EFFECTS OF THE PROPERTY TAX IN URBAN AREAS

HOUSING AND THE TAX BURDEN

As suggested previously, the property tax on housing is analogous to taxes commonly known as consumption taxes; that is, general sales and selective excise taxes. Like the ordinary consumption taxes, the great bulk of the burden of the housing property tax appears to rest upon housing consumers, whether they are owner-occupants or tenants. There are some exceptions; the chief one is that owners of rental property canot shift the burden of that portion of the tax which falls on the land underlying their buildings. But, for the country as a whole, probably well over 90 percent of all property taxes on housing are borne by housing occupants.

Since this is so, it is useful to view property taxes in relation to consumer expenditures for housing. This expresses the relationship in a form similar to that with which we are familiar in connection with other consumption taxes—a sales tax of 4 percent of taxable purchases, for example. There are two sets of data available to illustrate this relationship. The first expresses property taxes as percentages of the estimated rental value of housing (as found in the national income accounts).

As table 9 shows, property taxes average about 19 percent of the rental value of nonfarm housing in the United States currently, equivalent to an excise tax of nearly 24 percent on rental value, excluding property taxes (parallel to the way in which sales tax rates are stated, as percentages of sales before sales tax is added).

The second set of relationships, also shown in table 9, is perhaps a more realistic one, from the standpoint of housing consumers themselves. This is the relationship noted in the previous section, and estimated for all SMSA's as of 1962. (The table 9 data are for 1960.) It expresses taxes as percentages of actual cash outlays for housing—expenses of owner-occupants or rental payments of tenants. The percentages are very high expressed in this way, too, especially outside the South. Converted to a before-tax form, they range—excluding the South—from sales-tax-equivalent rates of 18 percent for large apartment houses outside New York City to 30 percent or more for single-family houses in the Northeast, and multifamily properties in New York City. In general, the upper end of this range applies to most of the Nation's large cities outside the South.