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The Michigan State-Local Tax System

How Does It Rate?

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GLOSSARY

CIRCUIT-BREAKER A property tax relief program that bases the amount of relief on the income of the property owner.

ELASTICITY A measure of how responsive the growth of the base of a tax is to economic growth. For example, a highly elastic tax will grow faster than the economy.

FISCAL CERTAINTY A fiscal environment that undergoes few changes, providing business greater certainty that today's tax base or tax rates will be tomorrow's tax base or tax rates.

FISCAL EQUALIZATION Aid provided by a higher level of government to a lower level of government to compensate for the latter's limited ability to generate sufficient revenue.

FLAT RATE INCOME TAX An income tax rate that levies the same tax rate regardless of income level.

GENERAL REVENUE SHARING Aid payments that are unrestricted as to how they can be used, made by the federal government to state governments and by state governments to local governments.

GRADUATED INCOME TAX An income tax that levies increased rates as the income level increases.

HORIZONTAL EQUITY Equal tax treatment of equals; i.e., persons with the same incomes have the same tax burden.

INDEXING The adjustment of tax rates, tax credits, and exemptions for inflation. For example, the value of the personal income tax exemption would be increased by the annual percentage increase in the consumer price index.

MARGINAL TAX RATE The highest tax rate paid by a taxpayer. The marginal tax rate is always higher than the average tax rate.

NEUTRALITY The concept of taxing all forms of economic activity equally. For example, providing equal tax treatment for labor and capital costs, or for corporations and partnerships.

OWN-SOURCE REVENUE The revenue generated by a unit of government from its own tax base; this excludes aid from another level of government.

PROGRESSIVE TAXATION A tax or tax system that takes a larger proportional share of the income of high-income persons than of low-income persons.

RAINY DAY FUND Money that is set aside during good economic times for use in poor economic times. It is also known as a budget stabilization fund.

REGRESSIVE TAXATION A tax or tax system that takes a larger proportional share of the income of low-income persons than of high-income persons.

TRUTH-IN-TAXATION LAW A law that requires property tax rates to be rolled back to offset assessment increases, unless the appropriate governing body formally votes to allow an increase in property taxes.

VALUE-ADDED TAX A tax levied on the value added during the processing of a raw material or service. This value takes the form of labor, interest, rent, and profits.

VERTICAL EQUITY Unequal tax treatment of persons with unequal incomes; i.e., persons earning high incomes pay higher taxes than persons with low incomes.

WORLDWIDE UNITARY APPORTIONMENT A system of business taxation that includes a company's worldwide income in the base that a state can use for purposes of taxation.

The Michigan State-Local Tax System: *How Does It Rate?*

INTRODUCTION

Michigan's tax system has undergone considerable revision in the last twenty years. Personal and corporate income taxes were adopted in 1967, the nation's largest property tax relief program was enacted in 1973, the nation's only value-added tax was adopted in 1976 as a replacement for seven business taxes, and throughout this period property tax reforms such as truth in taxation, the tax tribunal, and equalization by class were adopted. Most of these changes are generally viewed as improvements, providing a more balanced, productive, and equitable tax system. This paper evaluates the Michigan tax structure relative to criteria thought to represent a good state-local tax system and compares Michigan with the other states. This comparison is based on a weighted point system that is discussed later in the paper.

There are a number of views on how to design a good tax system. One is that a tax system should extract "the most feathers with the fewest squawks." This can be done by levying heavy taxes on immobile factors such as natural resources, by taxing nonresidents, or by relying on taxes that are less objectionable to taxpayers such as excise and sales taxes.

An opposite view is that taxation should be as painful as possible so taxpayers will resist increases for programs that are not of the highest priority. The taxes that taxpayers find most "painful" are probably the residential property tax and a steeply graduated income tax.

In actual practice neither of these schools of thought prevailed in the development of the 50 state-local tax systems, which have evolved instead mainly in response to local economic conditions, political philosophies, and accidents of history. However, in the last 20 years there have been numerous proposals for tax reform based, in part, on traditional principles of taxation.[1] Some general principles are that a tax system should be:

1. **Balanced**—to minimize overreliance on any one tax source,
2. **Broadly Based**—to provide evenhanded treatment to all taxpayers,
3. **Equitable**—to shield low-income taxpayers' subsistence income and extract a reasonable contribution from those most able to pay,
4. **Adequate and Efficient**—to raise the necessary revenue in as efficient a manner as possible, avoiding reliance on a complex maze of taxes, and
5. **Simple**—to minimize compliance costs for both taxpayers and tax collectors.

HISTORICAL PERSPECTIVE

In the 1960s and early 1970s it was felt that a high quality state-local tax system should have three essential characteristics:

1. An ability to generate sufficient revenue to finance most of the costs of public elementary and secondary education, all of the nonfederal costs of welfare, and the costs of traditional state programs. A high growth potential (elasticity) for state-local revenue systems was considered particularly important because of the rapidly escalating costs of public services, such as Medicaid, education, and highways.
2. A balanced use of the "big three"—property, income, and sales taxes.
3. A means to shield subsistence income from taxation.

An additional objective was to strengthen the fiscal and administrative position of state governments—then considered the weak links in the intergovernmental system—thereby constructing a powerful check against the centralization of power in Washington.

The five traditional principles of taxation mentioned earlier have not gone out of style, but they have been modified to reflect changing economic conditions and political philosophy since the mid-1970s. At that time, political accountability began to become more important. One concern was that tax increases should be the result of overt, discretionary actions by state and local officials and not the result of the silent and automatic consequences of inflation. Also, the serious recessions in 1974-75 and 1980-83 have caused state and local policymakers to give much greater weight to economic development, and taxpayer "revolts" have greatly increased concern about the size of the public sector.

[1]See *State Tax Study Commissions: An Overview of Four Approaches*, National Conference of State Legislators, Legislative Finance Paper #481, April 1985, for a brief review of recent state tax studies.

In addition, a new and critical aspect of today's economic and political environment is the role of competition. The competitive environment of the 1980s is causing state and local governments to recognize the need for moderate tax rates and a good business climate. Competition has evolved as a result of several factors:

1. International economic competition has become much more intense. This has caused a loss of jobs in many basic industries such as steel and automobiles and in high-tech industries such as electronics. It has spurred state and local officials to fight back with financial incentives.
2. Domestic economic competition has also intensified. Political entities have become much more aggressive in competing for jobs with foreign countries and other states. Witness the competition for the General Motors Saturn plant involving almost half the states.
3. The federal government has reduced its support to state and local governments. In 1980 federal aid equaled 31.7 percent of all state-local own-source revenue. By 1984, this figure had fallen to 23.7 percent, and it will continue to fall for the next few years. This has put pressure on state and local governments to raise more revenue on their own, and one way to do this is to broaden their economic bases by attracting new business.
4. Companies have less home-state loyalty than in the past. The pattern of economic growth has been shaped, in large part, by the location of natural resources, transportation routes, and historical accident. Once established, companies tended to develop deep roots and loyalty to their home states. However, the more competitive environment has forced many companies to consider new locations, particularly if the factors that dictated their original choice have changed.

