

If intergovernmental payments are ignored and attention is focused on general revenue raised from local sources, the decline in the relative importance of the property tax was concentrated in the late 1940's and early 1950's, to consequence of increased utilization of local non-property tax sources. On a nationwide basis, however, the property tax continues to provide about two-thirds of locally raised general revenue, both within and outside the major urban concentrations. Moreover, the relative decline merely reflects a more rapid increase in other revenue—in absolute terms, property tax revenue continues to rise sharply. In the period of less than 4 years, from 1962 to 1965-66, property tax revenue rose by nearly 30 percent—\$5.4 billion on a nationwide basis and \$2.7 billion in the 38 largest SMSA's.

Because State aid looms relatively larger in the finances of local governments in the less urbanized parts of the country, the property tax accounts for a larger proportion of local government general revenue in the largest SMSA's than elsewhere, but a smaller proportion of locally raised general revenue, because nonproperty taxes are largely an urban phenomenon (table 3). Also, as is to be expected, property tax revenue is substantially higher on a per capita basis in the larger urban areas.

WIDE VARIATIONS

There is considerable variation among the major urban areas in the extent of their dependence on the property tax. In part, this is a consequence of State aid arrangements, but this is by no means the whole story. By far the most important differential in State aid provisions relates to assignment of the responsibility for administration of public assistance. Where the State government handles public assistance, State grants to local government for welfare purposes are, quite naturally, very small; where the local governments have the administrative responsibility, it is accompanied by sizable grants from the States. Thus, in the 21 large SMSA's where public assistance is primarily a local responsibility, intergovernmental revenue per capita in 1965-66 was \$120; in the other 17 large SMSA's, with primary State government responsibility for public assistance, the corresponding figure was only \$66.

However, as table 3 shows, relative dependence on the property tax differed little in the two types of areas. This suggests that the property tax (much higher on a per capita basis in the local welfare responsibility SMSA's) finances a not inconsiderable share of the locally raised expenditure for public assistance. It also suggests that differences among areas in reliance on the property tax cannot be explained mainly by State aid difference. In fact, the major source of the difference appears to be the extent to which local nonproperty taxes are employed.

These differences are large ones. In SMSA's located in States where local nonproperty taxes are virtually nonexistent—in New England, New Jersey, and Indiana, for example—the property tax accounts for 80 to 90 percent of locally raised general revenue. By contrast, in SMSA's where income taxes are widely used by local governments, such as Cincinnati and Pittsburgh, the property tax percentage is only about 60. In Illinois and California SMSA's, where sales taxes are used widely by local governments, the property tax percentage is in the 65 to 70 range.