The Inheritance Tax in the American Commonwealths

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THE INHERITANCE TAX IN THE AMERICAN COMMONWEALTHS.

In the number of this *Journal* for August, 1904, Mr. Huebner published an article on the Inheritance Tax in the American Commonwealths.[1] At the time the article appeared the writer of this note was just completing a similar study. Mr. Huebner's work is so well done that little is left for another. However, it has seemed worth the while to supplement his published results at two points. A tabular statement of the inheritance tax legislation as it now stands will make it possible to ascertain all the important provisions of a given law without inconvenience, and a fuller examination of the financial significance of the tax may be desirable. This note is designed to supplement Mr. Huebner's excellent review of the development of the State inheritance taxes at these points.

In the accompanying tables, I*a* and I*b*, the classes of heirs, taxable property, exemptions and rates—these being the provisions of most importance—have been indicated. The object is not to summarize the development of the inheritance tax legislation, but to state the important provisions of the inheritance tax laws as they now stand.

To show these provisions conveniently, it has been necessary to divide the States into two groups. In the first group (I*a*) the heirs are divided into two classes, known as "direct" and "collateral," and treated accordingly. In the second group (I*b*) are five States which discriminate between three classes of heirs and apply rates to their shares graduated according to class. To these are added two States—North Carolina and Wisconsin—where the heirs are divided into five classes.

Inheritance taxes are now being collected in thirty of our commonwealths. In but one State—Alabama—has

[1] "The Inheritance Tax in the American Commonwealths," by Solomon Huebner, *Quarterly Journal of Economics*, August, 1904, pp. 529–550.

an inheritance tax, once legally collected, been abolished and not reintroduced. Laws enacted in New Hampshire and Minnesota have been held to be unconstitutional.[1] In fifteen of the thirty States referred to only the shares of collateral heirs and strangers in blood are taxed. In the other fifteen the shares of "direct" heirs are taxed as well, but usually at much lower rates.

Since Mr. Huebner completed his study, two States have enacted new laws, Ohio imposing a tax on "direct" heirs and Louisiana a tax on estates which have not borne their "just proportion of taxes."[2]

The legislature of Ohio in 1893 enacted a law placing a tax of three and one-half per cent. on the excess of estates over $1,000 in so far as they were succeeded to by persons other than lineal ancestors or issue, sons and daughters in law, brothers and sisters, and nephews and nieces. In 1894 the rate was increased to 5 per cent., and the exemption or deduction reduced to $200. At the same time a direct inheritance tax was instituted, the exemption and rates (for they were progressive) being more liberal. Direct heirs to estates of $20,000 or less were not taxed. Heirs to larger estates paid taxes according to the following scale of rates:—

Estates from	$20,000	to	$50,000	. . . . .	1 per cent.
" "	50,000	"	100,000	. . . . .	1½ " "
" "	100,000	"	200,000	. . . . .	2 " "
" "	200,000	"	300,000	. . . . .	3 " "
" "	300,000	"	500,000	. . . . .	3½ " "
" "	500,000	"	1,000,000	. . . . .	4 " "
" of	1,000,000	or	more	. . . . .	5 " "

This direct tax was soon held to be void (in *State* v. *Ferris*,

[1] The new constitution adopted by New Hampshire in 1902 authorizes the use of the inheritance tax. The Minnesota Act of 1902 (see Huebner, p. 539) was declared void, the 10 per cent. tax being in excess of the rate of 5 per cent., which was authorized by the State constitution. See *State* v. *Harvey*, 95 N. W. 764.

[2] At the time of writing a bill is pending in West Virginia which, if enacted into law, will divide heirs into four groups, as follows: (*a*) lineal issue and ancestors; (*b*) brother or sister of the decedent, grantor, etc.; (*c*) grandfather or grandmother of the same; and (*d*) all other persons, corporations, and institutions, save those exempted from taxation. The shares of the second, third, and fourth classes will be taxed at the rate of 5, 7½, and 10 per cent. respectively.

53 Ohio, 314) because of the discrimination involved in the classification of estates and the progression of rates. The act was held to be repugnant to the Bill of Rights, which declared that "government is instituted for the equal protection and benefit" of the people in whom "all political power is inherent," and to violate a section of the constitution requiring taxation to be uniform.[1]

The new law, approved April 25, 1904, has been held to be in accord with the constitution.[2] It provides that each heir shall pay a tax of 2 per cent. on such part of his distributive share as shall be in excess of $3,000. This, it is seen, is very much less radical than the measure enacted in 1894. Yet, with the exceptions of Wisconsin and Utah, no commonwealth taxes direct heirs as heavily.

