



The Devilish Property Tax

"Uh-oh! I gotta find a really good issue to take to the voters before November, '06," muses the politician. "I know! I'll fight for property tax reform! Even if I fall flat on my face the voters will be grateful for my effort!" And so it is, dear friend, that a gaggle (that's a dozen) of state senators are jumping on the property tax reform bandwagon. Public meetings on the issue begin August 11th.

Actually, it's a good thing the hated property tax is getting some attention. It's enormously unfair to hapless citizens whose modest houses have sharply risen in price because of real estate inflation even though their means to pay the higher taxes have been stuck practically in neutral. "House rich - cash poor" is not an idle phrase, especially for lots of retirees who have remained in their houses for a couple of decades or more.

The sub-committee from the S.C. Senate conducting the hearings on property taxation has already held some meetings, and guess who was right there watching every move? People from the special interests; business, education, and local government. Business people don't want to see another dime of taxation shifted onto them. The education and other local government people are terrified they'll be deprived of the cash cow that is the property tax. Householders who are responsible for so much of the tax weren't there. Will they show up for the public hearings, or will the meetings be dominated by people from the Municipal Association, the Association of Counties, and all the others who see danger in getting rid of the property tax, or even modifying it in some way?

People with paid-for houses who must write one check at the end of the year for the tax on their dwelling feel the pain and they may show up at the hearings. Many are old, however, and may find it easier to stay home in front of the television. Younger householders may know the tax tab is high but it's paid in installments into an escrow account held by the mortgagor and the pain isn't as sharp. The large number of people who are exempted from property tax won't care. They don't pay it anyway, so the question is moot.

It's a myth that people who live in upscale houses are all rich and can afford high taxes. Many can - but many others are in over their heads and are carrying staggering debt loads. There is presently no way to tax the wealth of people who live in relatively modest homes and have piled up substantial assets that can't be touched by the local taxing authorities. They may have plenty of money in a bank, valuable collectibles in their living rooms and dens, even a substantial stash of gold coins in a wall safe. Their net assets may be very substantial, but their property tax may be only a fraction of the amount paid by the poor soul in the \$400,000.00 house with two mortgages on it and two late-model SUVs in the driveway. He's counting on inflation to bail him out, but in

the meantime the government is sending him the big bill for property taxes while the really well-off guy in the paid-for bungalow with the pile of cash and other assets is grinning from ear to ear. The local tax collector can't touch most of his assets! To rub it in he drives an old car from which the county gets barely \$30.00 a year. Surely, there's something unfair with this picture.

Can property taxes be dumped? Of course! It's preposterous to allow a local government to place a permanent lien on someone's property with the power to throw the owner out if he can't come up with the yearly tax on it. It's shameful that the government allows so many exemptions to this hated tax, the effect of which is to put an additional burden on properties that are *not* exempt. In the city of Columbia more than half the property is exempt from tax leaving less than 50% of the property owners paying 100% of the taxes. Who can call that fair?

"Well," says the politician, "we certainly can't be expected to cut government spending, so where do you suggest we get replacement funds if property taxes are eliminated?"

"Well," we respond, "if you were honest you would ferret out waste in the machinery of local government and get your budgets back down to earth. But you won't do that, so why don't we put a new 3% state sales tax on goods and services to replace the property tax revenue stream? And, while we're at it, why don't we eliminate that long list of exemptions to the S.C. sales tax? Nobody in the legislature can justify all those exemptions."

There's a downside to the sales tax and that's why local government will fight this suggestion. An economic dip would result in a drop in revenue. What a helpless feeling! This is why we'll be faced with an incessant parade of letters to the editor from local officials telling us they cannot live without the power to tax property. The editors, if they follow their custom, will agree with them. With the burden of property tax an economic dip becomes the property owners' problem and not a concern for the big spenders on school boards and city/county councils. because they'll have their reliable cash cow.

Remember, under present law you can own your bed, your microwave, and TV outright - but not your house. If you ever make a final payment on the mortgage you *still* must make annual payments to a local governing body if you want to keep it. This is not what the Founders had in mind when they wrote the Constitution.

[~ John Wrisley](#)

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www.wrisley.com