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the general property tax in state finances

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THE GENERAL PROPERTY TAX IN STATE FINANCES

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INTRODUCTION

In 1958, State and local governments levied $1.1 billion in taxes on farm real estate. This was almost double the amount levied 15 years earlier. An additional quarter of a billion dollars was levied on farm personalty, such as automobiles, farm machinery, and livestock. In recent years, taxes on farm property have been rising at an average rate of more than 5 percent annually.

The rapid rise in farm real estate taxes, with no indication of an early slackening, raises questions concerning the causes that underlie this continuing uptrend. To understand these causes, it is necessary to know what place the general property tax occupies in the structure of governmental finances. What types of governmental units obtain revenue from the property tax? To what extent do they depend upon this source? What functions are supported from these revenues?

The significance to farmers of questions such as these lies in the fact that the course of farm real estate taxes will depend largely on the role given to the property tax in local fiscal systems. Many studies of farm taxation have stressed the vulnerability of farmers to taxes on real estate and the inequities that arise when property is improperly assessed for tax purposes. Equally important, however, in determining the amount of real estate tax the farmer must pay are the extent to which governmental services are financed from property tax revenues and the role assigned to the property tax in the overall State-local fiscal system.

This role has been far from stationary. Today, State property taxes are of minor importance, but in years past they were of primary significance. Since the beginning of the 20th century, marked changes have occurred in the relative dependence of States and localities on property tax revenues, as well as in the functions financed by these revenues. It is realistic to expect further changes in future years.

The present report examines the general property tax as an element in State finance and attempts to explain why this tax has become less significant and to define the role that it now plays. State taxes on general property, of course, strike farm property, real and personal, along with other categories of taxable property.

In most States, farm property comprises only a small proportion of the general property tax base, and the taxable value of residential, commercial, and industrial property far exceeds that of farm properties. In 1956, for the Nation as a whole, acreage and farms accounted for 13.9 percent of the gross assessed valuation of all locally assessed taxable real property (table 1).

In a few States, however, agricultural property bulks large in the general property tax base. In the Dakotas, the assessed value of acreage and farms constitutes more than two-thirds of the gross assessed value of real property, and in Idaho, Iowa, Kansas, and Nebraska, more than half (31, v. 5, p. 25). 1/ These six States, plus Montana, stand out also as the States in which taxes on farm real estate constitute a large share of all general property tax collections (fig. 1).

It may be of some significance that these seven States depend rather heavily upon the property tax for State and local revenue. Five of them are among the top 16 in the Nation in proportion of total State and local revenue derived from the property tax (31, v. 3, No. 5, p. 35). The predominance of the property tax in the State-local fiscal structures of these States stems primarily from their highly decentralized structure of government, in which local units bear a relatively large share of the cost of supplying public services, rather than from heavy reliance on the property tax for State revenue. Only Nebraska derives a substantial share of State revenue from the property tax.

TRENDS IN STATE TAXATION OF GENERAL PROPERTY

In 1902, the property tax was a major source of tax revenue for both State and local governments. Then, as now, this source accounted for all except a small fraction of local tax revenue. Unlike the current situation, the general property tax also supplied the major share of the State tax revenue. In 1902, all States except Delaware taxed general property, and 38 of them derived more than half of their tax revenue from this source. For the country as a whole, general property taxes averaged more than three-fifths of all State tax revenue (table 2).

1/ Numbers in parentheses refer to Literature Cited, p. 16.

Table 1. - Gross assessed value of locally assessed taxable real property, by type of property, United States, 1955

Type of property	Assessed value	Percentage of total
	Million dollars	Percent
Residential	113,505	54.1
Acreage and farms	29,083	13.9
Vacant lots	4,763	2.3
Commercial	34,766	16.6
Industrial	22,612	10.8
Other	4,395	2.1
Total 1/	209,765	100.0

1/ Columns do not add to totals because of rounding.

