high proportions of their incomes in property taxes, directly or through rents.[45] This kind of provision parallels the spreading use of income tax credits to offset the regressivity of State sales taxes, and could be usefully employed on a widespread basis.

HOUSING TAX INCENTIVES

The obvious deterrent effects of high property taxes on housing has led to the use of tax exemptions and abatements for specific kinds of new housing construction and rehabilitation, most notably in New York State. The New York programs have had some success in stimulating construction of middle-income housing, with real though indirect effects on the housing status of poorer families.

Even from the standpoint of an exclusive emphasis on increasing the supply of housing, the tax abatement programs now being used have a serious drawback—they are administratively very cumbersome, and therefore slow-moving. When governments single out particular groups in the population for extraordinarily favorable treatment, they are likely to try very hard to insure that the benefits do in fact accrue to the worthy target population, rather than to unintended freeloaders with no special claim on the public purse. The attendant restrictions can greatly complicate matters.

New York's most generous tax abatement scheme is a good example of this. Under this plan, designed to encourage rehabilitation of older housing occupied by lower income people, an owner can recover 75 percent of the cost of the improvements through tax reductions over 9 years. However, the improved property is subject to rent control, and the owner typically must forego rent increases he might otherwise be entitled to. As a result of this and other complications, the program is little used.

The administrative difficulties could be overcome by a general tax abatement or exemption for *all* new housing investment, not just that which satisfies complex administrative requirements. The selective tax abatement programs are moderate in size,[46] and therefore the reduction in taxes has a negligible effect in increasing property taxes on other types of housing. But an effective across-the-board exemption program for all new investment would be a different matter. It could result in a significant shift in the tax burden to older properties, including older properties occupied by relatively low-income households. Therefore, such a program is a questionable one unless it is linked to steps to reduce the reliance on the property tax in general, such as those suggested in the preceding section of this study. And if there is a substantial reduction in reliance on the property tax in general, the need for special housing exemptions will be greatly reduced.

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[45] Billy Dee Cook, Kenneth E. Quindry, and Harold M. Groves, "Old Aged Homestead Relief—The Wisconsin Experience," *National Tax Journal*, Vol. 19 (September 1966), pp. 319–324.

[46] The various New York City programs as of the end of 1965 covered 75,000 units, 2.5 percent of the city's housing inventory. City of New York, Committee on Housing Statistics, *Housing Statistics Handbook* (August 1966), table 1–3.