This new environment will become even more competitive if President Reagan's proposal to repeal federal deductibility of state and local taxes is passed. This would widen the net tax differences among the states and put pressure on high tax states to lower their taxes—especially their personal income tax rates. (Under the proposal, business taxes would continue to be deductible.) This could also cause states to move from graduated to flat rate income taxes, as taxpayers in the upper brackets could no longer pass 50 percent of the state income tax bill on to the federal government.

The volatile economic conditions of the past 15 years have increased the desirability of stability in taxation. In Michigan this led to the adoption in 1976 of the single business tax, a value-added type tax that is much more stable than the roller-coaster performance of the corporate income tax. The desire for stability has also increased the use of "rainy day funds," now in place in 24 states.

Equity considerations remain important, but the emphasis has shifted away from the traditional vertical equity concerns that were aimed at redistributing income from the rich to the poor. Shielding the income of the poor is still viewed as an important goal, but there is increased recognition that the geographic mobility of firms and households ("voting with your feet") precludes the use of highly progressive tax rate structures by state and local governments. However, in the slow-growth era of the 1980s, policymakers are likely to give greater attention to questions of horizontal equity in the distribution of state-local tax burdens. A wide range of exclusions, deductions, credits, and exemptions that narrow the tax base have been adopted. Whatever the merits of these tax preferences in achieving social objectives, they certainly violate the principle of equal treatment of taxpayers with equal ability to pay. Tax reform in the 1980s, whether at the federal or state level, is most often aimed at broadening the tax base so as to lower tax rates.

One criterion of a good state-local tax system that has changed little over the years is balance. However, one caveat has been added and there has been a slight shift in emphasis. First, for those fortunate few states that can export a significant share of their taxes to nonresidents (tourists, out-of-state businesses, and energy consumers), balance is not a relevant objective. Second, although there is much room for improvement in the area of state tax diversification, the emphasis has shifted to local revenue diversification. The increased use of state sales and income taxes in the 1960s and 1970s relieved pressure on the local property tax. Increased reliance on local income and sales taxes and user charges may provide property tax relief in the 1980s.

CHARACTERISTICS OF A HIGH QUALITY TAX SYSTEM IN THE 1980s

This section of this paper discusses in detail current thinking about the desirable characteristics of a high quality state-local tax system. The income tax, the sales tax, the local property tax, business taxes, and excise taxes are each discussed briefly. The five traditional principles of taxation are combined with the new competitive orientation of taxation to produce what might be described as a pragmatic, forward-looking view of state and local tax policy.

Personal Income Tax

The income tax is generally considered to be the cornerstone of a tax system, as it is the fairest and most productive revenue source available to state and local governments.

In fiscal year 1983, the personal income tax accounted for 15.2 percent of state-local tax revenue nationwide, and 22.9 percent in Michigan. The personal income tax is a much more important tool to states (30 percent of all taxes collected) than to local governments (4.3 percent of all taxes collected). The income tax is used by every state except Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. In Connecticut, New Hampshire, and Tennessee the tax is applied only to unearned income (dividends and interest).

State and local income taxes vary widely in rates, deductions, exemptions, income definitions, and administration. There is no prescription for the perfect income tax, but there are several generally agreed upon criteria that should be given weight in the design of a state or local income tax.

1. A personal income tax should provide 20 to 35 percent of all state-local tax revenue.
2. The rates of an income tax, whether graduated or flat, should not be markedly higher than rates in surrounding areas.
3. A state or local income tax should offer personal exemptions or credits at least as generous as the federal income tax exemptions.
4. The number of deductions allowed on state income taxes should be minimized.
5. State and local income taxes should be indexed for inflation.
6. A state should share the proceeds of the personal income tax with local units of government or permit local income taxation with proper safeguards.

The question of a graduated versus a flat rate has been raised in Michigan on several occasions. The Michigan Constitution prohibits a graduated rate, and Michigan voters have soundly rejected on three separate occasions an amendment that would allow a graduated rate.

A graduated rate has been favored by most states—only four states levy a flat rate on all income—but a well-designed income tax is not limited to graduated rates. Graduated rates have been favored heavily because they are thought to be fairer (more progressive) and they increase the growth potential of the tax.

There has, however, been a rethinking of the advantages of graduated income taxes in recent years as evidenced by the various proposals to reduce the number of brackets as well as the top rate of the federal income tax. High tax rates at the higher income levels are now generally viewed as detrimental to economic growth because they discourage saving and may reduce the incentive to work. The high elasticity of the graduated income tax is no longer considered a clear advantage, because it can permit excessive increases in government spending, and current thinking is that revenue growth should not outpace economic growth. A final point is that the federal deductibility of state income taxes has encouraged graduated rates. If this deduction is eliminated, as has been proposed by President Reagan, more states may move to flat rate or less graduated income taxes. In most cases, the result would be only a small loss in progression and growth potential, as generous exemptions and credits can make a flat rate income tax nearly as progressive as a graduated one.

Sales Tax

The general sales tax is the second largest state revenue source, accounting for 32 percent of all state tax revenue in FY 1984. In Michigan, the sales tax accounts for 26.4 percent of all state revenue and 15.8 percent of total state and local revenue. There are only five states that do not levy a sales tax—Alaska, Delaware, New Hampshire, Montana, and Oregon.

The sales tax deserves heavy weight in a state-local tax system because it is: (1) productive, (2) relatively stable, (3) exportable to nonresidents, particularly in tourist states, and (4) according to most public opinion surveys, the least unpopular tax largely because it is viewed as voluntary by the taxpayer and is collected in small amounts.

Conventional wisdom holds that a good state sales tax should meet the following criteria:

1. It should provide 20 to 30 percent of all state-local tax revenue.
2. The rate of the sales tax should not be out of line with rates in surrounding states.
3. It should exempt food, drugs, and utilities or provide a tax credit for purchase of these items.
4. It should tax most services, as well as goods.
5. The proceeds of the sales tax should be shared with local governments, or localities should be allowed to levy sales taxes subject to state-imposed safeguards.
6. A strong audit and enforcement program should be maintained to protect the integrity of the tax base.

The Michigan sales tax does not meet the criteria as well as does the Michigan income tax. The sales tax is somewhat underutilized, partly because most services are not subject to taxation. Food and drugs are exempt from the Michigan sales tax, but utilities are taxed. (Nationwide, 29 states exempt food, 43 states exempt prescription drugs, and 32 states exempt utilities.) On the positive side, the Michigan rate of 4 percent is the lowest in the Great Lakes region and below the United States median rate of 4.625 percent.

In Michigan, 15 percent of the proceeds of the sales tax is shared with local units of government. Local sales taxes are not permitted in this state, although their use has proliferated elsewhere. There are 26 states in which local sales taxes are levied. In 1970, sales taxes accounted for 7.9 percent of all local tax revenue; in 1984, sales taxes provided 14.5 percent. Local revenue diversification is an appropriate response to changing fiscal needs, economic conditions, and taxpayer attitudes, but a local sales tax is not the most desirable revenue source for that purpose. Its major weaknesses are that it can add considerable administrative expense and create serious competitive problems for local retailers.

