



"Specializing in News On Taxation, Advocating Sensible Tax Reform"

VOLUME IV PORTLAND, OREGON, January-February, 1963

No. 1

Michigan Mayor Fights Tax on Improvements

In a talk to a group of people interested in problems of taxation on December 8, 1961, at the Whittier Hotel in Detroit, Michigan, the Honorable S. James Clarkson, Mayor of Southfield, Michigan, explained to his listeners that the first job the politician must do is to vocalize the idea which is already in the minds of most of the voters. He must mechanize the formula so that it can actually take place when and if the voters so desire.

"When I ran for office," said Mayor Clarkson, "I pledged my protest against any penalty taxation on the homeowner and on home improvement. This was merely expressing what the people already felt. It was the first key to my whole approach in running for mayor of Southfield. I hammered away on this theme as I spoke to many different groups in my area, regardless of their particular backgrounds and special interests."

"I gave illustrations of penalty taxation," Mayor Clarkson went on. "For example: a disposal unit in a kitchen helps to cut down governmental costs by reducing garbage pick-up service; but as a direct penalty, the homeowners' taxes actually increase due to the installation of the disposal unit."

"As another example," the mayor said, "I referred to many of my constituents who had recently finished building their own little homes, and were now thinking of additions to their houses to permit space for growing families. Talk about government efficiency! As soon as the building permits for the improvements were issued, the assessor was out making his inspections, not in the next year or two, but within the next two weeks. He was there Johnny-on-the-spot to get the increased valuation on the tax rolls just as soon as he could verify the improvements. Contrast this, if you please, with assessment procedures regarding land values, which they may not get around to examining, as in Southfield, for six-year periods. In a rapidly growing community, such as ours, six-year

appraisals of land are neither fair nor realistic.

"How can some people rationalize their programs for slum clearance at the same time they go along with penalty taxation on home improvements? Urban renewal programs would not be necessary now if taxes had been lifted from improvements and placed on land values where they belong."

When James Clarkson became Mayor of Southfield, one of the first things he did was to make a specific request to the City Council regarding the budget. In his message to the Council he stated: "I deem necessary the creation of a Land Division in the Assessor's Office to be staffed by a qualified real estate appraiser. His primary duty would be to make annual appraisals of all the land in the City of Southfield. We are lagging six years behind reality in our present method of appraising land values. At least 70% of our land area is now underdeveloped, and the cost of sewerage and storm drains falls mainly on the small homeowner. We are losing millions of dollars in taxes, because of the inadequately staffed assessor's office describing every piece of land in the City, its frontage, its value per front foot, and its total value."

Explained the 35,000 populated city mayor to his listeners: "At first this may seem like an unnecessary expenditure of tax money, but I can assure you that within one year, the increased revenue coming from appraising and assessing the value of the vacant land will pay the cost of the new Land Division several times over."

His recommendation was promptly filed and forgotten.

But undaunted, Mayor Clarkson took another step: "This time I requested our City Assessor directly as follows: 'Would you be so kind as to give me your comments relative to initiating a new procedure of exempting up to \$1000 of appraised value of all improvements of existing homes and business buildings? Also, please, advise if you think ac-

(Cont. on page 3, col. 1)

Multnomah Assessment Sets Record

The taxpayers of Multnomah County have been assessed \$76,800,762.20 during the 1962-63 period, the highest assessment in history.

The tax roll represents an increase of 4.26 per cent over the last assessment and is up almost twice what the roll was 10 years ago, \$39,182,677.44.

County Assessor Joe Hawkins defended the tax by stating that the current year's budget requirements are higher by \$37,618,034.75 an increase of 96 per cent over the last ten years. "Although there have been substantial losses of taxable value from the 1962-63 roll as a result of properties being taken for public freeway construction," he said, "the total market value on the current roll reached \$2,926,707,069—an increase of 3.04 per cent over the 1961-62 roll." Hawkins laid the increase in taxable value to his department's continuing reappraisal program as well as to the addition of new properties to the roll such as residential subdivisions, commercial buildings, merchandise inventory and machinery and equipment.

