might have expanded for slum clearance, the war on poverty, model cities, or even rat extermination, including these and many of the other bills on which appropriations have recently been actually reduced.

The Evils of Tax Sharing

Well now, there are two points at issue on which I believe tax sharers have recently been required to retreat from the positions formerly held by some of them. For clarity they require mention.

First, it can no longer be contended rationally that the States have exhausted the sources of revenue now available to them, and this includes a large number of the poor States as well as many of the rich ones.

The data presented in my own study of the subject as well as by others make clear beyond a doubt that most of the States have ample latitude at present for expanding their revenue if they need to and to do so. The great majority of the States, even taking into consideration the recent increases cited by Mr. Pechman, make very little use, if any, of the income tax, and a surprising proportion do not even use sales or property taxes effectively. Indeed, there are a few States and localities that, judged by their own advertising, have no taxes at all, claims that sometimes contain only modest exaggerations.

Secondly, it has become much more difficult for tax sharers to contend that the States, in general, face a financial crisis. Studies of the Committee for Economic Development as well as the Tax Foundation show that even at existing tax rates the revenue of State and local governments will increase substantially more in the years ahead than the expenditures required to maintain the present scope and quality of public services. Data released last month by the Census Bureau indicate that this was true in 1966. Thus, even without any increases in existing tax rates it should be possible to expand the range of State and local public services substantially. As I remember the figures from your study, Mr. Stein, it was some 23 percent——

Mr. Stein. Right.

Mr. Ulmer (continuing). Of expansion that was possible, and this is not a modest surplus that I thought had been referred to earlier.

With these facts accepted, the case for tax sharing seems to narrow down to a much more modest, and I think quite indefensible, contention that this is a fair method for raising money at the State and local level, and an efficient method for getting it spent.

Superimposed on the prevailing crazy quilt of State and local taxes, tax sharing is anything but fair. Families in the same income bracket are today taxed very differently around the country. High tax States such as California, New York, and Wisconsin stand in sharp contrast to low tax States such as Missouri, Illinois, Texas, and Kentucky. Now quite perversely, tax sharing would levy its greatest burden, relatively, on taxpayers in the most conscientious States. It would levy its lightest burdens in those States that, compared with others, are today shirking their social obligations. In short, instead of tending toward a greater uniformity of taxes for people in the same income bracket, which would be equitable, tax sharing does the opposite. It would actually increase the disparities which presently exist.

I should like to make clear that I have been referring to disparities in taxes which now exist among States with the same general levels