■ Property Tax

Property taxes are the preeminent local revenue source and will continue to be so for the foreseeable future. However, in recent years the trend has been toward a more diversified local revenue system. Nationally, in 1970, local property taxes were 64 percent of all local own-source revenue. By 1983, the property tax share had fallen to 47 percent, as local governments made greater use of sales and income taxes and user charges. In Michigan, the decline has been much more modest, going from 66.4 percent in 1970 to 61 percent in 1983. If an adjustment were made for state-provided property tax relief, the declines would be more dramatic.

The decline in the use of the property tax can be attributed to four factors: (1) self-imposed discipline as many local officials became concerned that individuals and businesses were being driven away by high property taxes; (2) voter-imposed restraints such as Proposition 13 in California and Proposition 2½ in Massachusetts; (3) greater elasticity of other revenue resources; i.e., sales and income taxes; and (4) increased state aid for education.

The property tax is the most criticized of the major taxes used by state and local governments. The major criticisms are that the tax: (1) is unfair (regressive), (2) discourages improvements on property, and (3) encourages flight from central cities.

Despite its weaknesses, the property tax will continue to be the primary local revenue source because it has several important advantages. First, it provides a stable source of revenue for local governments. Second, the property tax is productive, allowing for considerable local fiscal independence. Third, it is a means of taxing nonresident property owners who, because they are absent, escape income and other local taxes. Fourth, the property tax is the only major tax that can recapture for the community some of the property value the community has created by providing good public services. Fifth, the tax provides fiscal accountability as there is a clear link between taxes paid on the one hand and expenditures for local schools, police, and fire protection, etc. on the other.

It is felt that the virtues of a property tax can be maximized and the weaknesses minimized by adopting certain safeguards.

1. The property tax should provide 20 to 30 percent of all state-local tax revenue.
2. State and local governments should work together to insure that the property tax burden does not become excessive.
3. States should finance a "circuit breaker" property tax relief program to shield low-income taxpayers from excessive tax burdens.
4. Property should be assessed on average at no less than 80 percent of full market value (100 percent is the ideal).
5. Property tax laws should include a mechanism to prevent automatic, unrestrained increases in revenue from inflation-induced assessment increases.
6. The property tax should be administered fairly and equitably.

Michigan scores well in terms of administration of the property tax, placing sixth among the states in the ranking that is presented later in this paper, but loses points for overutilization of the tax. Property taxes in Michigan account for 41.6 percent of all revenue generated from state and local taxes; only in five states is there more reliance on the property tax. However, the State of Michigan does have the most generous property tax relief program in the nation; taking account of this relief would improve Michigan's ranking but would not bring the property tax share of total state-local tax revenue below 30 percent.

The heavy property tax burden in Michigan is related, in large part, to the state's poor performance in fiscal equalization. In Michigan, the State picks up only 36 percent of the total cost of local education compared with a national average of 52 percent—only five states provide less support than Michigan.[2]

[2]The data used in this report are for 1983 for the most part.

Business Taxes

It can be argued that for business taxation it is no longer sufficient to rely on the general principles that apply to taxes that fall directly on individuals. However, because of the confused and undeterminable distribution of business taxation and the conflicting interests involved, it has been difficult to develop business tax principles that are widely accepted.

A fundamental issue in business taxation is whether states would do better to strive for a uniformly applicable, comprehensive, and nondiscriminatory business tax system or whether they should seek to tax businesses differently and selectively based on the inelasticity of demand for their outputs, or the inelasticity of their supply of inputs, or on the basis of their inability to relocate. The former approach may be more equitable, but the latter may be more efficient in maximizing revenue while minimizing political discord and the effects on the economy and the business climate.

The desire to maintain a favorable business climate and remain competitive with other states is a major factor in the level of business taxes, but it does not completely explain why state and local governments select particular types of taxes. It can be argued that sometimes state and local governments are susceptible to the "herd instinct," that they tend to adopt a tax that is widely used in other states.

There are, however, a number of practical considerations that play a role in the evolution of state-local business tax systems. These include:

1. Distribution of tax burden,
2. Revenue productivity and tax neutrality,
3. Responsiveness to economic growth,
4. Ease of administration and compliance,
5. Stable fiscal environment,
6. Ratio of business to nonbusiness taxes, and
7. "Exportability" of taxes.

The factors mentioned above are all valid considerations in developing both business and personal tax structures for a state. If uniformity, nondiscrimination, and the maintenance of a good business climate are viewed as appropriate objectives, there are several additional criteria that have merit. These criteria are not necessarily valid for all states because of differences in state economies, fiscal conditions, and political environments. However, the following provide a framework for a good state-local business tax system.

1. A business tax system should be broad based with some consideration of ability to pay.
2. The tax structure should be applicable to all forms of business organization.
3. It should provide immediate write-off for capital investment and dispense with special tax inducements.
4. The number of separate taxes within a business tax system should be kept to as few as possible.
5. A stable tax base should be used.
6. States should provide funding to local governments to allow local repeal of personal property tax on inventories.
7. Rates should be moderate for unemployment insurance and workers' compensation as well as for general business taxes.

Michigan meets most of these criteria, largely because of the adoption of the single business tax, a modified value-added tax, in 1977. The major shortcoming in Michigan's business tax system is the high rates for unemployment insurance and workers' compensation, although progress has been made on this front in recent years.

Excise Taxes

Excise taxes on alcohol, tobacco, and motor fuel are relatively minor sources of revenue for most states. Exceptions are New Hampshire, which collects 28.1 percent of its tax revenue from these sources, and most southern states, which raise from 15 percent to 18 percent of tax revenue from this source. Nationwide, these taxes account for less than 10 percent of all state-local tax revenues. In Michigan, the figure is about 6 percent. However, these revenue sources can be quite important because they can usually be increased with a minimum of political opposition and are productive enough to meet small budget shortfalls—a convenient chink filler. Since 1980, almost every state has increased one or more of these taxes.

Excise taxes have three major disadvantages. First, they have very little growth potential; nationwide revenue from these taxes increased only 9.5 percent between 1979 and 1983, despite numerous rate increases. Second, they are regressive, falling more heavily on low-income persons than high-income persons. Third, they are susceptible to tax evasion. In the 1970s cigarette smuggling was a particularly serious problem [states lost 10 percent of cigarette revenues according to a 1975 Advisory Commission on Intergovernmental Relations (ACIR) estimate], and in the 1980s avoidance of the motor fuel tax has become a major problem.

If states must rely on excise taxes, there are three actions that can be taken to improve their revenue potential.

1. Specific taxes (levied per unit) should be replaced by ad valorem taxes (levied on value).
2. State and local governments should use restraint in setting excise tax rates.
3. When excise tax rates are increased, a share of the proceeds should be earmarked for law enforcement and audit programs.

RATING THE FIFTY STATE-LOCAL FISCAL SYSTEMS

This section of the paper reports the results of the six major tests developed by the author to rate the state-local fiscal systems. These tests are: overall fiscal system, revenue balance, tax equity, fiscal equalization, property tax administration, and business climate. Every state is rated on each test, and all tests and scores are combined to develop an overall ranking for all fifty states. The section concludes with a discussion of the overall ratings that includes some caveats about the use of these ratings and a comparison with similar ratings developed by the ACIR in 1975.