"This program of reappraisal is designed to keep property valuation at market level and to promote equitable distribution of heavier tax levies so that no one pays more than a fair share," Hawkins explained. Multnomah county has 176 different tax rates of which 78 are lower and 95 higher than the consolidated rate for the city of Portland for 1962-63 period, the county assessor pointed out.

STATE TAXPAYERS FEDERATION FORMED

Saturday, January 26, representatives from Taxpayers organizations from many parts of the state met in Salem and formed a state-wide federation of taxpayers.

Elected temporary chairman was Charles Creighton, 218 N. E. Liberty Salem. The name adopted for the organization was Oregon Taxpayers Federation Inc.

The trigger that set in motion the move to form a statewide federation was certain blackmail tactics being used in an attempt to force a favorable vote in any referendum election concerning taxes.

Another meeting has been scheduled soon to determine definite programs.

READER'S DEPT. . . .

Reader Hall to Reader Card

Reader Don B. Card says, in his letter in the Sept.-Oct. issue of "The Taxpayer's Digest," that "if an investment is made in land for rental purposes, the income is from capital just as much as it would be from improvements." Mr. Card appears to think of capital as simply the money value represented by an income-producing asset. If capital is so considered, Mr. Card's statement is a truism.

But Mr. Card's accounting definition of capital would destroy the science of economics (which is the science that treats of the nature of wealth and distribution) by depriving it of all clarity in the defining of the factors of production. In an economic society wealth is distributed via a network of exchanges. In order to determine what to produce, how much, and where to exchange it a measure of value and medium of exchange is money, which is not, in essence, a commodity, but bookkeeping. So we have wealth (the object of all economic activity) and the factors in it's production: land, labor, and previously produced wealth — the last-named factor being named "capital" by the economists.

Economically speaking—there is only one investment—the investment of labor. Since labor does not produce land, there can be no investment in land, as there can and must be in capital, which is stored-up labor. Money paid for the land is in reality labor given for the right to use land, whether the money is paid once and for all, or periodically for 99 years.

Income from land, then, is not from capital (in any definable sense), but represents a return for permission to exercise a right created by law. And this right does not represent labor (even though paid for with the proceeds of labor), and so does not constitute an investment.

In conclusion we may say that the impact upon the land and upon society of income from land is opposite to that of income from capital. To maximize income from land one can only withhold land from use; to maximize income from capital one must call more and more land into use.

Richard T. Hall
177 St. Botolph St.
Boston 15, Mass.

• You are doing a good job. I like your Taxpayer's Digest. Keep it up. Enclosed \$2 for one year subscription, keep the change!

Victor A. Nelson
Portland, Ore.

Open Letter
Comments:

• Colonel Harwood is now on an extended trip to the West.

Before his departure, he asked me to extend his thanks to you for the very interesting issue of your Taxpayer's Digest.

AMERICAN INSTITUTE FOR
ECONOMIC RESEARCH
Staunton Brown

• Senator Sparkman is in Huntsville, Alabama, where he is maintaining an office during the adjournment of Congress. In his absence, I am taking the liberty of acknowledging your letter of December 15.

Senator Sparkman will appreciate your thoughtfulness in sending him the "Open Letter to our Congressmen" contained in the November-December issue of the TAXPAYERS' DIGEST. I am sure he will read it with interest.

With best wishes, I am
Wiley S. Messick
Executive Secretary to
Senator Sparkman

• Thank you for your recent letter and the November-December, 1962 issue of Taxpayer's Digest.

I appreciate very much having the benefit of the views expressed in your letter and in the article, "Open Letter to Our Congressmen."

Best wishes for the New Year.

Thomas B. Curtis
U.S.R., Mo.

• I can well understand your concern lest unsound commercial banking practices absorb whatever benefits accrue to the public through the President's proposal for tax reform.

You may be sure that I will examine this question thoroughly during the debates on taxation in the legislative session which opens in January.

Tom McIntyre
U.S.S., N.H.

• It is a pleasure for me to acknowledge and thank you for your recent letter with which you enclosed a copy of the Taxpayer's Digest.

Mr. Hansch, I appreciate your thoughtfulness in sending this material to me. You may be sure it will be given every consideration.

Milton R. Young
U.S.S., N. Dak.

• That's a fine Open Letter—many thanks for letting me see it.

