

THE URBAN PROPERTY TAX

All of this is, of course, relevant to an appraisal of the property tax, since the property tax is by far the largest single source of funds to finance public services in urban areas. If, as seems likely, urban public expenditure continues to rise sharply, and if there are no major changes in fiscal institutions, the property tax will bear a large share of the burden; the various deficiencies of the tax will be aggravated by its use at continually increasing rates.

NATURE OF "THE" PROPERTY TAX

A century ago, the property tax in nearly all States was one which, in law, applied at a uniform rate to all forms of privately owned wealth (with exemptions for charitable and similar organizations) within a taxing jurisdiction—to all types of real property, to tangible personal property, and to wealth in intangible forms, notably bank deposits and securities. Even then, the property tax differed greatly among the thousands of local units employing the tax. The level and composition of legally taxable wealth varied widely; the effectiveness with which local assessors discovered and valued this wealth also varied widely; and the ratios of public expenditures financing by the tax to assessed values had a wide range, producing major variation in tax rates, whether measured as a fraction of assessed values or of the underlying market value of the taxable forms of property.

All these sources of variation continue to exist, to a pronounced extent, among the 70,000 or so local government units which are authorized to levy property taxes. But, in addition, the generality of the property tax has been substantially reduced by successive State statutory and constitutional enactments exempting various classes of personal property from the ordinary general property tax. A further complication is that some of these exemptions have been accompanied by new forms of property taxation on the exempted classes of property, most commonly on intangibles, motor vehicles and public utility property; these "special property taxes" have rates which are not those applied in general property taxation, but usually a uniform statewide rate. Still another complication is that the State governments, all of which relied heavily on the property tax in the 19th century, have withdrawn from property taxation, though in varying degrees.

The result has been to create distinctive statewide property tax systems in each of the 50 States (and the District of Columbia), imposing 51 different legal patterns on top of the wide intrastate variation in taxable wealth, administrative performance, and fiscal requirements. Thus, there are really 70,000 or so different property taxes in the United States, grouped into 51 systems with common legal settings.

As of 1962, nearly 96 percent of all property tax revenue came from local government general property taxation; for the purposes of this report, this major component of the tax will be treated as if it were