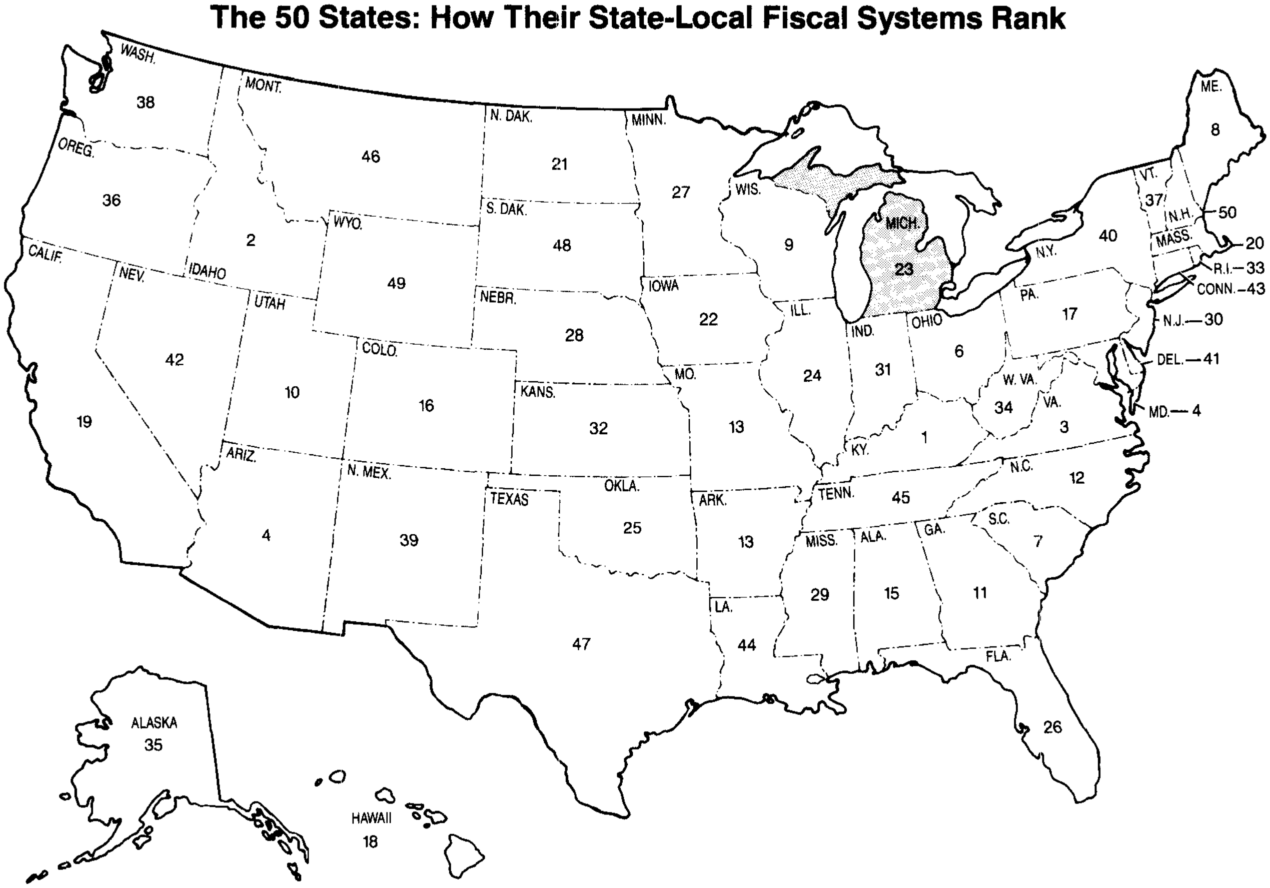
■ Overall Fiscal System

This test has two indicators. The first measures the state share of the state-local tax system. States are awarded ten points if the share is over 50 percent. A low state share generally indicates that a state is providing little financial support to local governments, thereby forcing the local governments to overuse the property tax.

The second indicator measures the elasticity or progressivity of the overall state-local tax system. States are awarded 20 points if the progressivity index is from .9 to 1.1, indicating a nearly proportional tax system. Points are deducted if the index is outside this range. More points are deducted if the index is less than .9 than if it exceeds 1.1, on the basis of a judgment that a regressive, unresponsive tax system is more undesirable than a highly progressive, responsive (to economic growth) tax system. The negative aspects of a highly progressive system are that it can influence affluent taxpayers to locate elsewhere and that revenue grows faster than the economy thereby transferring resources from the private to the public sector.

FIGURE 1

The 50 States: How Their State-Local Fiscal Systems Rank



Michigan ranks 16th on this test, as it is one of eight states with a taxes system progressivity index between .9 and 1.1. However, Michigan scores only 3.3 points out of 10 possible on the state share indicator. The state's relatively low contribution to total state-local taxes is one reason for Michigan's high property taxes.

■ Revenue Balance

This test measures how balanced a state's revenue system is in the use of the "big three" revenue sources—personal income taxes, general sales tax, and local property tax. A state receives a maximum of 50 points if the sales and property taxes contribute between 20 and 30 percent each and the personal income tax between 20 and 35 percent of total state-local tax revenue. States are penalized more for overuse of the property tax and sales tax than for overuse of the personal income tax. The states with perfectly balanced systems are Arkansas, California, Georgia, Missouri, and South Carolina. Utah, North Carolina, Idaho, and Kentucky are close behind. Michigan ranks only 31st because of overutilization of the property tax and underutilization of the sales tax. For more detail, see Appendix Table 1.

■ Tax Equity

This test attempts to measure the overall fairness of a state-local tax system in terms of relief for low-income taxpayers, inflation protection for all income taxpayers, and a broad-based sales tax to insure equitable treatment for all forms of consumption.

In the mid-1970s, ACIR developed a rating system that included the progressivity of the state income tax under this test. The author has dropped this criterion because current thinking is that a highly progressive income tax can be harmful to a state's business climate and result in a transfer of resources from the private sector to the public sector. However, in the overall fiscal system test a similar criterion is included as a measure of the elasticity of the state-local tax system.

The states that fare best on this equity test are Minnesota, California, Wisconsin, Maine, and Arizona. Michigan does fairly well, ranking 14th, due mainly to a generous "circuit breaker" property tax relief program and a sales tax exemption for food and drugs.

■ State Fiscal Equalization

This test measures the level of support state governments provide to their local governments for welfare, education, health and hospitals, and other services. This is important not only because local governments in total have less revenue raising ability than state governments, but also because of the wide disparities in their ability to raise revenue. State support relieves pressure on the major local revenue source, the property tax, and allows for adequate provision of traditional local services such as police and fire protection, recreation, sewage, and garbage collection.

A statistical test was used to measure the correlation between local government reliance on the property tax on one hand and, on the other, state support for secondary and elementary education, welfare, health and hospitals, highways, and general revenue sharing. The results indicated that general revenue sharing and state support for health and hospitals have no effect on the use of the property tax. State support for welfare and highways has a small effect on local use of property taxes. Not suprisingly, there was a strong negative correlation (R^2=.694; T Value of -10.44) between state support for education and local use of the property tax. For this reason, support for education was weighted double in the rating system.