P. I. Prentice,
Vice President
Time, Inc.

• I have received your recent letter and wish to thank you for writing. It will have my prompt attention subject only to the exigencies of Senate business.

With best wishes,

Jacob K. Javits
U.S.S. New York

• Let me thank you very much for your letter and for the copy of Taxpayer's Digest which you enclosed. The "Open Letter To Our Congressmen" is certainly provocative, and as Congress goes into the matter of the desirability of a tax cut, I shall certainly refer to the Taxpayer's Digest again.

With kindest regards,

Sincerely,
Wayne Morse
U.S.S., Ore.

• Thank you very much for your letter of December 15 in which you enclosed an open letter to the Congressmen. I certainly appreciate your thoughtfulness in this matter.

While time does not permit a detailed answer to your letter, I want you to know that I welcome any comments you have on matters of national importance.

Sincerely yours,
Carleton J. King, M. C.
U.S.R., New York

• Many thanks for your interesting letter of recent date and for the attached copy of the Taxpayer's Digest. I have found this material very interesting and informative and have saved it for additional study.

Sincerely yours,
Howard N. Robison
U.S.R., New York

• I am so pleased that you brought to my attention your stimulating views on our tax structure. You make some very sound comments. I will keep your views in mind in considering the various complex fiscal questions this coming Congress must contend with.

My best wishes.

Sincerely,
Hubert H. Humphrey
U.S.S., Minn.

• I deeply appreciated receiving a copy of your fine article on the unemployment problem appearing in the December issue of the Taxpayer's Digest. You can be certain that this sort of insight is very valuable to me as a member of the Joint Economic Committee.

William Proxmire,
U.S.S., Wis.

(Cont. from page 1)

curate records can be kept as to the number and value of buildings which would be affected, and the cost of keeping such separate records. How would this cost compare with any change in the anticipated future revenue taking into consideration the \$1000 exemption? I would appreciate your opinion as to the creation of a new position in your present department entitled Land Appraiser, and if a complete re-assessment of all vacant land could be accomplished within the year.' "

The assessor promptly went to the Michigan Tax Commission and asked whether or not what the Mayor asked was legal. Later he wrote the mayor that "his job was beyond any political motivation which the mayor might have, that he owed no responsibility to anyone, and that he would follow the same status quo procedure as he had in the past."

Mayor Clarkson continued: "So I answered: 'Inasmuch as the people have chosen to elect me to office on a platform containing specific proposals regarding assessment policies, and more specifically for the alleviation of penalty taxes on maintenance and improvement; and inasmuch as you have stated unequivocally that this is a position you cannot uphold, I now have no alternative but to request your resignation on or before July 1, 1961.'"

"It so happened that the appointment of assessor falls within the domain of the mayor, and the city has not resolved itself to anarchy nor to rule by committee. It is incumbent upon the mayor to see that the different departments are headed by individuals who will work for the best interests of the people."

"At the next Council meeting there was some discussion as to the legality of my proposal to exempt \$1000 of improved valuation for tax purposes. I had previously done some investigation on improvement taxation in the City of Detroit. I had discovered some application of our taxation philosophy in the following manner: In Detroit your taxes will not be increased if you paint the outside of your house, remove delapidated sheds, garages, etc., renew a roof, replace sidewalks, spouting, install a lawn sprinkling system, pave a rear parking area up to 500 square feet, install storm windows and doors, outdoor lights, additional closets, book cases, cabinets, vent fans, cupboards, counters, new ceilings, remove partitions, install automatic water heaters. I showed this to my Council and said: 'This is the kind of improvements I want to exempt in Southfield. If it is legal in Detroit, it must be legal in Southfield.'"

"People were beginning to take notice.

One suburban newspaper carried a series of editorials dealing entirely with our land question in Southfield."

"Finally, after several weeks of discussion, the president of the City Council wrote me a formal letter actually asking my advice as to the manner in which we could come to some agreement on appraising and assessing procedures, and offered to appoint a committee to review the entire situation. They were beginning to move in my direction. Now they wanted facts and figures."

"I replied that first I wanted the Council to read my recommendations on the budget. I emphasized the need for our own assessor to prepare land value maps for the entire city, which should be current and should be kept that way for reference at all times."

