

# ALL FOR THE POOR!

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## Property Tax Endangered

**A** CALIFORNIA Supreme Court decision of August 30, 1971 is having repercussions the length and breadth of the U.S.A. The ruling was that the local property tax can no longer be the prime source of revenue for public education. The reason given was that it violates the "equal protection" clause of the 14th amendment of the U.S. Constitution.

Virtually all states have a local tax on property (in some states as a real estate tax on land and buildings, and in other states as a general property tax which includes movable property as well), with public education as the largest single expenditure. This is a system with deep roots in America, and the plan to raise revenue for public education chiefly from land was visualized by Thomas Jefferson. This together with governance by local school boards under state supervision has been the mainstay of public education until now. No wonder the California decision has been called "historic."

In the case that was decided upon (*Serrano v. Priest*) it was argued that property values varied considerably from locality to locality, therefore children were not getting equal education. The Court found that education is "a fundamental interest which cannot be conditioned on wealth" and that the present system "invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbours."

There are several points here which must be called into question. The very concept of a government-subsidized and controlled educational system has been seriously challenged. The fact that education is important does not necessarily mean that the state has to handle it. Even leaving aside this question—if there is to be public education it is true that the question of financing it is all-important. But it is a mistake to judge that property values (particularly land values) are identical with "the wealth of parents and neighbours." There are numerous children from families of modest means, especially in urban areas, who do not own property but still live in areas with high property values, paying rent to an owner. It is an axiom of property assessment that it is the property that is being assessed, not the person. Yet the Court confounds the two.

It is true that there are bad aspects to the property tax as currently administered. Homeowners are frequently discriminated against with high assessments, vacant and industrial properties are frequently under-assessed. And the fact that the more one improves his property the higher he is taxed is a detrimental feature—one that could be remedied by shifting the burden of taxation from improvements to land. But to throw out the property tax instead of reforming it is throwing out

the baby with the bathwater.

One unsavory feature of the California decision is to compel communities to go to higher levels of government for the support of education. It is possible that there could be a state property tax but it is more likely that this would be lost in the shuffle. Beyond the state, the federal government will certainly be rung in to make for more "equality" as between one state and another.

A footnote in the California decision mentioned an area-wide proposal whereby local property taxes would be pooled over several school districts so that more equalization might be achieved. This would preserve the property tax, retain local governance of schools and still progress toward the sought-for equality. Yet this proposal was barely mentioned and not pursued.

The California decision has caused ripples throughout the country and similar suits have already been filed in several other states. There has even been a preliminary U.S. Senate hearing on the subject with a fuller investigation to come. At this hearing (held in September and chaired by Senator Mondale) Ralph Nader testified. He pointed out that much revenue could be tapped by more effectively administering the property tax and he warned that many property owners are already "getting away with murder." As one example he cited Kentucky where public education is very poorly served; yet it is a state rich in minerals, the tax on coal mines is extremely low with coal companies setting their own assessments and reaping large revenues.

Coincidentally, Ralph Nader has also made another study on "Power and Land in California" wherein he shows the tremendous influence exerted by big landed interests, the low tax rate they enjoy and the windfalls of land speculation. The influence of landed interests may have nothing to do with the case of *Serrano v. Priest*, but the results could nevertheless be comforting to them. A few years ago, the California Supreme Court made another ruling that even though the state Constitution called for full assessments of property, the fact that it had been habitually under-assessed for so long gave the practice sanction. California also has a law giving extra tax advantages to land surrounding urban areas, ostensibly to preserve "open areas" but in reality giving a tremendous boost to land speculation.

Unfortunately, all this does not appear to attract as much attention as concern for the poor, especially minorities such as Negroes, an issue in the limelight these days. It is remarkable that there is so much interest in abolishing property taxes for the sake of poor people. They have never had much support on things that would really help them, such as the opening up of better job opportunities. Is it unreasonable to suspect that landed interests may be hiding behind poor people? This would not be the first time that this were the case.