solution was to tax the land.

IN MODERN GUISE, the land tax is designed to accomplish other goals. For example, its advocates argue that by taxing land instead of the buildings on it, owners will be forced to make better use of the land. Cities can rebuild, say Georgists, because slums will be made unprofitable. Slums will carry the same tax, for instance, as decent buildings located on land of equal value.

While such a reform may seem far out, the Temporary State Commission on the Constitutional Convention took note of the land-value tax in its discussion of local finance issues for the next month's convention. The land-use argument received even more substantial treatment in "Economics of the Property Tax," a book by Dick Netzer that was prepared for the Brookings Institution. Netzer, an NYU economist, sets out to systematically refute nearly all the anti-Georgists over the years. Netzer argues that such a land tax, coupled with other reforms, would eliminate most of the inequity, regressivity, and harmful side effects of the property tax. Yet the major drawback, he pointed out, was that the cure could well kill the patient.

"For one thing," he explained, "there would be real equity problems in the transition, with substantial windfall losses and gains as the tax burden was redistributed. For another, the administration of such a system would be much

In the light of the growing disenchantment with the property tax, old and new reforms are being pushed as the Constitutional Convention approaches its opening session next month. The objections to the property tax have risen, as the rates have risen.

more complicated than that of the present system."

BESIDES THE SUBSTITUTION of the land-value tax, Netzer would eliminate the property tax with three other levies. One would act as sort of a capital gains tax, in that it would take 20 per cent of the profit made in the sale of land.

To pay for such services as a garbage collection, sewage disposal, water supply, police and fire protection, Netzer advocates a schedule of user charges. These services are now financed by the property tax, but the use of services is certainly not accurately reflected in the worth of property.

Netzer's fourth substitute would be a tax on housing of 5 per cent. This would apply to the rental value of a house, not its capital value.

While radical reforms have been noted by the temporary commission on the Constitutional Convention, most of its attention has been focused on proposals aimed at making the current property tax more equitable. Among the more controversial reforms discussed by the commission are those that would eliminate "tax islands" for industry, and others that would do away with present exemptions, and make future property tax-exemptions even tougher to legislate.

THE QUESTION of what to do about rich tax districts and poor ones is a familiar one in Albany. During this session of the Legislature, bills were introduced to increase the amount of state aid available to hard-pressed districts. Middle Island School District in Suffolk County, for example, has a tax rate of \$26.59 for each \$1,000 of true valuation. Port Jefferson, which is sort of a tax island with its preponderance of industry, has a rate of \$11.60 for the same \$1,000 of true value.

Among reforms that will be discussed at the Convention are those that would level the hills and dales of local property taxes. One proposal is that the state collect property taxes from industry and redistribute the revenues to all localities on a fair-share basis. This share-the-wealth notion is sure to run into opposition from "home-rule" advocates who may well insist that the Constitution be rewritten so that the state would be prohibited from levying a property tax. The state has not levied a tax on property since 1928, but under the present Constitution, it is able to do so.

Netzer also discusses the notion of tax sharing in his study. Under such fiscal federation, Netzer said, a countywide or regional school tax would support all the schools in a given region, while enabling individual communities to offer more than the basic program by approving supplemental taxes.

THE TEMPORARY COMMISSION took this regional approach one step further when it discussed the possibility of granting broad taxing powers to new regional jurisdictions. For example, the New York Metropolitan Region might be allowed to impose income taxes or business taxes if the Constitution allowed it. Of course, suburban representatives, anxious to protect and enhance home-rule at the convention, will be determined to prevent such a change.

While reform proposals abound, there is little reason to hope, or believe that the Convention will bring about substantive changes in the property tax. Those regions which suffer most from the present property tax are those undergoing the most rapid growth. At present, these areas are relatively few, and under current apportionment, they wield relatively little influence.

During this session of the Legislature, representatives of the fast growing districts had little success in getting state relief for districts hard-pressed by property tax. It would only be wishful thinking to suggest that representatives of fast-growing Suffolk and other suburban counties will have more luck at the Convention.