

Liberals, Conservatives Agree— Most San Diego Candidates Agree—

11633

ASSESSMENT PRACTICES AND PRI

Those who claim that assessment practices and the property tax structure are all right as they are today are fighting a losing battle against homeowners and alert businessmen.

Already two states, Pennsylvania and Hawaii, have changed the property tax structure to reduce taxes on houses and buildings and increase the tax on land values. And from both sides, right and left, Democrats and Republicans, liberal writers and conservative writers, from political candidates for numerous offices, comes the assertion that property tax laws should be changed and assessment practices improved.

The homeowner is growing up to property tax reform, thanks to conservative writers such as Raymond Moley of Newsweek magazine and Frank Chodorov of Human Events, liberals Walter Packard and Prof. J. Kenneth Galbraith, Democrats such as Congressman Tom Gill and California Assemblyman Jim Mills, and Republicans on the order of Congressman Thomas Curtis and California Assemblyman Dick Donovan. Fortune magazine, the bible of big business, attacks land speculation, and the Labor Leader applauds. Savings and loan president Karl Falk attacks low taxes on land and the Union Brotherhood of Carpenters cheers.

In San Diego, where 55 candidates are running for mayor, city council and school board, the Statewide Homeowners Association mailed a questionnaire to them. The tabulation revealed that most candidates believe there is something wrong with assessment practices and the property tax structure and favor change which will benefit homeowners and businessmen. Only a few support hotel taxes, admission taxes, income taxes, etc.

With support for assessment and property tax reform coming from many quarters, it is seen that this economic idea is a harmonizing one, as explained by forum director John Weaver of the Graded Tax League of Pennsylvania. It is a principle on which almost all persons can unite, because it promotes prosperity, strengthens the free market economy, and encourages freedom and liberty.

Raymond Moley in the LOS ANGELES TIMES

In one of his debates with Richard Nixon in 1960 John F. Kennedy said that the property tax was practically exhausted as a source of revenue. On this assumption he advocated vast new federal expenditures for local facilities such as public schools.

It is a pity that Nixon did not remind his opponent that it was the federal income tax, not the property tax, which had reached the point of diminishing returns. Mr. Kennedy has admitted that in asking for tax rate reductions this year.

The soundest of all principles of taxation, expounded ever since Adam Smith, is that a tax should bear as lightly as possible on the sources of production.

From this, the inference can be drawn that the best and most equitable tax is one which bears heavily upon unearned wealth. Let us bring this principle home to our great urban centers, which are demanding so many federal handouts for local improvements.

Those cities and their suburbs have not grown efficiently and attractively. They have sprawled over great areas, with much of the land therein either vacant or occupied only by obsolete buildings.

A major reason for this is inequity in taxation. Property taxes almost universally are levied upon both buildings and the land under the buildings. Generally the land is under-assessed and new improvements are over-assessed for tax purposes.

This enables holders of unused land and slum property to reap profits as the communities grow around them. Show me a vacant piece of land or a slum and I will show you that the owner is speculating on getting a large profit when he sells, an unearned profit.

Most of the great American fortunes in the past and to a degree in the present have been made by holders of land. They have not improved the community. They have profited by the growth of large populations in their areas.

To cure this inequity and to raise more money for local services such as schools, hospitals and streets, and also to stimulate private housing, two factors should be considered. The state and local laws should differentiate between the tax on land and the tax on improvements.

Also, in the assessing of property, a heavier burden should rest upon land and lighter burdens should be placed upon improvements.

Since the more immediate method of reform is in assessments, a very comprehensive study is about to be issued on the subject by the Advisory Commission on Inter-governmental Relations.

This commission was created by an act of Congress and is composed of governors, members of Congress and mayors. It has a very large and competent research staff.

Its chief concerns are those areas of government in which local communities, states and the federal government all have interests at the present time.

And its aim is to see how far the state and local governments can carry the responsibilities which properly belong to them.

The new study is on the reform of the property tax. The commission's report points out that the amount raised now from the property tax is more than \$20 billion. The assessed value of property subject to the tax, determined by assessors throughout the country, is more than \$350 billion. But this represents a market value of three times that amount, or more than \$1 trillion.

With this vast wealth now under-assessed and inequitably taxed, the commission regards reform in assessments as a major step toward shifting responsibility back to the states and local communities.

At the present time the business of assessments is probably the most unsatisfactory of all government operations. Assessors are in large part elective.

Assessments are ridden with favoritism, special considerations which are not relevant to raising revenue, and the lack of training and the incompetence of assessors.

