for substantial improvements in State and local government can be made available only without massive new Federal aid beyond that implicit in the present legislation.

Now, as to the policy implications for the lower levels of government.

Although State and local government can secure the funds necessary to provide substantial increases in scope and quality between 1975, there is no room for complacency with regard to the adequacy of State and local revenue systems. If the public demands faster improvement in scope and quality, the area of policy choice, additional funds will be needed beyond those available from the present tax structure. There are many possibilities for improving and changing the revenue-raising structure of State and local government in a manner which would increase the revenue beyond the amounts available from the fixed structure. If additional funds are needed, State governments can improve the administration of the local property tax, they can increase the relative importance of the State sales taxes and personal income taxes as revenue sources.

Administration of the property tax, which is essentially a local tax, and is the source of 90 percent of local tax revenue, could be improved by the leadership and direction of State governments. And the CED in its policy statement did recommend that correcting inequities in property assessment could make the property tax more productive if the States accept full responsibility for assuring statewide equitable and uniform assessment of real property, if assessment ratios of all classes of real property, including land, were equalized on the basis of market value; if property tax exemptions for special private interest groups such as homesteaders and veterans were abolished; and if States continue to require such subsidies through the property tax exemptions, they should reimburse local government for the revenue losses incurred.

Now, professional property tax assessment with regular periodic reassessment and the abolition of special property tax assessments, we estimate, could result in an increased yield of at least $2 billion in 1975. An action along this line is being taken by many States.

The general retail sales tax is growing in importance. It yields substantial revenues even at low rates, and because it is relatively easy to administer. But the exemption in many States of a wide range of consumer services results in unnecessary taxes. If they need more revenue, State governments could broaden the general retail sales tax to cover consumer services, as other States have, and make much more effective use of such a broad retail sales tax. We have estimated that if all States which have no sales tax, or which have a relatively low rate, or narrow coverage, were simply to adopt the 1965 average rate in coverage, the additional yield would be at least $2 billion in 1975.

Now, as to the personal income tax.

It is the last major source of relatively untapped State and local revenue. Seventeen States had no broad-based sales income taxes in 1965. Two of them have now been added, Michigan and Nebraska. About three-fourths of the States with a personal income tax have effective rates of less than 2 percent of personal income. The possibilities for increases in State personal income tax yields are considerable, because many large industrial States do not use this tax