The rating system makes an implicit judgment that the higher the level of state support to locals the better, with one exception—no points are awarded for state support for local education above 70 percent. This cutoff point is arbitrary, but it is an attempt to balance the importance of state support against the virtues of local input and control. The author's judgment is that above this level the state begins to exercise too much control over local education. The states that provide more than 70 percent support for local education are Alabama, Alaska, California, Delaware, Hawaii, Kentucky, New Mexico, Oklahoma, and Washington.

The states that provide the most financial support through all programs to local governments are Alaska, New Mexico, Delaware, Mississippi, and Hawaii. The states providing the least support are Nebraska, New Hampshire, South Dakota, Oregon, and Michigan (46th). All of these states have above-average dependence on the property tax. As mentioned earlier, Michigan fares poorly in state support for education, and in its general revenue sharing program.

■ Property Tax Administration

The property tax has been a lightning rod all over the country for taxpayer discontent in recent years. This is due to the high visibility of the tax and uneven administration, which has created a perception of unfairness. It is, therefore, very important that the property tax be administered in a fair and professional manner. This test equates uniformity with fairness and uses four measures of uniformity: (1) uniformity of assessments within assessing districts (the intra-area coefficient of dispersion); (2) uniformity of assessments among assessing districts (the inter-area coefficient of dispersion); (3) compliance with state assessment law; and (4) closeness to full-value assessment (100 percent of market value). Also, bonus points are awarded to states that provide inflation protection through "truth-in-taxation" laws. Most states impose limitations on local property taxes, but such limits are not desirable, mainly because they reduce local fiscal independence and are generally inflexible.

The states with the highest rating for property tax administration are Virginia, Kentucky, Florida, Idaho, Oregon, and Michigan. Michigan has a high ranking because the state scores well on both uniformity measures—assessment uniformity within and among jurisdictions—and because of a truth-in-taxation law. (See Appendix Table 2.)

■ Business Climate

This is a test that has not before been included in evaluations of state-local fiscal systems. It is included here because competition for jobs has become a major state and local government concern in the 1980s. In general, to be attractive to business a state must have moderate tax rates; a fair system of business taxation; a reasonable degree of fiscal certainty; and good public services, particularly education and transportation. There may not be general agreement on a definition of a good business climate, but there appears to be fairly widespread agreement on the features of a *poor* business climate—the "sore thumbs." A state with too many will be at a competitive disadvantage with other states and countries. This test identifies these "sore thumbs" and deducts points for each. The poor business climate indicators included in this test are a high tax burden; highly progressive marginal personal and corporate income tax rates; no provision for property tax exemptions for inventories, machinery, and equipment; no sales tax exemption for industrial machinery; the presence of worldwide unitary apportionment; and above average workers' compensation and unemployment insurance rates. These last two factors have grown so large that in some states they have become a more important business climate factor than general business taxes. Worldwide unitary apportionment of corporate income is an important financial consideration, but it has also become a very emotional issue with many multinational firms and its existence in a state can be a strong negative factor for these firms.

These business climate factors must be carefully balanced with the traditional business criteria outlined elsewhere in this paper. A state that tilts heavily to a pro-business policy may shift too much of the tax burden to individuals or sacrifice the quality of public services. Also, because factors such as geography, labor costs, quality of work force, etc. are more important in business location decisions than is tax policy, a state that receives a high negative rating on this business climate test may still have a strong overall attraction for business.

The states with the highest ranked business climates are Missouri, Tennessee, South Dakota, New Jersey, Alabama, Illinois, South Carolina, and Virginia. In view of General Motors' decision to locate the Saturn plant in Tennessee, it is interesting to note that the state ranks second on the business climate test, but only 47th overall.

The states with the lowest rated business climates are California, Minnesota, Iowa, West Virginia, Rhode Island, Michigan (45th), and New York. Michigan rates poorly due mainly to high workers' compensation and unemployment insurance rates.

THE FINAL REPORT CARD

Table 1 sets forth the final results of this effort to rate the states on the basis of the criteria outlined in this paper. The overall scores range from 138.7 to 24.0, with an average of 91.3 (200 maximum). The highest rated states are Kentucky, Idaho, Virginia, Maryland, and Arizona. The lowest rated states are New Hampshire, Wyoming, South Dakota, Texas, and Montana. Michigan ranks 23rd with a score of 95.4. One trait the low-rated states have in common is that they have access to a special revenue source such as natural resources or tourism. As a result, these states either do not use a sales or income tax or, if they do, they levy low rates, resulting in a low score on revenue balance. This is one weakness in the rating system, as revenue balance is not especially important in these states. However, a balanced revenue system does not guarantee that a state will have a high overall rating, although it is a very important factor. The correlation between the revenue balance rating and the overall rating is .61.

It is interesting to note the effect of the business climate test on the overall rating, as such a test is being used for the first time. (See Table 2.) For most states, it means only a small change in their overall rankings. However, some states do experience a large drop in the overall ranking due to a poor rating on the business climate test. For example, Michigan falls from 15th to 23rd in the ranking, California falls from 6th to 19th, Minnesota from 13th to 27th, and Iowa from 12th to 22nd.

A comparison of these ratings with the 1975 ratings prepared by ACIR indicates that there has been a substantial change in the relative positions of the states in the past decade. Some of this movement is the result of change in the rating system, particularly the addition of the business climate test. However, other reasons for changes in position can be easily identified. For example, Missouri moved from 36th position in the 1975 ACIR

TABLE 1

The Final Report Card: A Rating of the 50 State-Local Fiscal Systems on the Basis of Six Major Fiscal Criteria, ( ) Rank

