

The Politics of Real Estate Investing

[On behalf of Dornish Law Offices, PC](#) | Jun 1, 2008 | [All](#), [Real Estate Practice](#)

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It has been a long time since I have been seriously moved by a politician or his or her promises. The last I recall, Ronald Reagan was running for the Presidency, and gave a stirring oratory and a calming, fatherly view of the country. I was much younger then, and more easily swayed by the rhetoric than the dollars and cents involved in political choice.

For real estate investors, whether we see it in our monthly cash flow or not, we are among the more affluent of Americans. If you run your own business, and you pay for your own healthcare and that of employees, you are viewing the economy from the perspective of someone who pays rather than someone who receives. As real estate investors, we also pay substantial property taxes, transfer taxes, capital gains and other income taxes, and all of these payments mean that we pay more to support the government than we receive through government benefits and entitlements. We have assets and income to conserve, and that makes our self interests more conservative.

Conversely, someone who is employed in a job making minimum wage, and who does not have health insurance, likely receives close to the same amount in government benefits as they pay in taxes, or perhaps even receives more in government benefits than the pay in taxes. Further, anyone who is not gainfully employed and receives housing, food stamps and welfare payments, clearly does not contribute to paying the government much, if anything, and receives substantial benefits to aid them in maintaining a lifestyle appropriate for this country. They may not be able to buy everything they desire, or be able to go everywhere they want to go, but they can have clean, safe, comfortable housing, maintain a healthy diet, and even get high quality medical treatment when they need it. People who receive as much or more from the government than they pay to the government have self interest in having the government pay for more of their needs.

The perspectives of self interest of different people across different parts of the economic spectrum are different. If you listen to the campaign rhetoric, everyone promises to do something about high gas prices, high healthcare

costs and the environment. Where the money comes from to achieve those objectives varies with the political orientation of the candidates.

For many years, the Democratic Party has been the champion of labor interests, of the working man, and therefore, the party of entitlements. Many of the Democratic candidates for office have promised healthcare reform which involves government provided or assisted healthcare for everyone. The benefit to those who do not currently have or pay for healthcare is clearly apparent. However, there is an equal or greater detriment to those who currently pay for healthcare for ourselves, and more so for those who contribute to paying for the healthcare of others who work for us. In those cases, we can expect that someone will have to pay for the healthcare benefits promised to those who currently do not have healthcare. Who will pay the cost of that insurance? Obviously, those costs can be paid for from reserves in the treasury, which the government does not currently have. Those entitlements can be paid for by placing additional taxes on businesses, additional taxes on sales of goods and services, additional taxes on income, or additional taxes on property.

Any one of those for potential sources of additional tax revenue will place an additional burden on me, and on other taxpayers like me. Whether I pay additional business taxes, sales taxes, income taxes or property taxes, I will be paying additional taxes. Some of those taxes, like property taxes, can potentially be passed on to tenants in income producing property. Others of those taxes can be potentially passed on to employees by controlling the amount of compensation I offer to employees to reflect the additional costs in taxes I incur in being in business. However, many of those taxes fall directly to my bottom line and mean that I have less disposable income to invest or to spend.

This type of analysis makes an owner of assets, businesses, and real estate generally more conservative. The Republican Party generally supports lower taxes on property, businesses and individual income, believing in a laissez faire economy where the individual with money can spend that money and stimulate the economy, creating job opportunities, creating other types of benefits for employee ease as well as other entrepreneurs. The more conservative approach increases the choice and flexibility available to the asset holder, business owner or real estate investor, and does not simply mandate higher taxes. Therefore, whether I like Barack Obama or John McCain, the answer is that John McCain and the Republican Party are more likely to serve my self interest in dealing with

the sources of funding for social programs and policy implementation than the Democratic Party. If I were a laborer, my self interest would more likely be served the Democratic Party.

Since, the last time I looked, there were fewer business owners, individuals with substantial assets, or a holders of investment real property, than there were laborers, workers and unemployed, the likelihood of success of a conservative party will depend upon other factors and influences as well.

For example, a conservative economic policy is only one facet of conservative politics. The other facets include conservative policy on religion, conservative policy on immigration and conservative policy on international relations, among others. Many people, whose economic self interests may, in fact, be better served Democratic Party economic policy than by Republican Party economic policy, are attracted to conservative religious, international or other policies and choose to vote those self interests rather than their economic self interest. This is what creates the opportunity for a party catering to a smaller economic stratus of the voting public to maintain a popular majority of votes.

In the upcoming election, there may be a number of negative factors which cause voters to vote against someone or something, instead of for someone or something else. For example, Barack Obama's race may become an issue for some people for whom their prejudices are more important than their economic, religious or international political interests. Beyond that, those with military background and who support a strong and actively involved U.S. Military may be likely to vote for McCain because of a military orientation and his past military service with honor, and against Barack Obama's pledge to pull troops out of our overseas wars quickly.

Finally, there is a third component of the voting public who do not vote their self interests at all. From the discussion above, if the Kennedy family were voting to protect their own self interests, they would clearly be voting as conservative republicans. However, the Kennedy family has a long history of generosity to liberal causes and of supporting liberal politics. While this may seem contrary to their own self interest, they, like many other Americans of varied substantial means, including the Hollywood actors who receive millions of dollars in wages for a single project, can well afford to ignore their economic self interests and vote in a manner which they perceive to benefit the greater good.

One look at Bill Gates and the charities he is espousing presently illustrates the epitome of this type of approach. Bill Gates' politics have very little

relationship to his own self interest, but his personal economics have transcended his own self interest and he no longer needs to worry about how much he has to pay when deciding what would be best for the country which helped him to achieve his present position. Someday, I hope to be able to transcend my personal political self interest. However, for now, the thought of paying for entitlement programs through my business taxes, income taxes, sales taxes or property taxes is of greater concern to me than the individual welfare of those less fortunate who cannot support themselves. I, right now, in our current economy, have enough concerns supporting and growing my businesses and real estate investments, and attempting to maintain the lifestyle to which I have become accustomed. I would hate to sacrifice any of those things to my detriment and the benefit of the poor. If I can get past having that choice, and can “have it all,” I would be much more inclined to spend more and do more to help the poor and down trodden. What are your self interests, and will you vote them?

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