1957 Census of Governments, (31, v. 5, pp. 24-25).

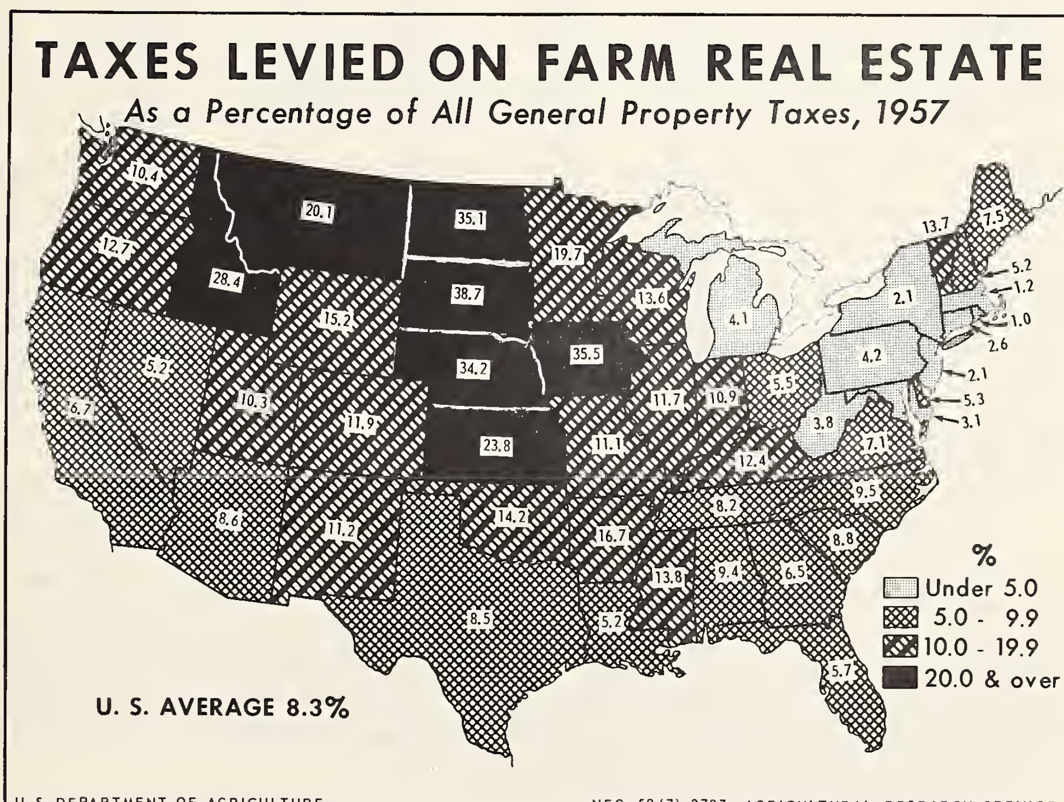

Figure 1

Table 2. - State general property taxes as a percentage of all State tax revenue, by States, selected years, 1902-57