"Furthermore, I pointed out that the highest appraised vacant land in Southfield was at only \$3,000 per acre as shown on our tax books while the truth of the matter was that the cheapest vacant land was selling for no less than \$5000 per acre. One vacant corner site sold last year for \$80,000, is appraised at \$17,850, and assessed at \$5,950. Another vacant lot sold for \$63,000, appraised at \$14,000 and assessed at \$4,700. Another vacant location sold for \$52,500, appraised at \$30,000 and assessed at \$10,000."

"In former years, there have been examples where land here has sold for \$90,000 and was appraised at \$1500. Similar glaring discrepancies were written up in the article in the September 1961 issue of *House & Home Magazine*."

"Yet the corresponding figures on homes were entirely different. We found that homes were appraised at no less than 90% of their selling value. This was not fair to the home owner. The appraisals on homes were always higher in proportion to their selling value than were the appraisals on vacant land. Also, improved land is always appraised much higher than vacant land in relation to the selling value of each. This is a penalty against the homeowner, and such injustice can no longer be ignored."

"I am not asking to apply any new principle of taxation. I am asking that the present law be respected as regards appraising and assessing both land and buildings at uniform rates, and no partiality should be shown in favor of vacant land sites."

"In Detroit, land is appraised at about 30% of its selling value, homes at about 70% of their selling value, and personal property at about 90% of its selling value. If such procedure is legal, how can the holders of vacant land ever object if the situation might be reversed sometime by appraising land at 70% of its cash value. This should be possible if the uni-

form rule is going to be ignored completely."

"Well, the Board of Equalization in Michigan discovered some very interesting figures concerning average assessments of land and buildings. They found that for the City of Southfield as a whole, vacant land had been assessed on the average at about 38% of its appraised value, residential property at about 60% of its appraised value, and personal property at about 74% of its appraised value. And this was the result of their own study, not mine."

"The assessor who had been dismissed has been rehired and is cooperating with the new procedure. He got his office busy re-assessing the vacant land bringing it up now to about 49.19% of its appraised value, near the 50% mark which the State Equalization Board requires."

"We have made a contract with an outside appraising firm, the Clemenshaw Company of Cleveland, to come in and make a complete appraisal of all land in the city, exclusive of building or improved value in any form. They will appraise land only. This is a big accomplishment, and it demonstrates that people are beginning to be concerned about their tax problems. It remains to be seen to what extent they have been aroused, and how far they want to go in untaxing the homeowner; but this one thing I can assure you here tonight, as I have assured my Council and the voters who elected me, that we are going to have some land value taxation in Southfield, come hell or high water."

Digest Staffer Elected Tax Group Head

Erick S. Hansch, Taxpayer's Digest business manager, was elected president of Tri-County Tax Research, Inc., a non-profit, non-partisan organization, at a recent meeting.

The objectives of this group is to study all tax and bond measures and to inform the taxpayers, with special emphasis as to their effect of increased taxation of homeowners, businesses and corporations. It plans, as its long range goals, to place on ballot by petition a measure that would require the participation of at least one-third of all registered voters in any election concerning taxes and bonds. TCTR also advocates a homestead tax exemption law of \$7,500 to mitigate the impact of high real estate taxes on senior citizens of small and limited incomes.

Other officers elected were Clyde Brummell, vice-president and William Brosy, secretary-treasurer.

TAXATION TREND HIT

by Earl Wandling

The present trend in taxation seems to be not only an ever expanding tax base, but also a constantly increasing per capita tax. Besides, there are forces at work in Oregon, and especially in Portland, which tend to shift the tax burden from income producing property to non-income producing property, namely homes. Or more precisely, the shift is from big business which receives tax refunds and is granted lowered valuations, to the other taxpayers, such as small businesses and homeowners.

I ask you, Mr. Taxpayer, is this good management of public finances? It may be expedient, but it is certainly not just. And only what is socially just is economically sound. Do you feel, then, that you are properly represented by those whom you pay eight to thirteen thousand per year, while you earn from five to eight thousand?

Why the reduction on large income producing property, and the consequent higher tax burden on the rest of the community? Mr. Taxpayer, don't you think our officials who accept the taxpayers' money for their services should serve the people, rather than big business and bureaus and agencies set up by big business to secure tax benefits for them, and which small business cannot afford?