A major need is to establish assessment machinery by state law so that assessors will be trained, professional people removed as far as possible from local political or economic interests.

It is hoped that by such reforms it may be possible to check the growth of federal control of local affairs.

An estimated 3½ million Americans were home study students in 1962.

AMENDED IN ASSEMBLY MAY 14, 1963

AMENDED IN ASSEMBLY APRIL 15, 1963

CALIFORNIA LEGISLATURE, 1963 REGULAR (GENERAL) SESSION

Assembly Constitutional Amendment No. 20

Introduced by Messrs. Mills, Holmes, Burgener, Knox, Allen, Ashcraft, Badham, Barnes, Belotti, Britschgi, Burton, Carrell, Casey, Cusanovich, Danielson, Deukmejian, Dills, Donovan, Dymally, Elliott, Ferrell, Garrigus, Kennick, Marks, McMillan, Moreno, Petris, Porter, Powers, Rumford, Ryan, Song, Soto, Stanton, Thelin, Thomas, Veneman, and Warren

February 19, 1963

REFERRED TO COMMITTEE ON REVENUE AND TAXATION

Assembly Constitutional Amendment No. 20—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 1f to Article XIII thereof, relating to property taxation.

1 *Resolved by the Assembly, the Senate concurring, That the*
2 *Legislature of the State of California at its 1963 Regular Ses-*
3 *sion commencing on the seventh day of January, 1963, two-*
4 *thirds of the members elected to each of the two houses of the*
5 *Legislature voting therefor, hereby proposes to the people of*
6 *the State of California that the Constitution of the State be*
7 *amended by adding Section 1f to Article XIII thereof, to*
8 *read:*

9 *SEC. 1f. In order to increase the responsibility and author-*
10 *ity of local government, encourage agricultural production,*
11 *eliminate slums and rebuild cities, and encourage better use*
12 *of the land, any county, city and county, or city, notwith-*
13 *standing any other provision of this Constitution, may reduce*
14 *the tax rate upon, or totally exempt from taxation, all im-*
15 *provements on real property, together with all personal prop-*
16 *erty, provided, however:*

17 *(1) That any partial reduction in the tax rate shall be equal*
18 *and uniform in any multiple of ten percent (10%) of the rate*
19 *on land in the particular county, city and county, or city*
20 *reducing the tax rate partially.*

1 *(2) That if any tax rate is reduced or tax exemption is*
2 *granted, the valuation base for calculating any bond limita-*
3 *tion, any tax rate limitation, or any tax exemption shall in-*
4 *clude the full market value of the land on the current local*
5 *roll as determined by an application to the actual assessed*
6 *value of the land on the current local roll of the ratio of its*
7 *assessed value to full market value as computed by the State*
8 *Board of Equalization pursuant to law.*

9 *(3) If any county shall grant a tax exemption or reduce a*
10 *tax rate, the tax exemption or reduced tax rate, as the case*
11 *may be, shall be equally applicable in all the taxing agencies*
12 *in that county served by the county assessor, except any city*
13 *therein in that county for county and other taxing agency*
14 *purposes but shall not affect the right of a city pursuant to*
15 *this section to grant a tax exemption or reduce a tax rate for*
16 *city purposes.*

17 *(4) If any county, city and county, or city grants a tax*
18 *exemption or reduces a tax rate pursuant to this section, the*
19 *tax exemption or the reduced tax rate, as the case may be,*
20 *shall be applicable for a period of not less than three fiscal*
21 *years.*

LEGISLATIVE COUNSEL'S DIGEST

A.C.A. 20, as introduced, Mills (Rev. & Tax.). Property tax.

Adds Sec. 1f, Art. XIII, Const.

Authorizes counties, cities and counties, and cities to reduce tax rate on, or exempt, improvements and personal property.

JOIN HOMEOWNERS NOW!