State	1902	1913	1922	1932	1942	1957
	Percent	Percent	Percent	Percent	Percent	Percent
Alabama	86.6	86.3	71.6	38.5	8.5	4.9
Arizona	1/ 96.8	99.4	93.5	72.9	24.0	11.7
Arkansas	96.8	92.5	77.0	27.4	8.4	2/ .1
California	83.9	2/	2/ .1	2/	2/	2/
Colorado	78.6	74.7	79.7	35.5	12.4	7.1
Connecticut	5.7	3/	17.5	6.0	2.0	2/
Delaware	3/	3/	14.5	2/	2/	2/ 1.7
Florida	89.9	86.7	80.1	12.4	2/ .6	2/
Georgia	86.2	88.8	70.4	22.3	7.0	.3
Idaho	94.4	86.3	87.1	44.0	15.7	4.7
Illinois	68.9	68.5	48.7	38.4	2/ .1	2/
Indiana	86.1	89.5	77.3	33.7	4.9	3.4
Iowa	77.9	84.3	76.4	28.1	4.8	1.5
Kansas	93.1	86.4	80.2	30.8	10.7	5.8
Kentucky	93.7	78.9	80.7	40.1	9.0	2.4
Louisiana	99.4	94.8	71.3	35.6	9.0	3.3
Maine	44.7	53.8	47.8	31.5	17.5	2/ 1.6
Maryland	63.2	58.0	44.5	26.1	9.8	3.6
Massachusetts	25.0	43.9	37.2	13.3	9.7	2/
Michigan	46.3	88.7	73.7	50.2	2/ .4	2/
Minnesota	47.5	45.1	49.7	36.7	10.2	5.0
Mississippi	98.8	92.0	76.8	41.4	5.8	2.2
Missouri	76.9	71.5	38.8	15.8	4.5	1.8
Montana	61.8	82.4	68.5	35.3	14.3	9.4
Nebraska	95.1	91.9	94.1	40.9	21.9	31.4
Nevada	92.0	100.0	95.4	54.5	22.9	6.2
New Hampshire	61.0	79.7	70.8	33.8	2/ .1	2/
New Jersey	28.4	74.7	70.9	49.2	8.7	2/
New Mexico	1/ 97.5	1/ 89.1	89.9	40.9	12.2	6.7
New York	40.1	17.1	22.6	2/ 1.1	2/ .3	2/ .2
North Carolina	77.3	82.9	2/ 14.4	2/ 12.6	2/	2/
North Dakota	94.1	89.2	79.5	54.8	24.0	5.0
Ohio	75.2	31.8	46.1	8.4	3/	.7
Oklahoma	1/ 100.0	85.2	17.9	26.1	2/	2/
Oregon	95.8	85.8	80.4	3/	2/	2/
Pennsylvania	22.5	2/	2/	2/	2/	2/
Rhode Island	51.2	37.8	22.3	11.7	2/	2/
South Carolina	91.3	87.5	72.6	15.4	2/ .8	2/ .5
South Dakota	91.1	92.9	83.2	51.3	4/ 1.5	4/ 1.1
Tennessee	86.1	56.8	71.4	5.2	2.0	2/
Texas	71.7	74.4	70.2	41.9	14.8	4.9
Utah	90.6	83.1	87.6	55.9	16.9	3.5
Vermont	29.0	12.8	51.3	14.4	2/ .2	2/ .1
Virginia	73.3	51.9	43.9	2/ 17.0	2/	2/
Washington	96.6	82.3	75.5	40.1	2.6	2.0
West Virginia	78.8	24.7	38.5	19.3	.3	.2
Wisconsin	94.9	77.1	70.6	16.3	.7	.8
Wyoming	87.3	93.8	88.8	52.8	5.7	17.5
United States	60.2	52.9	47.9	21.9	3.5	1.5

1/ Territorial general property taxes. Arizona and New Mexico were admitted to Statehood in 1912, and Oklahoma was admitted in 1907.

2/ Statewide general property tax abandoned. Percentages, when shown, represent mainly delinquent taxes. The following exceptions are noted: Delaware collects a general property tax for the State Board Unit Schools; Maine obtains a small amount of property tax revenue from unorganized townships and from the taxation of forest lands and nonresident motor vehicles; and New York collects a property tax levy known as a Court Stenographers' tax. In these 3 States, the general property taxes shown were collected by the States because many of the local governments have no tax-collection or administrative machinery.

3/ State general property tax abandoned but reactivated.

4/ Revenue collected in 1942 and 1957 represents the levies made in 1938 and 1955, respectively.

Compiled from reports of the U. S. Bureau of the Census as follows: 1902 (25, pp. 1000-1001); 1913 (26, pp. 36-42); 1922 (27, p. 52); 1932 (28, pp. 8-17, 66-67); 1942 (29, pp. 13-17); 1957 (30, p. 11).

Since 1902, the general property tax has occupied a diminishing role in the financing of State governments. The proportion of total State tax revenue derived from the general property tax has dwindled steadily, in many States to the vanishing point. For the Nation as a whole, the proportion of total State tax revenue originating from general property taxes fell from 60.2 percent in 1902 to 1.5 percent in 1957, despite the fact that in 1957, collections under this tax were $212 million, or more than 2 1/2 times the $82 million collected in 1902.

Two factors have contributed to the eclipse of the general property tax. One has been the rise of nonproperty sources of State tax revenue; in 1902, income and sales taxes were unknown in State finance, but in 1957 these two sources supplied three-fourths of State tax revenue (30, p. 6). The other has been the exclusion of many categories of property from the general property tax base. Some of these forms of property have been exempted outright. Others, such as motor vehicles, carlines, air-flight property, and various forms of intangible property, have been subjected to special property taxes. By 1957, special property taxes amounted to $268 million, or 26 percent more than the amount collected under the general property tax (30, p. 11).

