

# Property Tax Tied to Blight

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Washington deductive purposes instead of speculation.

If tax abatement is the way to get factories modernized, wouldn't it be a good way to get cities modernized, too?

That is the question asked by mayors and housing authorities who gave testimony here for two weeks on slum conditions before the Housing Subcommittee of the Senate Banking Committee.

The Kennedy administration asks Congress to give industry tax concessions up to \$1,700,000,000 as an incentive to modernizing plant and equipment to keep them competitive with rivals in Europe and Japan. American manufacturing plant is rapidly getting obsolete, the administration declares.

The proposal leaves some housing authorities almost inarticulate with frustration.

## Slum Shadow Cited

Residential real estate in the United States, they declare, is now worth about \$500,000,000,000 and the shadow of slums is spreading.

But instead of getting tax rebates for modernizing slums most communities slap on a higher tax on property that has been "improved."

In other words, according to this argument, the federal government proposes to give tax concessions for modernization in one field, while municipalities are following just the reverse policy in another.

President Kennedy's program of tax incentives for industrial modernization, it appears, is going to be used heavily as an argument for reversing tax policy in another field—the urban areas.

## Profit Motive Undone

Planning authorities at the Senate hearings here charged that today's municipal taxes harness the profit motive backward.

A "slumlord" who buys property and lets it deteriorate, they charge, is benefitted by taking a depreciation allowance. If he sells for less than he paid he gets a tax rebate.

If the same man tried to improve his slum dwelling by painting or renovating it, he would be taxed higher on the higher value.

Witnesses pleaded that the United States follow the practice now current in some Scandinavian and Caribbean countries and France and Italy. Instead of higher taxes on improved property, they are putting higher taxes on land to encourage people to use it for pro-

Australia and New Zealand are lightening taxes to encourage home and private improvements. They encourage the home-building industry by making land cheaper and by removing tax penalties for improvements.

Housing authorities in the United States do not object to the Kennedy tax abatement proposal for private industry to stimulate modernization. But they say American cities are deteriorating further and faster than factory plant and equipment, and that these are just as much part of the social capital of the nation as are factories.

"If slum clearance and home modernization are good things," one visitor commented, "they should not be penalized by higher taxes."

President Kennedy in his special message on housing March 9 said the housing industry is one of the largest employers of labor and that residential construction accounts for 30 per cent of total private investment. He urged Congress to make available \$2,500,000,000 in a four-year program to arrest and remove blight and revitalize our cities." He proposed a new Cabinet department of housing and urban affairs.

## Goal Hindered

The federal government helps cities combat spreading slums, but the tax provisions of most urban communities defeat the project, according to some authorities.

The remedy for skyrocketing land prices, declared a series of articles in House and Home magazine, is taxes.

"Today's taxes make misuse of land more profitable than good use," it declared. "Slums are subsidized by undertaxation, developments are penalized by overtaxation. Speculators are subsidized by public improvements for private profit. The only way to prevent land-price inflation is to tax land more heavily."

Representative Frank Thompson, Jr., (D) of New Jersey, recently declared the United States's enormous investment in residential real estate is being eroded "by carelessness, by bad laws, by misunderstanding of its nature."

In the next 40 years the population of the United States will reach 300,000,000, Mr. Thompson said, with new dwellings needed for at least 120,000,000. He urged a new look "at the consequences of our taxing systems," including "tax deductions for home improvements."

ONE DAY - - and more and more people believe it is not now so far away, a dangerous and foggy curtain of tax-confusion will be lifted from the minds of our people. Because of a new focus and emphasis on the factors and principles of economic science that directly relate to taxation, and far less emphasis on politically designed and imposed taxes, more people are beginning to see these most significant, revealing and challenging facts; that:

1. TAXES are not sources of public income; they are like pumps and are used to draw income to government from sources.
2. From the practical viewpoint of the Citizen, there are ONLY TWO SOURCES from which government can draw its income;
3. That government does not need to use so many classes and kinds of taxes to draw income from only two basic sources; and,
4. The question of first importance to citizens and to national well-being is: "Which of these two basic sources should be used, or used first, to support government?"

ONCE THESE FACTS ARE UNDERSTOOD, the people will begin a process of rejecting and repealing taxes to reshape their tax-structure to more nearly conform to their new TAX-IMAGE - to a structural form simple and direct, visible and honest, and cheaply administered; one that encourages, rather than discourages the finest operating efficiency of the only true economy of FREEDOM - the Free Enterprise Economy.

In a most realistic and direct sense, as all who have learned the real economic science facts will see, the source we should use and the source we should not use to get the best results, is indicated in the article here reproduced from The Christian Science Monitor of May 11, 1961, headed:

## "Property Tax Tied to Blight".

While the article deals specifically with ways to help cities solve their problems of slums and blight, and to increase the amount and quality of housing for all purposes THE GENERAL PRINCIPLE, which is of primary importance, involves any and all production - from pins to Empire State Buildings and from services of shining shoes to providing accommodations for far distant tourist and business travel. Once enough people sense THE GENERAL PRINCIPLE involved they will demand and win more a general application of the principle. When this happens the Free Enterprise Economy will make FREEDOM so absolutely attractive that it will win the admiration of the people of the world.

To get a clear grasp of the economic science facts involved and how to secure mankind's most vital economic freedom - freedom from harmful taxes which profits only a special privileged few - send for our free pamphlet - "W-S P.R."; (Wrong-Source Public Revenue, the Greatest Obstacle to Free Enterprise, and How To Correct It). And, don't delay. We used to say, "It is later than you think"; well, it is worse now. And, remember, it's only people - individuals like you and me - who can make it better now.

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