	Grand Total (200 Possible)	Overall Fiscal System (30 Possible)	Revenue Balance (50 Possible)	Tax Equity (35 Possible)	State Fiscal Equalization (50 Possible)	Property Tax Administration (35 Possible)	Business Climate (Maximum Deduction of 40)	Comparison: 1975 ACIR Rankings[a]
United States Avg.	91.2	17.8	35.3	13.7	26.4	11.0	−14.6	—
Kentucky	138.7 (1)	20.3 (22)	49.0 (9)	11.0 (34)	36.7 (7)	29.9 (2)	−8.2 (9)	4
Idaho	126.3 (2)	24.1 (12)	49.1 (8)	11.0 (34)	29.5 (19)	27.9 (4)	−15.3 (29)	20
Virginia	122.9 (3)	24.3 (11)	45.0 (15)	6.0 (45)	23.7 (33)	31.9 (1)	−8.0 (7)	25
Maryland	119.7 (4)	24.9 (6)	43.9 (17)	19.0 (10)	25.6 (26)	23.1 (10)	−16.8 (35)	6
Arizona	119.7 (4)	28.4 (2)	42.2 (19)	24.0 (5)	25.5 (27)	8.1 (30)	−8.5 (11)	34
Ohio	119.4 (6)	23.5 (15)	46.5 (12)	17.0 (17)	22.4 (38)	21.0 (12)	−11.0 (17)	18
South Carolina	116.9 (7)	17.9 (30)	50.0 (1)	24.0 (5)	33.0 (12)	0 (41)	−8.0 (7)	22
Maine	116.5 (8)	23.1 (18)	41.2 (21)	27.0 (4)	30.5 (16)	12.9 (16)	−18.2 (39)	23
Wisconsin	114.3 (9)	26.8 (3)	40.2 (22)	28.0 (3)	27.8 (22)	12.0 (17)	−20.5 (41)	5
Utah	112.8 (10)	25.9 (4)	49.2 (6)	12.0 (31)	31.3 (15)	9.4 (25)	−15.0 (25)	14
Georgia	108.0 (11)	25.9 (4)	50.0 (1)	3.0 (46)	28.2 (21)	13.9 (14)	−13.0 (23)	27
North Carolina	106.7 (12)	24.7 (7)	49.2 (6)	7.0 (43)	29.5 (19)	6.3 (33)	−10.0 (13)	29
Missouri	104.7 (13)	23.2 (17)	50.0 (1)	11.0 (34)	20.5 (43)	0 (41)	0 (1)	36
Arkansas	104.7 (13)	21.6 (21)	50.0 (1)	13.0 (26)	30.1 (18)	0 (41)	−10.0 (13)	26
Alabama	102.2 (15)	24.5 (8)	44.8 (16)	3.0 (46)	34.1 (8)	1.8 (40)	−6.0 (5)	32
Colorado	100.3 (16)	19.4 (25)	42.2 (19)	21.0 (8)	21.8 (41)	7.4 (32)	−11.5 (20)	10
Pennsylvania	99.8 (17)	20.1 (23)	47.0 (11)	18.0 (14)	26.2 (24)	5.0 (34)	−16.5 (34)	15
Hawaii	98.6 (18)	13.4 (35)	38.9 (24)	12.0 (31)	39.3 (5)	10.0 (21)	−15.0 (25)	1
California	98.4 (19)	13.0 (36)	50.0 (1)	29.0 (2)	34.0 (9)	4.9 (36)	−32.5 (50)	11
Massachusetts	97.4 (20)	24.4 (9)	36.1 (28)	11.0 (34)	32.2 (14)	10.0 (21)	−16.3 (32)	42
North Dakota	97.2 (21)	29.1 (1)	34.3 (30)	18.0 (14)	30.3 (17)	1.0 (39)	−15.5 (30)	13
Iowa	96.4 (22)	23.8 (13)	36.7 (27)	19.0 (10)	18.9 (45)	24.6 (8)	−26.6 (48)	17
MICHIGAN	95.4 (23)	23.3 (16)	34.2 (31)	18.0 (14)	18.2 (46)	27.0 (6)	−25.3 (45)	2
Illinois	93.3 (24)	11.6 (39)	37.3 (25)	13.0 (26)	21.1 (42)	17.2 (13)	−6.9 (6)	38
Oklahoma	91.4 (25)	19.0 (28)	46.0 (14)	11.0 (34)	36.9 (6)	0 (41)	−21.5 (42)	35
Florida	91.1 (26)	8.7 (45)	24.7 (39)	13.0 (26)	25.7 (25)	28.0 (3)	−9.0 (12)	12
Minnesota	90.5 (27)	10.3 (42)	46.3 (13)	31.0 (1)	25.1 (28)	8.3 (29)	−30.5 (49)	9
Nebraska	90.4 (28)	22.0 (20)	33.8 (32)	11.0 (34)	13.3 (50)	21.8 (11)	−11.5 (20)	33
Mississippi	88.2 (29)	19.5 (24)	31.8 (33)	8.0 (41)	39.9 (3)	0 (41)	−11.0 (17)	28
New Jersey	87.3 (30)	13.8 (33)	24.9 (38)	16.0 (18)	27.7 (23)	10.0 (21)	−5.1 (4)	46
Indiana	86.0 (31)	16.8 (31)	42.3 (18)	11.0 (34)	24.3 (30)	1.6 (38)	−10.0 (13)	39
Kansas	85.9 (32)	23.6 (14)	39.9 (23)	13.0 (26)	21.9 (40)	2.5 (37)	−15.0 (25)	41
Rhode Island	83.9 (33)	24.4 (9)	35.7 (29)	16.0 (18)	23.9 (32)	9.4 (25)	−25.5 (46)	24
West Virginia	82.1 (34)	18.4 (29)	36.9 (26)	19.0 (10)	33.8 (11)	0 (41)	−26.0 (47)	30
Alaska	81.7 (35)	4.0 (48)	15.0 (48)	2.0 (48)	45.4 (1)	26.8 (7)	−11.5 (20)	7
Oregon	81.5 (36)	19.3 (26)	23.1 (40)	15.0 (22)	14.7 (47)	27.4 (5)	−18.0 (37)	8
Vermont	79.7 (37)	22.2 (19)	31.5 (34)	21.0 (8)	23.0 (35)	0 (41)	−18.0 (37)	21
Washington	78.2 (38)	9.0 (43)	15.0 (49)	14.0 (25)	33.9 (10)	23.3 (9)	−17.0 (36)	45
New Mexico	76.4 (39)	13.8 (34)	21.0 (42)	15.0 (22)	42.8 (2)	0 (41)	−16.3 (32)	3
New York	76.2 (40)	11.0 (40)	47.0 (10)	23.0 (7)	20.2 (44)	0 (41)	−25.0 (44)	31
Delaware	75.7 (41)	3.8 (50)	28.6 (35)	0 (49)	39.9 (3)	13.9 (14)	−10.5 (16)	19
Nevada	73.1 (42)	12.4 (37)	25.5 (36)	16.0 (18)	24.4 (29)	10.3 (19)	−15.5 (30)	37
Connecticut	71.4 (43)	10.6 (41)	20.9 (43)	19.0 (10)	22.3 (39)	10.0 (21)	−11.4 (19)	40
Louisiana	70.8 (44)	15.5 (32)	25.4 (37)	16.0 (18)	32.4 (13)	0 (41)	−18.5 (40)	16
Tennessee	66.3 (45)	11.8 (38)	20.3 (44)	7.0 (43)	23.5 (34)	7.7 (31)	−4.0 (2)	43
Montana	60.9 (46)	19.3 (26)	15.8 (47)	15.0 (22)	22.9 (36)	10.2 (20)	−22.3 (43)	47
Texas	59.2 (47)	6.8 (46)	23.1 (41)	13.0 (26)	24.3 (30)	5.0 (34)	−13.0 (10)	44
South Dakota	50.3 (48)	4.0 (49)	16.0 (46)	12.0 (31)	14.5 (48)	8.8 (27)	−5.0 (3)	48
Wyoming	49.1 (49)	7.5 (45)	17.1 (45)	8.0 (41)	22.8 (37)	8.7 (28)	−15.0 (15)	49
New Hampshire	24.0 (50)	5.4 (47)	1.8 (50)	0 (49)	14.2 (49)	11.0 (18)	−8.4 (10)	50

[a]John Shannon and Michael Bell, "A Preliminary 'Report Card' on the 50 State-Local Fiscal Systems," a paper presented at School Finance Conference, Dedham, Mass., December 1975.