Despite the relatively great importance of the property tax in State finances in 1902, even then State property taxes were small compared with those levied by local governments. In that year, about 11 percent of all property tax revenue was collected by State governments, as against 89 percent by local units (21, p. 40). Since then the proportions have shifted still more toward local governments, so that by 1957, less than 2 percent of the total general property tax was collected by States (31, v. 3, No. 5, p. 21).

In its predominantly local nature, the property tax now resembles that of colonial times. As late as the 1840's, State governments used the property tax very little, leaving it almost entirely for local use. Gradually, State property taxes came to be superimposed on the local tax, with the result that by the late 19th century, the general property tax, applied at a uniform rate to virtually all classes of property, emerged as the dominant source of State revenue (12, pp. 92-114).

The increasing use of the general property tax for State revenues, however, led to difficulties. A Statewide uniform levy presupposes Statewide uniformity in assessment. But with the assessment function remaining primarily in the hands of local officials, assessment levels often varied widely from one community to another, with the result that the State property tax rested unevenly on taxpayers in different areas.

One way to meet this problem was to establish a State Tax Commission or Board of Equalization to enforce uniform standards of assessment throughout the State. By 1917, 35 States had established permanent State tax commissions, most of which exercised at least some degree of control over local property assessments (15, p. 3).

Another solution to the problem of nonuniform assessment of property subject to State taxation was for the State governments to leave the general property tax to the exclusive use of local governments, and to rely for their own revenues on income taxes, inheritance taxes, and levies on specified types of property. It was believed that, among other advantages, this separation of State and local tax sources would clear the way for improved assessment by removing the inducement for the undervaluation of property (2, p. 427).

In line with this doctrine, several States withdrew from the field of general property taxation between 1902 and 1922, and most of the others reduced their proportionate dependence upon the tax. The first State to give up taxation of general property for State purposes during this period was California. In 1906, the Report of the Commission on Revenue and Taxation recommended abolishing the State levy, and the recommendation was approved by the electorate in 1910 (3, pp. 21-24). Pennsylvania dropped its levy in 1913 (5) and North Carolina in 1920 (20, p. 1184). Delaware had abandoned its State property tax as early as 1878, but it was reimposed in 1921 and levied intermittently thereafter. There has been no State levy in Delaware in recent years (16, pp. 13-14). Whereas in 1902, 38 States obtained more than half their tax revenue from a levy on general property, by 1913, the number had dropped to 37, and by 1922, to 31.

The movement continued between 1922 and 1932, with Virginia giving up the tax in 1926 and New York in 1929 (4, 5). Vermont enacted an income and franchise tax in 1931, and simultaneously suspended the Statewide general property tax (4, 5). In 1932, general property tax revenue collected by State governments accounted for 21.9 percent of the total State tax revenue. Seven States continued to obtain half or more of their tax revenue from a general property levy. Most States, including these seven, were still partly dependent on the property tax; nonproperty tax sources were not yet developed to their fullest revenue potential.

The trend away from State property taxes continued throughout the next decade. In contrast to the earlier abandonments of State taxes on general property, which were associated primarily with the doctrine of separation of sources, changes in the 1930's were linked more closely with a policy of giving tax relief to property owners and making more revenue available to local units. The result was a substantial reduction in the proportion of tax revenue most States obtained from general property taxes.

Between 1932 and 1942, nine States abandoned taxation of general property for the purpose of financing State functions. Four of these States, Illinois in 1932, Michigan in 1934, Ohio in 1934, and Oklahoma in 1933 abandoned Statewide general property taxes and at about the same time adopted sales taxes (20, pp. 423, 739, 1224, 1317). 2/ In New Hampshire, the Tobacco Products Law of 1939 suspended the State's money levy on cities and towns for financial support of the State government (22).

In Oregon, no Statewide general property tax levy has been necessary since 1939 for the general fund, or since 1941 for the State elementary school fund. The State income tax adopted in 1930 was designed specifically to reduce the State's dependence on a general property tax. If revenue from nonproperty tax sources is sufficient to finance the State government, the State levy is suspended. Since 1953, the Tax Commissioner has been authorized to levy and collect a State general property tax for the purpose of debt service only if the balance on hand and prospective revenues from all tax sources are insufficient to balance the general fund. It appears that in the absence of extremely adverse fiscal circumstances, Oregon has abandoned the Statewide taxation of general property for State purposes (7, pp. 4, 11, 12; 23, pp. 29-30).