Louisiana's use of the inheritance tax has been peculiar. As early as 1828 the legislature enacted a law providing that foreign heirs—that is, persons "not being domiciled in this State, and not being citizens of any State or Territory in the Union"—should pay a tax of 10 per cent. on all sums or on the value of all property they might succeed to, situated within the State. This law was repealed in 1877, only to be re-enacted in 1894.[3] In 1897, after having been declared to be unconstitutional, so far as the citizens of certain countries were concerned, because in contravention of treaty rights, the act as a whole was declared invalid because it had originated in the Senate instead of in the House of Representatives, where, according to the Constitution, such measures must have their origin.[4]

The new law, approved June 28, 1904, is of interest chiefly because it has been given shape by the so-called "back-tax argument." The constitutional convention incorporated in the new constitution of 1898 the following provisions:—

ARTICLE 235. The legislature shall have power to levy, solely for the support of public schools, a tax upon all inheritances, legacies, and

[1] Section 2 of Article XII.

[2] *State* v. *Guilbert*, 71 N E. 636. (Opinion dated June 7, 1904.)

[3] Act approved July 11, 1894.

[4] Succession of Givanovich, 24 So. 679.

donations, provided no direct inheritance or donation to an ascendant or descendant below ten thousand dollars in amount shall be so taxed; provided, further, that no such tax shall exceed 3 per cent. for direct inheritances and donations to ascendants or descendants, and 10 per cent. for collateral inheritances and donations to collaterals or strangers; provided bequests to educational, religious, or charitable institutions shall be exempt from this tax.

ARTICLE 236. The tax provided for in the preceding article shall not be enforced when the property donated or inherited shall have borne its just proportion of taxes prior to the time of such donation or inheritance.[1]

This curious piece of special legislation by the constitutional convention has been made into law. The rates and exemptions are those mentioned in the constitution, and the tax is to be collected on those estates which have not borne their "just proportion of taxes." To make the law effective (and perhaps it will not be), it is made the duty of the "judges throughout the State exercising probate jurisdiction to require satisfactory proof that the succession or estate is not liable to the inheritance tax before they shall grant a discharge to the administrator," and before they shall grant an order placing the heirs in possession. For the first time do we have an inheritance tax law drawn logically in line with the faulty "back-tax argument."

Turning to the financial significance of the inheritance tax, Mr. Huebner has shown that the aggregate of revenues derived from it by the several States has grown rapidly since 1885.[2] Yet an examination of the returns for the several States shows that the yield is in but few instances large. In Table II. will be found a fairly complete statement of the revenue derived from this tax by the several States since 1885. Leaving out of consideration Wisconsin and Ohio, where because of recent legislation the nor-

[1] No authority is found for Mr. Huebner's statement (p. 543) that the tax "can be imposed only on such *personal* property as has escaped its burden of taxation."

[2] The following table (Huebner, p. 546) shows the total revenue derived from State inheritance taxes for the years indicated:—

1885	$944,335
1890	1,886,509
1895	4,016,841
1900	7,421,645
1901	7,591,438

mal yield is as yet unknown, in only ten States does it exceed $100,000.[1] In but two of these, New York and Pennsylvania, does the revenue exceed a million dollars per year; and in only two other States, Massachusetts and Illinois, does it approach five hundred thousand dollars.

But such general statements mean little. In Table III. will be found a statement of the average revenues per capita and the percentage these form of the total revenues of most of the Commonwealths for a period of years. The largest per capita revenue is found in New York, where for the three years 1901–03 it was on the average 48.73 cents. In but seven of the other States noted did it yield as much as ten cents per capita, while in six States it produced less than five. New York during this period obtained about 12 per cent. of her State revenue from this source. Three other States obtained more than five, the others less than five per cent. of their revenues from inheritance taxes.

A comparison of the returns from our taxes on successions with those of some foreign countries still further emphasizes the low productivity of the former. Table IV. shows the fiscal importance of the taxes on gifts and successions, and the per capita revenue derived therefrom in Great Britain, France, and some of the Australian States and Canadian provinces. Comparison between Tables III. and IV. shows the per capita revenues to be much larger in Great Britain, France, Victoria, and South Australia than in any American State. The great differences are not explained by differences in the amount of wealth and in the amount transferred by will or otherwise. Most of the differences in per capita wealth are slightly in our favor.[2]

[1] Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Illinois, Michigan, Iowa, Missouri, and California.

[2] The estimates of wealth per capita here given would warrant placing these countries in the following order:—

United Kingdom	$1,197 (Mulhall, 1888) 1,336 (Giffen, 1882)
United States	1,236 (Treasury Department, 1900)
Victoria	1,126 (Coghlan, 1901)
South Australia	1,092 (Coghlan, 1901)
France	1,000 (de Foville)

The explanation is found in the more drastic character of the inheritance tax legislation and the superior administration in the foreign countries.

