

Washington is sending out signals these days that it is better to use the tax system to deal with community needs such as urban development and low-income housing rather than appropriated federal funds. The historic Economic Recovery Tax Act of 1981 and the proposed Urban Enterprise Zones legislation are good examples of how the Reagan Administration's new philosophy will be pursued in the years ahead.

The new tax act offers significant opportunities to black professionals and entrepreneurs who want to make lots of money and, in the process, promote social and economic goals important to racial progress.

Under the 1981 law, tax sheltering real estate partnerships are proliferating like never before. The government's new policy of channeling private funds into tax avoidance investments to finance community projects is altering the way local officials raise funds, the way bankers analyze loans in inner city areas, and the way white developers go about selecting older properties for turnaround potential.

Unfortunately, most blacks have not understood how the tax laws are used to create tax-sheltered income for investors nor how real estate syndications are used to provide equity capital for upgrading run-down buildings. It's not too late to learn and the time to start is now!

Through the new Tax Act, the government is practically saying to investors, "Look — we'll make you rich if you'll rehabilitate housing and commercial buildings and restore historic properties." Since the first of this year all residential and commercial properties in the United States are defined as having a standard 15-year economic life. In the past, depreciation deductions for investors have been based on 30-40-year "useful lives." A \$100,000 property depreciated over 40 years "straight line", for example, provides just \$2,500 a year in deductions. On a 15-year schedule, the same investment will provide \$6,700 in annual write-offs.

In addition to the new 15-year Accelerated Cost

## Meeting Black Housing Needs:

### "The Economic Recovery Tax Act"

By William R. Morris, ASPC  
Washington Housing Consultant

Recovery System, the law now gives investors in historic properties a bonus 25 per cent investment tax credit on the rehabilitation expenses. For investors who buy and renovate small stores and commercial buildings 30 years old or older, the tax credit ranges from 15-20 per cent off taxable income.

Investors also can use what is known as an accelerated — 175 per cent declining-balance — depreciation to inflate tax deductions in the early years. A \$100,000 property depreciated in this manner will produce nearly \$12,000 in first year deductions. In the case of rental housing for the poor, the law permits twice the deduction one receives under straight-line depreciation in the first year. And, in

some situations, investor earnings can be treated as long-term capital gains and not taxed at the higher rate as ordinary income.

The new law can be a gold mine for individuals or groups of blacks in middle or upper-income brackets who invest their surplus income in limited partnership shares to purchase a property which, in turn, can substantially reduce their taxes on income from a regular job or profession. By carefully selecting properties in black communities, partnership investments can provide the equity capital required to develop worthy projects — and provide good tax breaks and additional income to the individual partners. It is now conceivable that blacks by themselves can raise large sums of money to buy

downtown buildings, hotels, shopping centers and rental housing developments.

Non-profit groups who, by law, cannot use depreciation and investors who can use the depreciation to offset other income, can combine purposes to acquire and improve older properties, or construct new buildings, without dependence on Federal funds. The syndication, for example, of a \$4 million project could produce up to \$1.6 million in equity capital if planned properly with a good tax lawyer and accountant.

As with most laws not identified as civil rights, too little attention is given to whether it is good or bad for blacks — until it's too late. This time around it would make real good sense for blacks to reverse past practices — to seize the opportunity now to get and hold-on to their piece of the economic pie, while also helping to advance black aspirations. Reagan's new policies, though not designed with blacks in mind, can become a "blessing in disguise" if used wisely. Some self-help initiatives plus lots of homework and a little more togetherness is what it will take to make it to the mainstream.

## Letter to the Editor:

### On The Crime Series

I wish to compliment *The Carolina Times* and particularly Mr. Milton Jordan for the excellent recent articles on crime and what citizens can do to help themselves and assist the community in reducing criminal opportunities.

After reading the articles of April 10 and 17, 1982, I was impressed with the realistic and practical nature of the material and the manner in which it was presented. I only hope that readers take heed to the many important points covered in this series.

As noted by Mr. Jordan, citizens must assume more of the responsibility for their own well being, particularly in the area of protecting their personal property. Any deterrent (whether it be simply a locked door, strengthened locks, or alarm systems) will greatly assist in reducing the business and home burglary rate in our community. These are steps that the ordinary citizen can and should take to protect his property. This particular crime problem is simply too large for law enforcement to handle on its own. We sincerely solicit the help of all citizens in our Community by their interest and involvement in Crime Prevention activities.

Thanks again to *The Carolina Times* and Mr. Jordan for the time spent researching and writing such a timely series.

T.H. Eassiter  
Director of Public Safety

## Civil Rights Journal

### What Price In South America

By Dr. Charles E. Cobb  
Executive Director  
United Church Of Christ  
Commission For Racial Justice

The small group of islands in the South Atlantic known as the Falklands have captured world attention and undoubtedly set the stage for a new complexion in U.S.-South American relations. Shifting from a position of apparent neutrality to a position firmly supporting the British was a critical step for the United States of which the long term effects remain unknown. In light of these unknowns coupled with this administration's overwhelming concern with the proliferation of Soviet influence in this region, I find it difficult to comprehend the analytical process employed by our chief negotiator, Secretary of State Alexander Haig.

Given the fairly recent involvement (1833) of Britain in the Falklands, I cannot comprehend the limited historical, geographical or ethnic claim of Britain to the islands and the wisdom of the United States in supporting this dubious claim. I believe that the United States should have used its power of influence with Britain in affirming Argentina's legitimate historical and geographical claim and instituted the process of negotiation until the economic investment of Britain in the islands had been settled rather than tacitly suggesting support of military confrontation.

The definition of war in today's world makes it necessary for large powers to do more than choose up sides and begin fighting. Because South America is experiencing economic and political upheavals, this is certainly not the time to turn our backs. Now is the time for this country to remain objective with our primary goal being the expeditious negotiated settlement of this conflict.

When I hear news reporters stationed in Argentina continually referring to growing anti-American sentiments among South American countries, I question the prudence of our decision makers and the reasonableness of their decisions.

The British-Argentine controversy over the Falklands has a long history and based on this history must be settled in an atmosphere of even tempered good faith. The United States should not assume a position of condoning European colonialism and racism in the name of political credibility. The history of the Falkland Islands, formerly and now named the Malvinas Islands, teaches us that prior to the 1830's, Britain had no claims of sovereignty to the disputed territory. Notwithstanding Argentina's efforts to reach a negotiated settlement for over 100 years, the British have continued to maintain an arrogant position. After all, the reality is that nuclear weapons are poised in the South Atlantic and threaten the security of the entire hemisphere. I sincerely hope that we are not haunted by our actions as the bloodshed increases and the bargaining table recedes.

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