

A closer relationship between State and local personal taxes and personal income is given by the following regression (in billions of dollars) derived from the more recent period 1960 to 1965:

$$(2) \quad \log (\text{State and local personal taxes}) = -3.507 + 1.679 \log (\text{personal income}) \frac{2}{r} = .992.$$

This equation yields a more conservative projection of personal tax receipts over the next decade than that based on the period 1955-65. The relationship indicates that on the basis of the experience of the past 6 years a 10-percent rise in personal income, for example, would yield on the average a 16.8 percent increase in these personal taxes. The equation provides a 1975 estimate of State and local personal tax and nontax receipts of \$33.9 billion under assumption A. This projection is equivalent to 3.4 percent of the projected personal income in that year. Under assumption B, the projected personal tax receipts in 1975 would be \$28.2 billion.

b. *Property taxes.* State and local governments, particularly local governments, have used property taxes, for the most part, to finance current public school requirements. In response to the rapidly increasing school enrollment throughout the postwar period, these taxes have risen sharply—from \$5.3 billion in 1947 to \$23.0 billion in 1965, or an average rate of growth of 8.5 percent per year. Despite this large rise, however, the ratio of property taxes to total receipts of State and local governments has been drifting downward over the postwar period. In 1947 the ratio was 35 percent and in 1965 it was down to 31 percent.

Property taxes follow very closely the movement of State and local government wages and salaries for public education as chart 4 shows. The following equation describes the relationship for the period 1950-65, in billions of dollars:

$$(3) \quad \log (\text{Property taxes}) = .353 + .793 \log (\text{State and local wages and salaries for education}) \frac{2}{r} = .9995.$$

This relation implies that, over the past 15 years, an increase of 10 percent in these wages and salaries, for example, has been associated on the average with an increase of nearly 8 percent in property tax receipts.

Property tax collections in 1975 may be obtained from equation (3) and a projection of wages and salaries for education. The latter has shown a remarkably steady rate of growth over the past 15 years when expressed as a ratio per person in the school-age group 5 to 21 years old. In 1950 the average wage and salary for education per school-age person was \$108; in 1965 it rose to \$306. The average rate of increase over this period was 7.2 percent per year; however, it should be noted that the rate of increase in the number in this age group has been decreasing in recent years.

The most recent projections of the Bureau of the Census show that the number of 5 to 21 years olds would total 69.5 million in 1975 compared with 62.1 million in 1965, an average rate of growth of 1.1 percent per year—much lower than the 3.2 percent annual growth rate of the past 10 years. Wages and salaries for public