It costs money to hire tax counsel, and the constant badgering by these experts of our elected officials seems to have had some effect, all right. The less articulate small businesses and homeowners have to hold still to be shorn.

I ask you, Mr. Taxpayer, to look about your city and State, take a good look. Do you not see the monopolies operating in our State that are not exactly beneficial to the taxpayers? Furthermore, do you not see government operated facilities in competition with legitimate business, which facilities must be supported by the taxpayers? Does not our way of life and doing business imply that we will not let government do in an indirect way, what we in free enterprise can very well do for ourselves directly?

A recent item in a local paper stated that the city's loss in the great wind-storm was approximately \$2,000,000, and this was given as the reason for an increased tax base. One is tempted to ask, what alibi would have been given if the storm had not struck? What had the storm to do with the new convention hall for which the voters were asked to vote last November? Is there another slum area to be cleared such as was done

with some \$8 million of the taxpayers' money?

Were you, Mr. Taxpayer, told anything about the management of your tax dollars in the past, or was there any mention of the fact that your paid officials neglected to set up a reserve amount for emergencies, under the so-called self-insurance principle? Plainly, No! There was no money to pay bills of any kind in that emergency.

Again I ask you, Mr. Taxpayer, should we have a broader tax base? When vast areas are removed from the tax rolls and developed with the taxpayers dollars, you, Mr. Taxpayer, can ill expect to reap nothing but an additional tax load heaped upon you for the maintenance of such installation. It not only adds to your tax load, it takes the gross revenue from private business. This tends to increase unemployment through uneven distribution of moneys that should be in circulation, and causes unnecessary tax money expenditure for the support of those unemployed.

A spokesman for Georgia-Pacific Corporation, a very large timber products company which over the past years has swallowed up many of Oregon's small mill operators that were paying their share of taxes on a full scale bracket, made statements in respect to additional revenues needed in Oregon for the next biennium. Georgia-Pacific's representative was willing and ready, according to certain newspaper reports, to offer suggestions such as a tax on cigarettes to gain the needed revenue. This same corporation was successful in gaining tax relief under the 1961 timber tax relief law. This law takes young timber from the tax rolls as well as reduces timber valuation. The very same timber that the small independent operators were paying a full tax revenue upon.

You, Mr. Taxpayer, are expected to pay the taxes that should rightfully be paid by Georgia-Pacific Corporation.

Many times this type of thing is under

the guise of reforestation. But who is the judge as to when or if ever this timber is put back on the tax rolls? Should you, Mr. Taxpayer, support the reforestation program for Georgia-Pacific or any other corporation? And, does anyone or any entity furnish you a taxfree inventory until you get good and well ready to use it to gain a profit for yourself?—



The **Taxpayers Digest** is published bi-monthly by **Taxpayers Publications, Inc.**, a non-profit organization devoted to publishing tax news in the interest of the general taxpayer.

The **Taxpayers Digest** actively supports groups interested in problems of taxation and tax savings and provides a means by which such organizations may reach the general public. It holds that homes used as homesteads by the owners whose yearly income is less than \$3,000 should be tax exempt and that taxes should be placed where they will hurt the economy the least and from where they cannot be shifted.

Subscription rates: 20 cents per issue; \$1.00 per year.

Advertising rates: \$2.50 per column inch; write for terms for mats or engravings supplied by the advertiser, or for prices of larger-size ads and consecutive annual insertion terms.

Harvey Akesson, publisher; H. James Hotelling, editor; James H. Schoppe, consulting editor; Erick S. Hansch, business manager; Larry McLaughlin, circulation manager; William H. Gwin, illustrator.

Readers are invited to send their opinions to the Editor, **The Taxpayers Digest**, P.O. Box 2506, Portland 3, Oregon, but the publisher and his staff assume no responsibility for views expressed by individual contributors.

Student: "But isn't that the same Economics exam you gave us last year?"

Professor: "Yes, but I've changed the answers."

TAXPAYERS DIGEST

P.O. Box 2506, Portland 3, Oregon

Henry George School
50 East 69th St.
New York 21, N.Y.

