SOURCES OF PROPERTY TAX REVENUE

Cutting across the geographic variations, there is an important economic distinction in property taxation. The tax can be viewed as comprising two distinct forms of taxation, with quite different economic characteristics.

The first is the tax on residential property and on consumer-owned personal property, where the latter is subject to tax, largely consisting of motor vehicles. This tax is one of selected types of consumer expenditure, with economic effects similar to those of other types of consumption taxes.

The second is the tax on real and personal property used in business and agriculture. Its economic effects are in some ways similar to those of other forms of business taxation, but are dissimilar in other ways. The dissimilarities take three major forms. First, this is a tax on business inputs—land and capital—rather than on profits or gross receipts, the base of the predominant nonproperty types of business taxation. Second, the impact of the tax therefore varies among industries on the basis of the structure of inputs, falling most heavily on those which employ large amounts of land, buildings, equipment and inventories relative to output. Third, few other forms of business taxation vary so much among small geographic areas—they are usually statewide or nationwide in scope.

Table 6 indicates the estimated distribution of assessed values subject to general property taxation in SMSA's in 1961. Based upon the not unreasonable assumption that the sources of SMSA local government property tax revenue closely reflect this distribution of assessed values, a crude estimate of 1962 property tax revenue by type of property is presented in table 7. Roughly half of the revenue was derived from taxes on housing and another 42 percent from taxes on nonfarm business property. The remaining 8 percent includes taxes on farm property (as expected, this is minor in urban areas), taxes on consumer-owned tangible personal property, and taxes on property which cannot reasonably be allocated between businesses and households, like vacant lots and intangibles.

TABLE 6.—*Estimated distribution of assessed values subject to general property taxation in SMSA's, by type of property, 1961* [1]

Type of property	In billions	Percent distribution
Total	$244.6	100.0
Single-family houses	97.1	39.7
Other housing	25.1	10.2
Acreage and farms	6.8	2.8
Vacant lots	5.3	2.2
Railroad and public utility property [2]	16.6	6.8
Commercial realty	36.2	14.8
Industrial realty [2] [3]	19.9	8.2
Other real property [4]	1.0	.4
Personal property [2]	36.7	15.0

[1] Adapted from U.S. Census Bureau, *1962 Census of Governments*, vol. II, *Taxable Property Values* (1963; revised August 1964). Involves the following estimates by the author: distribution by property type of partial exemptions; distribution by property type of State-assessed property; public utility property included in reported data on industrial realty (locally assessed).

[2] Includes both State-assessed and locally assessed property.

[3] Excluding railroad and public utility property.

[4] About $400,000,000 is separately assessed mineral rights.

Note: Because of rounding, detail may not add to totals.