tion of property tax payments by income class, it is worth noting the probable income distribution effects of other forms of State-local taxation:

1. *General sales taxes.*—In those jurisdictions where food is exempt, these taxes are regressive for the very lowest income groups, roughly proportional in the middle-income ranges, and regressive again for upper-income groups. Where food is included in sales taxes, they are much more regressive, and throughout all income categories.
2. Selective sales taxes are usually quite regressive.
3. Personal income taxes covering all forms of personal income are very progressive in those States with graduated rates, and mildly progressive where there are flat rates but personal exemptions or credits. The typical flat-rate local income tax without exemptions and applying only to earned incomes is proportional for lower and middle-income households, but regressive for the rich, who have substantial property income.
4. *Business taxes.*—Taxes on gross receipts, value added and profits (if it is assumed in the latter case that the bulk of the tax is shifted forward to consumers) have an incidence pattern something like the general sales tax with food exempt, that is, moderately regressive. If it is assumed that a substantial part of taxes on corporate profits is borne by stockholders, then these taxes become progressive among upper-income groups.

In the aggregate—for the country as a whole—the incidence of the property tax is roughly proportional to income, except among the lowest income groups, where the tax amounts to very high fractions of income.[31] The property tax therefore appears at least as good on income distribution grounds as most other State-local tax forms, except for personal income taxes. However, the aggregate conceals important variations. The important distinctions are, first, between nonresidential and housing property taxes; and second, within the housing sector, among geographic areas.

The nonresidential property tax is rather like a general consumption tax, because much of the tax, notably that on utilities and most trade and service activities, is shifted forward to consumers. The tax is therefore regressive up to incomes of about $10,000. However, because some of the tax is not shifted—including that part on the land underlying nonresidential structures—the tax tends to be progressive above that income level. As for property taxes on housing:

> Rather good evidence on incidence by income class of property taxes on owner-occupied houses strongly indicates that this component of the tax is even more regressive than the nonresidential component. Somewhat less direct evidence indicates that the tax on rented housing is still more regressive. However, because renters tend to be both poorer and decidedly smaller consumers of housing (and hence pay less property tax, via rents), when the two series are combined, the picture is less clear. Residential property taxpayments decline sharply as a percentage of aggregate income as income rises in each class in the lower half of the income distribution but the percentage climbs again in the middle-

[31] For amplification, see Netzer, *op. cit.*, chap. III.