Rhode Island dropped its State property tax in 1935 (6, Ed. 8, p. 343); South Carolina abandoned its State levy except for utility property in 1937 (6, Ed. 13, p. 340); and Florida abolished its State levy in 1940 (9, pp. 1008-1009). By 1942, the proportion of all State tax revenue coming from general property taxes had declined to 3.5 percent. No State derived more than one-fourth of its tax revenue from this source.

A new reason for abandonment of State levies on general property was added in the 1940's. Because of wartime requirements for goods and services, current tax collections could not be fully expended, and surpluses accumulated. In the years immediately following World War II, rising costs led to the postponement of outlays wherever possible. As a result, pressures on State revenues diminished. During the period 1942-49, five States – Arkansas, Connecticut, Massachusetts, New Jersey, and Tennessee – stopped taxing general property.

In Connecticut, the State's money levy on cities and towns for State purposes was suspended in 1945 and 1946, and abolished in 1947 (6, Ed. 13, p. 320). The State money levy in Massachusetts was abandoned in 1947. (6, Ed. 13, p. 328). The State of New Jersey abandoned its State tax levy the same year. Like Oregon, New Jersey may levy a general property tax if the revenue from all State tax sources is insufficient to service certain bonded indebtedness (6, Ed. 13, p. 334). Arkansas abandoned the general property tax as a source of State revenue in 1947 and Tennessee followed in 1949 (24, p. 164).

2/ The State of Ohio reactivated a Statewide tax on general property in 1950 to finance veterans' bonus bonds.

During this period, two other States modified their State property taxes in such a way as to reduce greatly the amount of revenue derived from them. In Texas, a Constitutional amendment adopted in 1948, effective in 1951, prohibited the State taxation of general property for general revenue purposes (24, p. 164). The State continues to finance Confederate pensions, a college building fund, and distributive aid to public education by a statewide general property tax. Beginning in 1952, the municipalities in Maine extended the State tax rate, along with the rate fixed for local revenue purposes, but the revenue derived is retained by these governments. The State continues to collect a small amount of general property tax revenue from the unorganized townships (20, p. 645).

As of 1958, no State had abandoned its State levy on general property outright since Tennessee did so in 1949. The tax, however, has continued to recede in importance. In 1957, the proportion of State tax revenue obtained from this source was at a record low of 1.5 percent for the Nation as a whole. Only three States derived more than 10 percent of their revenue from the general property tax – Nebraska 31.4 percent, Wyoming 17.5 percent, and Arizona 11.7 percent. In dollars, Texas ranked highest with $32.4 million. Twelve other States obtained more than $5 million from this tax in 1957 (table 3).

Table 3. - States collecting more than $5 million in general property taxes, 1957

State	Amount	Percentage of total tax revenue
	Million dollars	Percent
Texas	32,407	4.9
Nebraska	23,156	31.4
Minnesota	14,700	5.0
Arizona	12,491	11.7
Louisiana	12,155	3.3
Alabama	11,366	4.9
Colorado	10,878	7.1
Indiana	10,165	3.4
Kansas	9,185	5.8
Maryland	9,065	3.6
Washington	7,015	2.0
New Mexico	6,487	6.7
Wyoming	5,851	17.5

Compendium of State Government Finances in 1957, (30, p. 11).

THE CURRENT ROLE OF THE STATE GENERAL PROPERTY TAX

An examination of the activities financed by State general property taxes reveals 3 broad categories. First, the State property tax may contribute to general revenues, with part or all of the revenue earmarked to the general fund. Second, it may be collected by the State but allocated to local governments. Third, it may pay the entire cost of a relatively minor State activity. The State general property tax contributes to all three categories in more than half of those 26 States that taxed general property for State purposes in 1957, (table 4).

By examining the State tax rates, it is possible to ascertain the disposition of general property taxes among the many activities financed. A proportional breakdown of the State tax rates (or classified rates) in 1957 according to the activities financed shows wide variation among States. In five States – Arizona, Georgia, Kentucky, Mississippi, and West Virginia – the entire general property tax revenue was earmarked to the general fund. Nine States – Alabama, Idaho, Louisiana, Missouri, Nebraska, Nevada, New Mexico, North Dakota and Wyoming – earmarked only a share of the State's revenue from this source for the general fund. 3/ In the country as a whole, 31 percent of the entire general property tax revenue (collected by State governments in 1957) was earmarked for State general funds (table 5).