DON'T WAIT TILL
THE LOAD
KILLS US

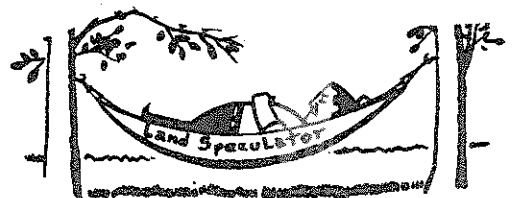


HOMEOWNERS
INDUSTRIALISTS
BUSINESSMEN
FARMERS

all
need
TAX RELIEF

California could attract
Industry to provide the
Job Security that our
labor force needs, with
the Tax Relief ACA-20
would give to Industry

Let's stop being so cosy
with land speculators



Analysis of ACA 20 (other side) by Statewide HOMEOWNERS Association,
1350 Highland Avenue, Los Angeles 28, California

The principles of ACA 20 were studied by Griffenhagen/Kroeger, Inc., San Francisco, for a California legislative sub-committee. (Nov. 62) The G-K report comprises two different studies: 1-an examination of tax impact on 397 properties scattered throughout Fresno County; 2-a scrutiny of eight downtown blocks in the city of Fresno.

The report says, in part:

"We conclude that this measure is worthy of further serious consideration by the California Legislature. There is evidence in this report that through proper local application, the measure could bring greater tax equity and stimulate economic activity, while continuing to provide a full measure of support to necessary local governmental services."

"There is strong likelihood that the measure would eliminate slums and rebuild cities. It is clear that the present system penalizes improvement or an enterprise requiring the kind of equipment and inventory assessed as personalty."

1. PRIVATE RESIDENCES, IN AN OVERWHELMING PERCENTAGE, WILL BENEFIT FROM EXEMPTION OF BOTH improvements and personal property.
2. About 2/3 of the commercial properties will develop lower taxes if both improvements and personal property are exempted.
3. an overwhelming percentage of industrial properties would develop lower taxes with both improvements and personal property exempt.
4. The kind of property taxation we have now hinders central city development. A too-heavy burden falls upon new structures, and continues to rest, when they grow old, upon large, well-maintained buildings.
5. Assessments must be revised, whether or not the proposed amendment is adopted. The study shows many instances of poor assessment practices.

Quoting from the report:

"Should all land be assessed according to its highest economic use, speculative holdings would probably find their way to the market at prices encouraging home building."

"It should be quite evident that the exemption of improvements and personalty would add the tremendous competitive advantage of being able to offer commercial and industrial sites that could be developed to their full potential and utilize equipment and inventory without the penalty of taxation."

"There is certainly evidence in the present pattern of land use that THE PRESENT TAX SYSTEM DOES NOT ENCOURAGE THE BEST USE."

The MOST IMPORTANT EDUCATIONAL CHALLENGE today to the people of the United States is this: "WHY, AFTER 100 YEARS OF FORMAL EDUCATION IN ECONOMICS AND SOCIAL PROBLEMS ARE THE PEOPLE SO FRIGHTFULLY CONFUSED ABOUT TAXATION, THEIR MOST PRESSING SINGLE PROBLEM? Our jerry-built, Pro-poverty and anti-production conglomeration of tax laws, now used as a basis of tax-education in our schools, is the most basic cause of persistent poverty and all its symptoms such as slums, unemployment, high taxes and high prices of necessities, and the like. To understand WHY this is true and how to correct it write for our basic material.

Noah D. Alper, President,

Public Revenue Education Council, 705 Olive St., Room 308, St. Louis, Mo., 63101

Reproduced from the September, 1963, California Homeowners Magazine for use of teachers, students and all interested in improving taxation education.

PROPERTY TAX SHOULD BE CHANGED!

Walter Packard in THE LIBERAL DEMOCRAT

Throughout the world California has an image of great opulence and high prosperity—a wonderful place to go to and live in. The fact is that California is gradually becoming a "have not" state in indigenous resources. The gold which glittered so attractively a century ago is about gone. The black gold reserves of our rich oil fields are dwindling. Instead of being a major exporter of oil, we are now importing most of the oil we use. Our gas supplies are coming largely from Texas and Canada. Most of the industrial raw materials we use come from other states or from abroad.

Even our land resources are becoming inadequate. If the authors of "California, Going, Going, . . ." are correct, California will need 3 million additional acres of irrigated land to replace the presently irrigated land that will be absorbed by urban subdivision within twenty years. Another 2 million acres of newly irrigated land will have to be developed within 20 years to provide the food and fiber needed to feed and clothe the added population. Together, these two figures account for more land than is presently irrigated in Kern, Tulare, Fresno, Madera, Merced, Stanislaus and San Joaquin counties combined.

The recent decision of the Supreme Court has taken about the same amount of water away from Southern California that is to be supplied by the State Water Plan. To make up for this loss, and to develop the enormous new supply of water required by industry, agriculture and the burgeoning urban centers, will demand the development of a great amount of low-cost electric power to pump water from low to higher elevations, to de-salt sea water, and to purify sewage and water contaminated by industrial wastes.

