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Keep It Local

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KEEP IT LOCAL

Gov. Charlie Crist plans to propose yet another package of property tax-related constitutional amendments to go on the 2010 ballot; in particular, he is likely to propose limiting local property tax revenues in a variety of ways, including increasing the homestead exemption. These proposals are likely to limit municipal revenues while doing nothing to prevent state government from growing fat on federal subsidies. "You want as much relief as possible," said Crist. "People have been complaining about property tax increases for a long time. We're all aware of that."

In fact, property taxes in this part of the world are lower than in some other cities I have lived in: a look at zillow.com showed me that most homes in my Mandarin neighborhood were taxed at around 1 to 1.5 percent of home value; for example, one house that recently sold at \$198,000 is liable for \$2217 in taxes. By contrast, in the suburbs of Buffalo (where I used to live) houses are routinely taxed at over 2 percent of home value.

Having said that, property taxes are an especially obnoxious form of taxation because property taxes dun you merely for sitting on your own property, as opposed to taxing your income (like an income tax) or your consumption (like a sales tax). So even if you earned no money at all, you have to pay property taxes just for owning your property. So no matter how low property taxes are, most people will have good reason to think they are "too high." And if I was dictator of Florida, I would substitute sales and income taxes for property taxes.

But this concern begs the question: who decides how (and how much) municipalities should tax their citizens? Evidently, Gov. Crist believes that the state should make tax-related decisions, while municipalities' only role is to make the tough decisions about who gets what from a shrinking budget pie. I can certainly understand why Gov. Crist, or any governor, would feel this way: the state gets to play Santa Claus giving out tax cuts, while the counties and cities get blamed for closed schools and laid-off cops.

But before we endorse this sort of proposal, we should ask ourselves: why do we bother to have municipal governments at all? Why not just let Charlie Crist run our schools and hire our cops? (I voted for the guy, and am sure we could do worse.) The answer is simple: governments closest to the people best understand their problems. Thus, the City Council of Jacksonville understands Jacksonville's needs better than the faraway politicians in Tallahassee, just as the City Council of Tallahassee understands Tallahassee's needs better than does John Peyton, and Gov. Crist understands Florida's statewide needs better than do the faraway politicians in Washington.

It logically follows from this proposition that municipal governments should make their own tax decisions- that they should decide what taxes to impose and how high those taxes may be. And if we don't like those decisions, we should vote our mayors and city councils out and hire new ones. In short, the politicians in Tallahassee simply have no business dictating the fiscal policies of the politicians in Jacksonville.

Nevertheless, state-imposed tax and spending caps are popular – in part because of an undoubtedly correct perception that local governments waste taxpayers' money now and then. But this reality does not justify state-imposed tax rates, for two reasons.

First, telling counties to make do with less simply will not solve the problem of wasteful government. Let us suppose that Mayor X has a municipal budget of \$900 million, and \$100 million goes to the Department of Corruption and Chiseling (DCC), which exists to do favors for Mayor X and his friends. If Big Brother up in Tallahassee slashes X's budget to \$800 million, will X eliminate DCC or will he cut spending on schools, police, transportation, etc? I suspect that he will do the latter, since DCC directly benefits X and his personal friends, while the benefits of other public services are spread widely through the electorate as a whole.

Indeed, the widespread service cuts caused by the recession prove the point; state and local tax revenues are plunging, and instead of cutting DCC to fix budget gaps, state and local governments are busy letting felons out of prisons, cutting bus service, and finding other innovative ways to make life difficult for people who cannot afford to make campaign contributions. (If you want details, just type "service cuts" and "recession" on any Internet search engine). One could argue, to be sure, that Mayor X will not be reelected if he reduces public services– but if the people of Jacksonville can be trusted to keep services strong, why can't they be trusted to keep their own taxes low without state interference?

Second, the argument proves too much. If states should be allowed to dictate municipal property taxes to protect us against out-of-control cities, then why shouldn't the federal government dictate how much states can tax and spend? Surely Gov. Crist would not support such proposals; in fact, his support of President Obama's stimulus package suggests that he believes that the state government has too little money to play with, rather than too much.

To be sure, it could be argued that even if the state legislature should not set municipal tax rates, the people of Florida as a whole should be able to do so through referenda. But if a legislature dominated by South Florida politicians doesn't know how Jacksonville's city government should be run, why would an electorate dominated by South Florida voters (many of whom know nothing about Jacksonville) do any better?

To be fair, local autonomy is not absolute. Certainly, local governments should not have the power to do things that harm nearby counties. For example, if Duval County zoned every inch of land for big smelly factories, causing pollution to seep into adjacent counties, state regulatory authorities might have reason to quibble. But a municipality that taxes too much actually benefits adjoining counties, by encouraging people and their businesses to flow into those counties. So this argument does not support state micromanagement of local affairs.

So what is to be done? I propose a simple amendment to the Florida Constitution: "Cities and counties are entitled to govern themselves. Accordingly, the state shall have no voice in setting municipal levels

of taxes and spending. " This amendment would allow cities and counties not just to raise or lower taxes as they see fit, but also to determine the appropriate mix of taxes. For example, if a city decided to eliminate property taxes altogether and create a sales tax to raise revenue, it could do so. Thus, my proposal might actually reduce property taxes far more effectively than any current proposal coming out of Tallahassee. And because local governments would be able to experiment, they could learn from each other's mistakes. If city X substituted sales or income taxes for property taxes and suffered no ill effects, other cities would do the same.

In sum, local voters and local governments should set local priorities- not politicians in Tallahassee, not voters in other counties.