TABLE 2

Overall Rating of the 50 State-Local Fiscal Systems Excluding Business Climate Test

Rank	State	Rating
1	Kentucky	146.9
2	Idaho	141.6
3	Maryland	136.5
4	Wisconsin	134.8
5	Maine	134.7
6	Virginia	130.9
6	California	130.9
8	Ohio	130.4
9	Arizona	128.2
10	Utah	127.8
11	South Carolina	124.9
12	Iowa	123.0
13	Georgia	121.0
13	Minnesota	121.0
15	MICHIGAN	120.7
16	North Carolina	116.7
17	Pennsylvania	116.3
18	Arkansas	114.7
19	Massachusetts	113.7
20	Hawaii	113.6
21	Oklahoma	112.9
22	North Dakota	112.7
23	Colorado	111.8
24	Rhode Island	109.4
25	Alabama	108.2
26	West Virginia	108.1
27	Missouri	104.7
28	Nebraska	101.9
29	New York	101.2
30	Kansas	100.9
31	Illinois	100.2
32	Florida	100.1
33	Oregon	99.5
34	Mississippi	99.2
35	Vermont	97.7
36	Indiana	96.0
37	Washington	95.2
38	Alaska	93.2
39	New Mexico	92.7
40	New Jersey	92.4
41	Louisiana	89.3
42	Nevada	88.6
43	Delaware	86.2
44	Montana	83.2
45	Connecticut	82.8
46	Texas	72.2
47	Tennessee	70.3
48	Wyoming	64.1
49	South Dakota	55.3
50	New Hampshire	32.4

ratings to 14th in this rating due to a significant improvement in fiscal equalization, a modest improvement in revenue balance, and a good score on the business climate test. Virginia moved up from 25th to 3rd due mainly to a substantial improvement in property tax administration. Arizona moved up from 34th to 5th because of improvement in all categories, but particularly in tax equity. In New Jersey, the adoption of the income tax in 1976 substantially improved the state's revenue balance and was largely responsible for a move from 46th to 30th in the ranking.

There were eight states that experienced a sharp drop in their relative position in the ranking. For six, the fall can be explained by the change in the ranking system or across-the-board backsliding. Alaska's rank fell from 7th in 1975 to 35th in 1985 because of the repeal of the state income tax, which sharply reduced the scores on the revenue balance and tax equity tests. Michigan's rank fell from 2nd in 1975 to 23rd in 1985. This was due to a sharp decline in the score on the fiscal equalization test (due mainly to a relative reduction in state support for education) and a poor score on the business climate test.

CONCLUSION

Any attempt to develop a rating system for 50 diverse state-local fiscal systems faces many pitfalls. First, there must be a recognition that political views and the desired level of public goods and services vary widely among states. A fiscal policy that is right for one state may not make much sense in another.

The rating system used in this paper attempts to address this diversity by including a wide range of criteria. For example, the inclusion of the business climate test recognizes that some states put greater emphasis on the private sector as a vehicle for economic progress than on the public sector. The earlier rating system prepared by the ACIR tended to be somewhat more favorable toward states with high levels of public services. However, the author's rating system can be criticized for ignoring the spending side of the equation. The business climate test penalizes states for having high tax burdens but provides no reward for states that provide high levels of public services. There is strong evidence that poor public services can be a negative business climate factor.

This scoring system is also vulnerable to the charge that it uses arbitrary methods for assigning weights to the various tests. The selection of these weights was completely subjective, based on the author's view of which factors are most important. Changing these weights could significantly alter the state rankings. For example, most of the states that have access to special revenue bases such as natural resources and tourism are near the bottom of the ratings because they underutilize the sales or income tax, resulting in a low rating on the revenue balance test, which has a heavy weight in the rating system. However, if the revenue balance test is excluded only a few states move up significantly: Montana (46th to 32nd), Alaska (35th to 15th), and New Mexico (39th to 24th). For all states, there is some movement in the ratings, but only two states move from the bottom 15 to the top 15 and vice versa.

These ratings represent only one view of state-local fiscal systems. A low rating does not mean that a state has an inadequate fiscal system, nor does a high rating mean that a state has achieved fiscal nirvana. It is hoped that these ratings will encourage Michigan and all other states to take a critical look at their fiscal systems, whether their ratings are high or low.

The message for Michigan is that pressure should be shifted from the property tax by increasing use of other revenue sources and that the State should increase aid to local governments, particularly school districts. There have been several unsuccessful ballot proposals to reduce property taxes and increase sales or income taxes. It is time to develop an acceptable program to shift some of the burden of school financing from the property tax to other revenue sources.

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APPENDIX TABLE 1

Measures of State-Local Fiscal Balance for the Fifty States

	Personal Income Taxes as % of all S-L Taxes	Property Tax as % of S-L Taxes	General Sales Tax as % of S-L Taxes	All Other Taxes as % of S-L Revenue	State Revenue as % of S-L Revenue	ADDENDUM: Fiscal Blood Pressure, 1982[a]	ADDENDUM: Personal Income, General Sales, and Property Taxes as % of State Personal Income
United States Avg.	15.2	31.4	22.8	30.6	60.5		8.1
Alabama	18.7	12.3	29.2	35.6	73.3	87/98	5.6
Alaska	1.5	17.1	1.8	69.7	87.0	180/173	6.3[b]
Arizona	15.2	29.7	33.0	17.0	65.3	92/84	8.5
Arkansas	21.6	21.0	26.3	26.2	74.6	81/92	6.4
California	22.7	25.9	28.6	15.2	66.1	99/92	8.4
Colorado	17.9	35.0	30.7	14.9	47.9	81/76	8.2
Connecticut	4.0	43.1	24.5	20.5	56.4	99/106	7.4
Delaware	42.3	14.7	0.0	39.9	82.9	84/93	6.2
Florida	3.6	34.4	32.3	29.8	60.2	72/86	6.0
Georgia	24.1	27.4	26.4	17.8	62.8	96/104	8.0
Hawaii	23.3	18.4	40.3	16.5	77.2	105/78	10.6
Idaho	25.9	27.2	19.1	24.2	71.7	85/81	7.2
Illinois	15.3	38.0	23.2	19.3	51.5	107/127	8.0
Indiana	17.6	34.6	30.7	14.2	64.4	88/93	7.5
Iowa	21.3	40.1	16.8	17.7	59.2	105/101	8.5
Kansas	19.4	39.5	20.0	16.0	57.2	88/92	7.6
Kentucky	25.9	18.0	21.2	29.7	78.9	89/105	6.6
Louisiana	4.9	14.0	36.5	37.7	65.0	82/91	5.8
Maine	19.0	37.8	21.8	18.7	62.9	107/102	9.5
Maryland	36.9	26.2	14.9	19.4	59.7	106/103	8.7
Massachusetts	30.1	36.7	12.8	12.4	62.8	119/98	9.4
MICHIGAN	22.9	41.6	15.8	11.6	56.5	120/120	10.0
Minnesota	32.4	28.0	16.3	18.1	70.7	111/93	10.2
Mississippi	10.1	21.5	38.3	26.6	77.3	92/94	7.0
Missouri	21.9	26.2	28.7	20.6	57.1	82/95	7.1
Montana	15.8	47.5	0.0	33.0	53.3	97/104	7.9
Nebraska	15.3	41.5	22.2	18.1	53.9	94/121	8.5
Nevada	0.0	19.3	34.1	46.6	72.0	63/89	5.5
New Hampshire	1.8	63.5	0.0	26.6	36.1	75/93	5.8
New Jersey	13.2	43.6	15.3	21.8	56.3	113/116	8.1
New Mexico	1.1	13.8	36.9	43.9	80.1	83/90	6.1
New York	28.9	32.2	19.2	12.7	48.5	170/123	12.3
North Carolina	28.0	23.4	19.2	23.9	72.7	94/100	7.2
North Dakota	4.7	28.9	19.6	42.7	70.3	83/86	5.5
Ohio	25.3	32.3	18.8	20.1	57.0	94/115	7.8
Oklahoma	17.6	16.8	21.6	41.2	70.8	78/98	5.7
Oregon	36.2	41.3	0.0	18.7	54.5	95/94	9.3
Pennsylvania	23.5	26.9	17.0	26.6	60.6	106/107	7.2
Rhode Island	21.1	41.5	17.2	16.8	58.7	133/127	9.6
South Carolina	25.1	24.5	24.1	21.9	73.7	96/99	7.8
South Dakota	0.0	42.6	31.4	25.6	50.8	91/85	7.1
Tennessee	1.4	25.6	41.1	26.5	59.6	86/99	6.2
Texas	0.0	36.9	24.9	38.2	55.6	91/85	5.8
Utah	22.2	29.2	30.8	15.8	62.5	97/87	9.3
Vermont	19.0	39.7	11.2	25.8	59.9	103/87	8.5
Virginia	25.5	29.6	16.0	25.9	58.5	90/100	7.1
Washington	0.0	29.0	47.6	23.4	74.6	93/88	8.8
West Virginia	16.6	18.6	39.0	23.8	77.0	86/90	8.3
Wisconsin	25.6	37.7	17.9	13.8	63.5	128/103	10.7
Wyoming	0.0	41.2	18.3	40.5	58.6	105/133	12.1[b]

