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James RATLIFF



Incentive Taxation Program Is Suggested

SOONER OR LATER (probably later), politicians are going to realize that the use of land, especially in the heart of the city, is vital to the economic health of a community. But land will not be used as efficiently or progressively as it should be until the power to tax is used more wisely—to reward efficiency and progress.

The only alternative to floundering along, as the city has for years is for taxpayer to buy up land and go into business himself, as is suggested here for parking. It isn't just that a much more kind of Socialism, but that a much more successful free enterprise way would be to tax fairly to solve municipal problems. Let's take a parcel of downtown land, familiar to nearly all, to demonstrate.

NOT LONG AGO there was a theater called the Lyric on Vine Street, north of Fifth Street. The Lyric was old but it contributed plenty of taxes to the city—which is the same as saying it kept more money in the pockets of its taxes. In fact, it looks almost as if taxes, and not TV, finished off the Lyric. Regardless of the reasons, the Lyric was torn down and now is a parking lot. Here's what happened to the Lyric lot:

The last year 1952—the property paid \$13,824 in real estate taxes on land worth \$405,810 and a building worth \$95,590. In addition, it paid \$2000 in personal property taxes to the city and \$233 in city license taxes. Total taxes—\$23,271.

Now that it's a parking lot, the new owners still must pay taxes on the \$405,810 value of the land, but the only improvement is only \$11,637. And that's all tax today is \$11,637. So the total the collector gets, except for a \$5 license fee to the city for the parking lot.

Taxpayers lost just \$11,637 in taxes in one year on this one piece of property when it became a parking lot. Is it efficient use of valuable downtown land to turn over \$405,810 worth of land for 60 automobiles to sit upon? We don't blame the owner of the lot. He has a perfect right to make a profit on his land anyway he chooses. But he could not use it so wastefully if our tax system rewarded efficiency and progress—such as the erection of a world-known tax-producing Terrace Plaza a block farther north.

If there were a premium on real free enterprise, so that people would have been encouraged to build garages and stack parked automobiles on top of each other, using the land more efficiently, everyone would be the gainer, taxpayers, car drivers and the garage owner. For parking lots, with their handful of spaces, keep the prices up.

IN TALKING to the theater people, to get their tax figures, they told us taxes drove them to sell a theater in another city, and a church bought the downtown property. In that case the city lost every dime of revenue in taxes. And the church turned out to be a poor addition to the city.

Take a look at another huge chunk of the city tax duplicate—the West End. Vast areas are a horrible blight, yielding far less taxes than the land should to the advantage of all taxpayers.

So what do we do as taxpayers? Instead of encouraging or compelling better use of the land with fairer laws, we pass laws spending millions that our tax system has let go to seed. Then we compound our own folly by turning acres into public housing, at additional tremendous drain on the taxpayer.

All over Cincinnati you can find individual home owners struggling to meet payments on homes. And they are taxed to buy better homes, called public housing, for others who won't or can't struggle. Instead of this economic jest that penalizes the worthy citizen fighting to take care of himself, why not get at the roots of the problem with tax laws?

Give the property owner incentive, through his taxes, to improve his property and he will react in the exact reverse of the way he reacts now. For every dime he improves his property now, he pays exactly the same additional rate of taxation. So he improves his land and property just as little as he can—gauged either on his self respect or how much income the minimum improvement can get from the property.

A TAX INCENTIVE policy can be particularly effective for rented property. Instead of permitting rented property to turn into a hovel, the owner should be encouraged to improve it through incentive taxation rates. If that fails, he should be compelled to bring it up to human habitation standards by punitive laws. And his tenant should be penalized if he ruins property. But the second method, which would create a bureau of inspectors, would never be needed. Carrots accomplish far more than whips.

Money the landlord would spend on improvements would be offset to some extent by savings in the tax incentive rate. He would not raise rents as much to make up the balance as some would think. Where, in the West End for example, would he go for tenants if they did not like new higher rents? In any event, a new philosophy of taxation would adjust in time to the entire economic scene.

This is an unorthodox approach to taxation and perhaps is not workable. But it has the virtue of being free America. If Socialist bureaucracy is the only answer to every problem that comes up, there will be no freedom in America. And who any longer can call a taxation system unorthodox when even city governments reach right into the pay window and seize chunks of our pay, before we see it?

CHARLES H. STAMM, in charge of urban redevelopment in Cincinnati, is assigned to the leadership of lifting the city's face by its bootstraps, to mix a metaphor brutally for effect. He will do it in the bureaucratic way if the taxpayer apathetically permits, because the job must be done as a direct benefit to every citizen of the city.

Mr. Stamm told us that he prefers to undertake urban redevelopment and urban renewal in the free enterprise way. He hopes the citizens can be induced to do things for their own good. But to induce a citizen you need inducements.

Admittedly, changing the tax basis is a big job that must be fought all the way to Columbus over the inertia of years. But a start must be made somewhere in building a dam against the creeping tide of Socialism. If others don't give a dam, maybe Cincinnati will.

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HENRY GEORGE SCHOOL
714 WILLIAMSON BUILDING
CLEVELAND 14, OHIO