Public schools are the second most important beneficiaries of Statewide general property taxes. In 1957, 24 percent of all State general property taxes in the United States was devoted to public schools. Six States earmarked from 8 to 83 percent of their State property taxes for this purpose, and Utah earmarked all State general property taxes for this purpose. 4/

Many additional activities are financed either partly or entirely by State general property taxes. In 1957, about 45 percent of the general property tax revenue for the country as a whole was earmarked for purposes other than the general fund or the support of public schools.

Fourteen States in 1957, compared with 22 in 1947, had levies for general funds. For the country as a whole, the proportion of general property tax revenue earmarked to the general fund and to higher education declined during this period. But the proportion devoted for the most part to educational building funds and special State schools (classified as "other" under "education" in table 5), State interest and sinking funds, veterans' bonuses and pensions, and numerous minor purposes, has increased during this period.

3/ In Missouri, one-third is further earmarked to local government in the form of public school aid (17, p. 33).

4/ Utah devotes the State income tax receipts to financing of public schools (32, p. 119).

Table 4. - Percentage distribution of State general property taxes according to activity financed, selected States, 1957 1/

States	General property taxes	Activity									
		General fund	Education			Veteran's bonus	Interest and sinking fund (State)	Confederate pension fund	State retirement fund	Forestry fund	Other
			Public schools	Higher education or special school	Other						
	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Alabama	11,366	39	46	---	---	---	---	15	---	---	---
Arizona	12,491	100	---	---	---	---	---	---	---	---	---
Colorado	10,878	---	---	30	38	---	26	---	4	---	2
Georgia	915	100	---	---	---	---	---	---	---	---	---
Idaho	2,371	91	---	---	---	---	9	---	---	---	---
Indiana	10,165	---	47	---	47	---	---	---	---	4	2
Iowa	3,640	---	---	---	---	100	---	---	---	---	---
Kansas	9,182	---	---	---	100	---	---	---	---	---	---
Kentucky	4,778	100	---	---	---	---	---	---	---	---	---
Louisiana	12,155	35	43	9	---	---	---	13	---	---	---
Maryland	9,060	---	---	---	---	---	100	---	---	---	---
Minnesota	14,700	---	---	2	42	1	39	---	---	---	16
Mississippi	3,532	100	---	---	---	---	---	---	---	---	---
Missouri	4,680	43	---	---	---	---	14	---	---	---	43
Montana	4,973	---	---	82	---	---	18	---	---	---	---
Nebraska	23,156	82	---	---	3	---	9	---	---	---	6
Nevada	2,185	94	---	3	---	---	3	---	---	---	---
New Mexico	6,487	79	8	---	---	---	12	---	---	---	1
North Dakota	2,569	54	---	---	---	22	---	---	---	---	24
Ohio	4,642	---	---	---	---	100	---	---	---	---	---
Texas	32,407	---	83	---	12	---	---	5	---	---	---
Utah	2,671	---	100	---	---	---	---	---	---	---	---
Washington	7,015	---	---	---	---	---	---	---	---	---	100
West Virginia	292	100	---	---	---	---	---	---	---	---	---
Wisconsin	3,012	---	---	---	---	---	---	---	---	100	---
Wyoming	5,851	20	80	---	---	---	---	---	---	---	---
Total	205,173	31	24	4	14	4	11	2	2/	2	7

1/ Percentages are based on State tax rates classified according to activity financed.
2/ Less than 0.1 percent.

Compendium of State Government Finances in 1957, (30, p. 11), and various State tax reports.

Table 5. - Estimated distribution of State general property tax revenue in the United States, 1947-57

Activity	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
General fund	56	38	44	42	39	35	32	34	37	35	31
Education:											
Public schools	21	26	24	24	26	26	27	26	25	26	24
Higher education	5	6	5	6	6	7	4	5	4	4	4
Other	2	5	6	6	6	8	9	9	10	11	14
State interest and building sinking fund	7	9	9	9	8	9	9	8	9	9	11
Veteran's bonus and pensions	3	8	5	6	9	9	9	8	6	6	6
All other	6	8	7	7	6	6	10	10	9	9	10
Total	100	100	100	100	100	100	100	100	100	100	100

Estimates for 1947-1956 inclusive, based on State tax rates and the taxable valuation of general property obtained or estimated from data published in the various State tax reports. 1957 estimate based on State tax rates and general property tax amounts; Compendium of State Government Finances in 1957, (30, p. 11).

