

Public Domain

by Steve Krulick, Village of Ellenville Trustee

Dearth and Taxes, Part I

Prosecutor: War would mean a prohibitive increase in our taxes.

Chicolini (Chico Marx): Hey, I got an uncle lives in Taxes.

Prosecutor: No, I'm talking about taxes – money, dollars!

Chicolini: Dollars! There's-a where my uncle lives! Dollars, Taxes!

– The Marx Brothers, “Duck Soup,” 1933

Suggestion: Increase tax fairness and efficiency by converting property-based municipal taxes to an income-based formula.

Scope: All taxing jurisdictions within state provisions.

Necessity: Level 2 / Medium (Working, but inadequate; could use new parts or repairs.)

Though we seem to pay taxes all the time (sales taxes nearly every day; school and local municipal taxes as they come due throughout the year), I tend to think of now as the nucleus of “tax season.”

No sooner have I licked the envelopes on the Ides of March to send my corporate returns to the IRS and Albany (why send them even a penny a day earlier than one must?!!), than I'm starting to organize my papers for my personal tax returns a month later. As a Village Trustee, I sat in Village Hall on Grievance Day waiting for grievors who never came; this week, we began our 2007-2008 budget workshops in earnest, weighing public needs against how much we are going to ask all of us to pay – ourselves included.

There will always be a few who think *all* taxes are “theft,” as they “never signed no stinkin’ social contract.” They believe they should just be left alone to live their “rugged individual” lives free from government meddling and pocket-picking. There’s even a post online (Google “A Day in the Life of Joe Republican”) that punctures this myth, showing how this “self-made man who believes everyone should take care of themselves, just like I have,” is actually the beneficiary of many tax-supported government protections and benefits, from the moment he wakes up onward. Though this is an exaggerated example, I would venture that most people think their taxes are too high... go for unnecessary or wasteful things... and are not fairly imposed. Well, yes... and no.

Too high? *Our* local taxes? Certainly not when compared to more dense and affluent downstate communities. Our more affordable housing and taxes have fueled the exodus of many from NYC’s gravitational field to our area, even if longer commutes are required. Any honest comparison would show that living here is still a bargain for most.

And many European countries slice off a far greater percentage of personal wealth than the U.S. does, although one can argue that they give back far more in social benefits, particularly for the young, elderly, infirm, and working poor. Therefore, far less grousing, in spite of the higher rates, probably due to greater approval of what the taxes actually pay for.

I don’t think any of us truly mind when taxes go for things *we* want; anything we *don't* want is automatically “unnecessary.” I wish \$750 billion per year weren’t going to the Pentagon, an amount greater than the rest of the world combined spends on “defense.” Yet, what seems wasteful pork to some may be creating jobs for hundreds of workers in a

U.S. factory. I just wish we were paying them to make solar panels or windmills instead of munitions, and that they were doing it *here* instead of elsewhere.

Finally, the issue of fairness. Again, I don’t mind paying my *fair* share of taxes; I think most people want a system that spreads the burden more justly. It’s that nagging notion that *we’re* getting stiffed while some rich grifter with clever lawyers and accountants gets special tax breaks and credits, or can hide money in offshore havens or inheritance schemes. Even at the business level, how do you tell the small, locally-owned mom-and-pop store, just making ends meet, that a huge, wealthy corporation is enticed to come compete with them... and is then given tax incentives and grants out of *their own* pockets, and the pockets of their neighbors, to do so, when *they* can’t get any?

A recent move at the state level has been to reform how local schools are supported, by disengaging them from local property taxes and making their funding part of a general pool, so that the quality of a student’s education would not depend on the ability of a given community to pay for it.

I would take that idea further and suggest that all municipal taxes look toward a more equitable method, based on actual ability to pay, rather than continuing the pre-20th century notion that owning more property automatically equals having more wealth. Sure, when the more acres you owned meant more salable crops or harvested timber, or more rental income or labor from tenant workers, there might have been some parity. But should the person who somehow inherited the house and land of her great-great-grandfather’s now-defunct farm have to pay as if it were still generating income as in 1857? If anything, it’s a white elephant that costs more in upkeep than it produces.

That many properties haven’t been reassessed for years, if at all, only adds to the unfairness. New buyers, or those who have recently added-on or made improvements, might have their properties re-valued upwards, while some properties are still being treated as if it were 1950, or earlier. Plus, each taxing entity has its own formula of valuation; the exact same house and land might be assessed differently depending on what side of the boundary line it’s on, or who’s done a re-val and who hasn’t. Further, the need for continual assessment and collection, maintaining records, going after absentee landlords, etc., also makes this a costly, cumbersome system, as well as being patently unfair for many.

According to the Earth Rights Institute, “fifteen cities in Pennsylvania are pioneering an innovative approach to local tax reform that harnesses market incentives for urban renewal. Opting for the so-called ‘two-rate’ or ‘split-rate’ property tax, these cities are lowering taxes on buildings, thereby encouraging improvements and renovations, while raising the tax on land values, thus discouraging land speculation.”

Unfortunately, this doesn’t eliminate some of the inherent problems of a property-based system. No, when how much you owe each year is tied to what someone thinks (or, more correctly, *once thought*) your house and land is worth, independent of your ability to pay and services you use, you, like Chico’s uncle, could truly be considered *living in Taxes!*

Next: How other states are using income-based municipal taxes to solve several of these concerns.

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