

income range up to the \$10,000–\$15,000 level. For the income class over \$15,000, the percentage again drops.³²

The combination of homeowners and renters has an important geographic characteristic—it combines central city residents and suburbanities. Within each of these geographic groupings, housing property taxes are probably markedly regressive. This is surely the case with respect to large central cities, as a number of studies of individual areas indicate; see, for example, the evidence for New York City in table 11 above. For such cities, the property tax is decidedly inferior to other forms of local taxation on income distribution grounds.

There is one important consequence of the regressivity of the property tax in central cities. As indicated earlier, the property tax in central cities finances substantial expenditure which, in effect, redistributes income in kind—health and welfare services, education for children in low-income families, et cetera. Thus, to a considerable extent, central cities find themselves in the position of taxing the poor to provide services to the poor, which is surely nonsense.

Equity in taxation refers not only to the burden of taxation on households in different income groups; it also includes the extent to which tax burdens differ among the households *within* a particular income group. Since consumption of housing is a major determinant of property tax burdens, and since this differs widely within income groups, property tax burdens do in fact differ considerably within income groups. There is some degree of this “horizontal inequity” even under an income tax, since exemptions, deductions, and the statutory definitions of income subject to tax result in differences in tax liability among taxpayers with a given total income. Under the Federal income tax law, in most income classes, the typical taxpayers will have tax liability which is roughly 20 to 25 percent more or less than the mean tax liability in their income classes.

But taxes based on consumption expenditure or property values give rise to much larger degrees of horizontal inequity, since tax liability depends upon consumption decisions as well as income status. For New York City, for example, it is estimated that the residential real estate tax has a coefficient of variation of roughly 65 percent in all income classes. That is, the typical family’s housing tax burden is almost two-thirds greater or less than the mean burden for its income class.³³

In summary, the regressivity among income classes of the housing component of the property, and its horizontal inequity within income classes, are serious defects in the property tax, relative to other conceivable forms of local taxation.

QUALITY OF ADMINISTRATION

Ordinarily, the principal factors in an appraisal of any tax are its resources allocation effects (including effects on the location of economic activity, for taxes imposed on less than a nationwide basis) and its income distribution effects. We usually assume that at least the larger units of government can administer any major form of taxation tolerably well. This assumption is not valid for the property tax,

³² *Ibid.*, p. 40.

³³ Melvin and Anne White, “A Personal Income Tax for New York City: Equity and Economic Effects,” in Graduate School of Public Administration, New York University, “Financing Government in New York City” (1966), pp. 460–465, 482–488.