

# Tax Is Rentor's Burden

WASHINGTON--For renters who live in the poorer neighborhoods of the big city the property tax is a heavily regressive and very costly sales tax on housing.

In economic terms, the average equivalent of a 24 per cent sales tax acts to reduce severely consumer demand for inner city housing. The cost of inferior rental housing is inordinately high. Investment in new buildings is discouraged and landlords are deterred from making improvements in their property.

Low-income families pay a far higher fraction of their income for property taxes, either directly or hidden in their rent bills, than do typical suburban residents.

And, of course, the property taxes that are absorbed in a rent payment are not deductible from federal income taxes, as are a homeowner's real estate taxes.

THESE ARE the principal findings in a study of property tax impact that was conducted by a New York University economist, Dick Netzer, for the National Commission on Urban Problems.

Former Illinois Sen. Paul H. Douglas, who is chairman of the commission, said he had not been fully aware how inequitable the property tax is in its practical application and social consequences.

The Douglas commission is expected to issue a report on zoning and land use problems.

For many years the property tax has traditionally been the chief source of local government financing.

Although tax rates may be higher in some bedroom suburbs, Netzer said the property taxpayer in the central city pays for many more social welfare and other public services that do not directly benefit him. In fact, some of his taxes are for services that the suburban commuter shares.

IN MANY metropolitan areas, moreover, the effective property tax rates are substantially higher in the central cities than in the surrounding suburbs.

Assessment breaks for businesses in the suburbs have further encouraged the decentralization of economic activity from the central city outward, according to the New York professor. To escape the heavy social service costs in the city, industries are moving with their job supply into the suburbs.

Heavy health and welfare outlays plus the "legacy of obsolescence," are factors that Netzer said keep pushing property taxes up in the inner cities.

ASSESSMENT practices vary greatly within metropolitan areas, within cities, and between business and residential property.

Nevertheless, the property tax burden rests largely on occupants or "consumers" of housing, whether they be owners or tenants.

A family earning over \$15,000 will pay less than half, measured as a percentage proportion of total income, for property taxes, than a renter with an income in the \$3,000-\$4,000 range, Netzer's report pointed out.

Without the monthly sales tax in his rent bill, a \$4,000-a-year earner who now lives in a \$100-a-month apartment could afford to move to quarters renting for \$133, the report said.

NETZER SUGGESTED a number of possible solutions to the problem: insurances on the property tax for urban public services, more state and federal activities, user charges for public services, local income taxes, and heavy taxes on land values and increases in land values.

"It is a generally inferior tax instrument, although not the worst of all possible taxes," he concluded.

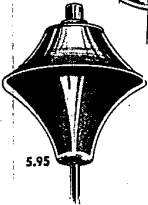
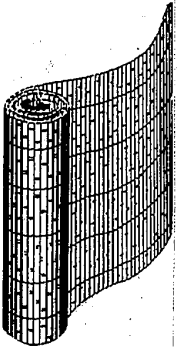
"But an inferior tax becomes a monstrous one if applied at high enough rates. There are alternatives to ever-increasing property tax rates in urban areas, alternatives which require a willingness to accept real change in that most conservative of all institutions, local government."

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OGALLALA, Neb. --A movie company on location has asked a local radio station to play "the Star Spangled Banner" more often.

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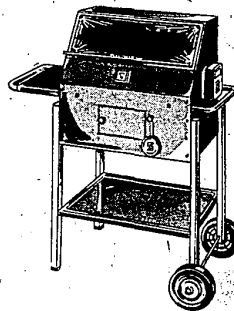
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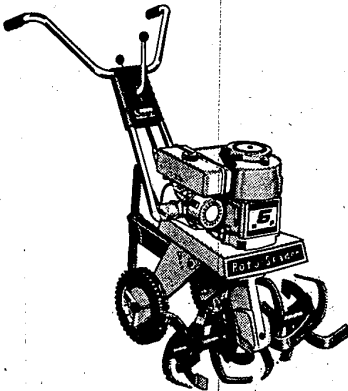
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