SOURCE: Computed by ACIR staff from data in U.S. Department of Commerce, "Governmental Finances in 1982-83" (Washington, D.C.: U.S. Government Printing Office, 1984).

[a]The first number is the state's current tax effort (1982) as calculated by the representative tax system (RTS) method; the second number is the ratio of the current tax effort index to the 1967 index. For example, Michigan's blood pressure of 120/120 indicates that the state's effective aggregate tax rate is 20% above the national average and that the rate has risen 20% faster than the average since 1967.

[b]These figures do not reflect typical tax burdens in these states due to the influence of taxes on natural resources property and sales.

APPENDIX TABLE 2

Measures of Uniformity of Property Tax, 1982

	Assessment Sales Ratio—All Property (%)	Assessment Sales Ratio—Single-Family House (%)	Coefficient of Intra-Area Dispersion—Single-Family Houses (%)	Coefficient of Inter-Area Dispersion—Single-Family Houses (%)	Ratio of Actual Assessment to Legal Standard (%)	Legal Assessment Standard Residential Property (% of Market Value)[a]
United States Avg.	40.0	43.9	—	—	—	—
Alabama	8.5	7.4	53.6	20.4	74.0	10
Alaska	75.5	75.7	13.6	8.3	75.7	100
Arizona	5.5	5.8	26.8	13.1	58.0	10
Arkansas	7.5	9.5	36.5	45.1	47.5	20
California	56.1	60.1	32.4	13.1	60.1	100
Colorado	8.2	9.7	28.4	17.2	32.3	30
Connecticut	38.0	40.3	14.1	29.2	57.6	70
Delaware	24.8	26.0	26.1	7.8	26.0	100
Florida	60.6	68.1	17.7	6.7	68.1	100
Georgia	27.6	29.1	33.3	10.7	72.8	40
Hawaii	38.7	41.6	17.1	25.2	69.3	60
Idaho	68.3	79.6	16.7	6.0	79.6	100
Illinois	25.8	27.4	23.0	12.8	n/a	33.3[b]
Indiana	16.1	17.2	50.0	16.4	51.3	33.3
Iowa	55.0	62.6	21.4	5.9	62.6	100
Kansas	7.7	8.3	37.8	15.5	27.7	30
Kentucky	79.3	81.8	23.5	7.7	81.8	100
Louisiana	6.4	6.4	35.8	22.3	64.0	10
Maine	69.0	70.7	21.1	22.3	70.7	100
Maryland	32.2	34.3	21.9	6.0	34.3	100
Massachusetts	51.3	55.2	18.2	43.3	55.2	100
MICHIGAN	42.2	43.5	21.7	8.7	87.0	50
Minnesota	18.4	16.9	27.1	15.0	76.8[c]	16 to 28[d]
Mississippi	6.5	7.0	35.4	23.8	7.0	100
Missouri	12.0	13.0	55.4	20.6	39.0	33.3
Montana	3.2	3.7	33.5	12.8	43.3	8.55
Nebraska	65.5	71.3	20.3	9.9	71.3	100
Nevada	19.5	21.9	23.0	14.7	62.6	35
New Hampshire	61.4	63.9	15.2	26.7	63.9	100
New Jersey	59.0	58.6	15.4	23.2	n/a	20 to 100[e]
New Mexico	11.3	12.8	38.5	40.0	38.4	33.3
New York	25.1	23.6	35.4	147.2	23.6	100
North Carolina	54.4	59.4	25.1	16.6	59.4	100
North Dakota	5.3	6.3	78.9	42.2	70.0	9
Ohio	28.0	29.4	22.8	7.6	84.0	35
Oklahoma	6.6	7.7	35.2	18.0	22.0	35
Oregon	63.1	77.0	13.3	3.6	77.0	100
Pennsylvania	14.6	14.6	42.0	55.1	14.6	100[f]
Rhode Island	39.5	40.0	20.6	48.3	n/a	—
South Carolina	2.3	2.4	40.9	33.2	60.0	4
South Dakota	25.0	28.7	24.9	14.3	47.8	60
Tennessee	14.9	14.6	27.3	26.7	58.4	25
Texas	35.7	42.7	63.3	36.7	42.7	100
Utah	10.5	11.2	56.3	8.6	56.0	20
Vermont	0.5	0.6	33.9	30.2	60.0	1
Virginia	78.4	81.6	21.4	6.6	81.6	100
Washington	70.7	74.3	18.7	11.6	74.3	100
West Virginia	21.2	22.1	30.5	27.9	22.1	100
Wisconsin	65.5	65.6	12.4	32.0	65.5	100
Wyoming	5.6	6.1	40.9	9.3	n/a	—[g]

SOURCE: U.S. Bureau of the Census, *Taxable Property Values and Assessment-Sales Price Ratios*, 1982 Census of Governments, vol. 2 (Washington, D.C.: U.S. Government Printing Office, 1983).

NOTE: The coefficient of intra-area dispersion measures the uniformity of assessments within assessing districts. The coefficient of inter-area dispersion measures the uniformity of assessments among assessing districts. The lower the number, the more uniform the assessments.

[a]The "legal standard ratios" shown are generally applicable. There are numerous exceptions in several states.
[b]Except in counties of 200,000 population or more that classify property. Assessment level is 16% in Cook County.

Footnotes Continued

[c]Estimated.
[d]Assessment is 16% on first $27,000 of market value; 22% on second $27,000; and 28% over $54,000. In 1984 assessment levels were changed to 17%, 19%, and 30% on $31,000 increments.
[e]Assessment level is established by each county board of taxation.
[f]Full and fair cash value, or a uniform percentage not to exceed 100%.
[g]Fair value in conformity with values and procedures prescribed by the state tax commission.

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