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"OPPOSITION TO ASSEMBLY CONSTITUTIONAL AMENDMENT NO. 3,

RELATING TO TAX EXEMPTION OF CHURCH PROPERTY."

by

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Obviously, political subdivisions have been authorized to issue bonds for many different purposes. But during the many years I was in business, bond issues did not include State handouts for local purposes. Our City Hall, the Hetch Hetchy project and innumerable other such works involved no State handout. They were paid for by locally collected ad-valorem taxes on real property.

The basic point is that Section 31 of Article 4 denies the Legislature any power to give money to any individual or corporation, municipal or otherwise. That is unambiguous language. It has been circumvented by claiming that certain purposes were public and that therefore State collected taxes could be given to local subdivisions.

I believe Article 4, Section 31 is a vital part of our State Constitution, because local responsibilities for local affairs is necessary if self-government is to survive. When the local communities are permitted to get public improvements by going with a tin cup to ask State gifts, we're on a road that may socialize all fields before we reach the end of it.

I saw that road taken in the Weimar Republic. I was in Berlin when the Reich abolished the sovereign taxing powers and duties of the Weimar States. The Reichstag was burned down shortly thereafter. Hitler's control was complete.

Article 4, Section 31 should either be respected or repealed. It is odd, to say the least, that our Constitution forbids the Legislature from actions that we now applaud it for. My question was not on the subject of bond issues. I merely asked whether Article 4, Section 31 now permits what it clearly prohibits. At the very same time that any vestige of local responsibility for traditionally local affairs is fading away, we see an increasing demand to take more land off the tax rolls.

I thought our Federal Constitution prohibits coercive taxation for the support of either churches or non-public schools. If you take the land of churches or non-public schools off the tax rolls, it is the precise equivalent of refunding what the taxes would be if the property were left on the rolls. If half the real property comes off the tax rolls the tax rate doubles on the remaining real estate. That can be a boomerang.

In connection with this, I have here an interesting bulletin put out by the State Chamber of Commerce attacking tax exemption of the federal domain. Our drive seems to be to make the United States pay taxes on land in the federal domain and at the same time to permit non-governmental organization to hold unlimited land tax-free.

In effect we are saying that non-governmental organizations should enjoy
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what the United States should not enjoy. Taxing land in the federal domain can only mean we must pay higher federal taxes. Does Mr. Musatti think federal taxes are not high enough now?

We seem to be allowing more and more of our non-governmental land to go into the status of the foreign-held land I saw in Shanghai. When it was proposed to tax the foreign-held land (which was called the abolition of extra-territoriality), the reaction of the foreigners was, "Why, the very idea, that we should have to pay taxes to heathen China!... that we should be subject to heathen courts! We hope Japan will object." Well, Japan took the hook, Japanese goods were then boycotted in China, and the consequences are too well known to discuss. There was no reason whatever why American-held land, British-held land, and the land held by other foreigners should ever have been off the Shanghai tax roll.

If it is ever constitutional for the State to permit one group or one religion, or all religions, to hold land in an extra-territorial sense, it would be constitutional for the Legislature to make all land tax-exempt. When all land is made tax-exempt, this won't be California any more. It will be more like Franco Spain. Remember that California was once a colony of Spain. No one would knowingly walk into that old feudal land system again.

In exercising the taxing power, whether by the United States, a single state, or a local county, the traditional American ad valorem land tax must be employed uniformly. To allow any person to hold land off the tax roll and tax exempt is an infringement of the equal rights of tax paying property owners.

In the Federal Constitution the commands with respect to taxing land are strict. Uniformity is required. States very long ago raised money to balance the federal budget, but it seems almost unbelievable now, doesn't it? The Federal Constitution requires apportionment of direct taxes by population. In the early days Congress would apportion the sum for each state to collect. In my opinion, it is equally unconstitutional to exempt land held in a non-governmental capacity. (Governmental land is different. It is, of course, unnecessary for the City of San Francisco to tax its own city hall or treasury).

I should mention before I close that in my book there are just two classes of taxpayers: landholders and non-landholders. Is it our goal to have non-landholders, tenants, pay all the taxes? It's possible for taxes to creep up and have economic effects that were not clearly foreseen. Today taxation is having a serious effect on incentives. I can only close by repeating the language of Article 4, Section 31, which denies the Legislature power "to make any gift of public money or thing of value to any individual or corporation, municipal or otherwise." We may already have circumvented that provision beyond the point of return, but let's not go even further from home plate.

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