In broad analysis, the conclusion seems inescapable that the westward flow of population has reached the barrier of the Pacific and is forming a pool of accumulating consumer needs in the midst of declining resources.

These circumstances are not unique in California. They apply, in varying degrees, to

man's relation to land all over the world. On the other hand, the scientists assure us that, in the foreseeable future, the sea, the air, the soil and rocks of the earth's crust contain enough raw materials to meet the needs of a much larger world population—provided that the low-cost energy that will be needed can be developed.

But who is to own the sea, the air, the soil, the rocks and the energy, and who is to control their use? To answer this question, let us look at the economic and social circumstances facing the people of California. Approximately one third of California industry is supported by defense spending. More than 500,000 workers are employed by defense industries. A still larger proportion of the working force is engaged in providing the things demanded by those employed in defense, and in providing the housing, streets, schools, hospitals, sewerage, water, gas and light needed by the thousands of people by which California's population is increasing every month. Yet in spite of these demands for labor, over 500,000 workers in California are unemployed—higher than the national average. The significance of this fact is enhanced by the further fact that a large proportion of the unemployed are Negroes, who are beginning to demand a better place in the same scheme of things. There is, moreover, no state in the union in which labor is being displaced by machines as rapidly as in California.

It takes little imagination to foresee the catastrophe which would follow any major decline in defense spending—if some sound alternative to defense spending is not established in time to prevent wide-spread unemployment and business stagnation.

What I want to establish in this article is that a vast increase in consumer buying power provides the only alternative to defense spending open to us, and that this expansion in consumer buying power can be achieved only if we accept two democratic principles.

The first is that we should use socially created income from land to finance socially created needs. We have heard much about the family farm and the 160-acre limitation of the Reclamation Act, but we have heard little about any solution to the problems posed by the increments in land values that are created by the pressure of people upon resources. I am thoroughly in sympathy with the social objectives of the family farm pattern. Neither the Russian collective farms nor the American "factories in the fields" provide a satisfactory substitute. But a family farm of 160 acres in Orange County, for example, has little resemblance to the farm life of the Jeffersonian concept. Farm land values in Orange County range from \$15,000 to as much as \$30,000 per acre. A family farm of 160 acres is worth from \$2,400,000 to \$4,800,000. The same situation exists in all other rapidly growing parts of the state.

Under these conditions, the social values associated with the family farm are wholly obscured by the far greater social value associated with a proper use of the increments in land value. The socially created increments in land value can be used in two ways. (1) They can be used to further enrich an already affluent propertied minority, or (2) they can be used to expand the consumer buying power of a large proportion of the population by paying for the construction of public works and for public services. With each increment in population, there is a corresponding increment in population. This socially created income provides a completely natural source of public income to use in paying for public goods and services—schools, parks, police and fire protection, administrative expenses, and so on. In particular, I would use this income to pay for public services to three groups that are not part of the working force—youth, the aged, and the disabled. The needs of these people are growing in volume as the period of education extends over more years and as the span of life lengthens. Financing schools, hospitals, parks, playgrounds, and basic scientific research out of socially created land values would not only meet these needs but would provide employment, and hence buying power, for millions of trained workers—teachers, doctors, nurses, superintendents, managers, scientists, and others. This double benefit could be financed in the way I have outlined without burdening the economy or increasing the prices that consumers pay for anything. *I would tax only the land, not improvements on it, for they are not socially but privately created values, and productive use of land is to be encouraged.*

I do not, however, agree with the single-tax theory that a tax on land values is a panacea. Other means of increasing consumer buying power must also be employed. What I want to point out is that the most pressing need of our time—a marked increase in consumer buying power—cannot be attained without the public use of the publicly created increments in value when defense spending slows down or ends. Unfortunately, the tendency in the state at present is to transfer the costs of government to the General Fund, two thirds of which comes from taxes on consumers, and thus away from land ownership.

A proper use of increments in land value is, most assuredly, a democratic issue. The people of the state have the sovereign power to tax these increments in value to any extent required to serve the public interest. *And until they do, every projected program of slum clearance or urban redevelopment will be seized upon by the land speculators for their benefit.* A proper public use of the increments in value is one essential way of meeting Theodore Roosevelt's wish "To secure this country against ever seeing the time when the 'have-nots' will rise against the 'haves'."

**CORRECT PUBLIC
REVENUE ACTION
DEPENDS ON
CORRECT PUBLIC
REVENUE
EDUCATION**