These proportional tax distributions may vary from year to year because most States are at liberty to change or suspend their State tax rates. In 20 of the States shown in table 4 the authorization for establishing a State tax rate is vested with the State legislature or an official State agency, for example, a State Board of Equalization or State Tax Commission or Commissioner. In several of these States, the State general property tax bridges the gap between budgeted expenditures and anticipated revenues from all nonproperty tax sources.

In the remaining six States that levy general property taxes for State uses, the total tax rates for all purposes are relatively stable from year to year because of constitutional provisions authorizing the State levies. In Kentucky, where there is a classified tax rate structure, real property is subject to a State rate of $0.50 per $1,000 of taxable value, and tangible personal property is subject to tax rates varying from $0.50 on farm products to $15.00 on property of carlines (13, p. A-9). The constitution of Montana limits the State tax rate to $2.50 per $1,000 of taxable valuation with the proviso that the total rate may be increased if approved at a general election and levied for a specific purpose and duration (18). 5/ In West Virginia, the "tax limitation amendment" to the State constitution, approved in 1932, places the maximum State tax rate at $0.025 per $1,000 of taxable value of tangible and intangible personal property used in agriculture; $0.05 per $1,000 on farm and nonfarm residential property; and $0.10 per $1,000 on all other real or personal property located inside and outside of municipalities. The average rate of levy was $0.08 per $1,000 in 1957 (33, pp. v, 802-803). The established State tax rate per $1,000 of taxable value is $6.50 in Alabama (1), $0.25 (reduced from $5.00 by constitutional amendment approved in 1952) in Georgia (10), and $5.75 in Louisiana (14, p. 188).

Conclusions

The importance of the general property tax today contrasts sharply with its role 30 years ago. At that time, property taxation provided the bulk of both State and local government tax revenue. At present, relatively little of the total general property tax revenue in this country goes to finance State purposes. Twenty States have abandoned their levies on general property for State purposes, and in all except one of the remaining States, this tax source contributes little to State finances. Neither of the two newest States has a Statewide general property tax.

5/ Attention is directed to Roy J. Ely's study, A Digest of Taxes for State Purposes in Montana (8). The total State tax rate in Montana was $7.30 per $1,000 of taxable valuation in 1957 (19, p. 110).

In the face of persuasive reasons for State abandonment of the general property tax, the question arises, Why have so many States continued to tax general property for State purposes? The retention of a statewide general property tax in more than half the States is attributable to several reasons. In several States, the levy is a part of the constitutional tax system. In others, the tax levy may produce a share of the total State aid money apportioned among the localities for the purpose of financing a minimum public service, usually education. A statewide tax levy and the general property tax base may serve in many instances as a measure of local governmental fiscal capacity in the apportionment of State aid; from the viewpoint of equity and administration it may be desirable for the State to maintain some degree of supervision over local property assessments. At present, almost all States make some attempt to improve local property tax administration even if they obtain absolutely no revenue from this source (11).

In some States, the property tax offers one method of supplementing nonproperty taxes that may not equate the exact revenue requirements of a specific fiscal or calendar year. A statewide levy on general property may preclude the necessity for enacting new nonproperty taxes, modifying existing nonproperty taxes or borrowing, each of which, of course, may raise difficult legal or political issues. It is likely that may States which now tax or have intermittently taxed general property retain this tax source largely as a hedge against some temporary but unforeseen reduction in total State revenues.

It would be overspeculative to suggest that eventually all States will abandon their levies on general property. In the decade from 1949 to 1959, no additional States joined the list of those that have completely abandoned the property tax for State purposes. However, it is unlikely that in the future the general property tax will attain importance in financing State governments. 6/

6/ See, however, L. A. Stiles, A New Role For the State Property Tax, a paper presented at the 1959 annual meeting of the National Association of Tax Administrators. It is suggested that a State could levy a uniform statewide rate on property for the purpose of financing public schools and allocate the proceeds to local government. In return, the taxation powers of local schools for operating expenses would be revoked. Complicated State aid apparatus would be abolished, and the State would exercise more comprehensive powers in assessment and equalization of the tax base.

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