

tax in most central cities in the United States—Washington, D.C., happens to be an exception—is very badly administered. The quality of administration is as bad as that in some of the most benighted rural areas.

Representative GRIFFITHS. May I ask you, in view of the fact that I think the property tax in Washington, D.C., is very low, do you suggest that it is better administered because it is low, or do you think it is high?

Mr. NETZER. No, it certainly is low compared to other places.

Representative GRIFFITHS. I don't know why anybody would object to paying a property tax in Washington, D.C.

Mr. NETZER. It is low, but it is well administered in addition. I think that is a separate factor. There are other places where it is low and badly administered, and places where it is high and relatively well administered. The city of Milwaukee, for instance, has really high property taxes, but a pretty good quality of administration.

But the point that I wanted to make clear is that if you say, we will get more revenue out of the property tax by improving its administration, what this means in many large central cities is that you are going to increase the effective rate of property taxation for many property owners, that is, increase the economic burden of the property tax. And I do not see that this is really getting around the difficulty of the central cities. This, it seems to me, as I said, will exacerbate their economic difficulties in many ways.

Now, an indication of what is really happening in property taxes in some of the central cities is something that happened this year in Newark, which happens to have, among good-sized American cities, as high a property tax rate as there is. The city of Newark had this year a 30-percent increase in its property tax rate on top of its previous very high rate. Newark has many low-income Negro homeowners. Certainly this doesn't explain the riot. But it adds to the total degree of privation in the Negro community in the city of Newark.

Now, there is another problem of the property tax. And property tax, after all, is the biggest of the State-local taxes, and it is the one most likely to rise if State-local taxes continue to go up. It is a high fraction of housing costs. And as such, I believe it to be a real deterrent to increases in and improvement of the housing stock in large central cities and among less well-off families for whom the income tax advantages of homeownership mean little or nothing. Again, it is a central city problem, the low income problem.

This question of improving administration of the property tax comes up again here. The city of San Francisco, which, among large American cities probably had the worst property tax administration until recently, is going through a wholesale reassessment which has been forced upon them by the legislature and the State government. If they do nothing but reassess property, if there are no new nonproperty taxes adopted, there will be an average increase of 50 percent in taxes paid by residential property owners. San Francisco happens to be a city which has a large number of moderate-income homeowners owning rather small houses. And looking at the whole series of housing market trends and the statistics in San Francisco, it is a pretty safe prediction to say that the effect of property tax reforms in San Francisco can have a devastating effect on the housing problems of that city.