In Great Britain there are a number of "death duties." The most important of these is the "estate duty" levied upon the market value of all property, real or personal, whether succeeded to by direct or other heirs, estates worth less than £100 being exempted. The rates are progressive, varying from 1 per cent. for the first class (£100 to £500) to 8 per cent. for the twelfth class (£1,000,000 or over). To this is added a "settlement estate duty" of 1 per cent. on "settled property." Estates exceeding £1,000 pay, in addition to the estate duty, a legacy duty upon personal property and a succession duty upon real estate going to collateral heirs and strangers in blood. In effect these two taxes constitute an additional collateral inheritance tax falling upon heirs other than lineal issue and ancestors. The collateral heirs are divided into four classes;[1] and the rates are 3, 5, 6, or 10 per cent., according to the degree of relationship.

In France as the law was amended in 1901 and 1902[2] estates of 1,000 francs and over are taxed according to the relationship of the heir and the net value of the property received by him. Heirs are divided into seven classes, and the rates vary both with the amount of the inheritance and the degree of relationship. Thus on shares of from 1,000 to 2,000 francs they range from 1 per cent. for descendants to 15 per cent. for remote relatives and strangers in blood. The shares are classified according to size,—there being twelve classes in all,—and the rates caused to progress to 5 per cent. for descendants and 20½ per cent. for remote relatives and strangers in blood.[3]

[1] (*a*) Brothers and sisters and their descendants; (*b*) uncles and aunts; (*c*) great uncles and aunts; and (*d*) other persons.

[2] Mr. Huebner's statement of the law does not include the amendment of 1902. That amendment divided shares of more than 1,000,000 francs into five classes, and carried the progression of rates to a higher point. *Cf.* Huebner, p. 549, and Bastable, *Public Finance*, 3d edition, p. 603.

[3] A full statement of the classes of heirs and rates may be found in Bastable, *Public Finance*, 3d edition, p. 603.

In Victoria estates below £1,000 are not taxed, and those between £1,000 and £5,000 are taxed on the excess over £1,000. Estates are divided into thirty-eight classes, the last consisting of those exceeding £100,000. The rates progress from 2 per cent. on the first class (£1,000 to £5,000) to 10 per cent. on the last class.[1] The widow, children, and grandchildren of the deceased pay one-half of the above rates. This amounts to a progressive direct inheritance tax of from 1 to 5 per cent., and a collateral tax of from 1 to 10 per cent., with an exemption of £1,000 and a deduction of a like amount from estates below £5,000.

In South Australia heirs are divided into three classes. The surviving husband or wife and lineal descendants and ancestors pay rates varying from 1½ per cent. on shares of from £500 to £700 to 10 per cent. on shares of £200,000 and upwards. Collateral heirs pay rates varying from 1 per cent. on shares under £200 to 10 per cent. on shares of £20,000 and upwards. Strangers in blood pay a uniform rate of 10 per cent.[2]

By comparing the provisions of these laws and of those set forth in Tables I*a* and I*b*, we can readily account for most of the differences in revenue produced. In all four of these instances direct as well as collateral heirs are taxed. In half of the American Commonwealths using the tax it is limited to collateral heirs and strangers in blood. By far the greater part of property descends to direct heirs. Taxes on direct heirs at low rates are more productive than taxes on collateral heirs at higher rates. Unfortunately, it has been possible to separate the taxes paid by the two classes of heirs in the State of New York alone. In that State a direct inheritance tax of 1 per cent. on *personal* estates in excess of $10,000 has yielded from one-third to more than three-fourths as much revenue as a collateral inheritance tax of 5 per cent. on both real and personal

[1] A complete statement may be found in Coghlan, *A Statistical Account of Australia and New Zealand*, 1902–1903, p. 798.

[2] *Ibid.*, pp. 799–800.

estates in excess of $500.[1] The successions and donations to lineal relatives and husbands and wives in France in 1896 aggregated 5,132 million, to others 1,327 million francs. The revenue collected was 85,809,934 francs from direct, 117,577,335 francs from other heirs and donees.

Again, in many of our Commonwealths the classifications of heirs are very much more liberal than in these four foreign countries, where the taxes are more productive. In Great Britain only the surviving husband or wife, lineal issue, and ancestors are exempted from the legacy and succession duties; in South Australia these, and in Victoria widows, children, and grandchildren, pay the lower rates; while in France at present the lowest rates are extended to descendants alone. An examination of Tables I*a* and I*b* shows that in nine[2] States "direct heirs" are surviving husband or wife, lineal issue, and ancestors only; in two,[3] these and sons and daughters in law; in two,[4] these and brothers and sisters; in twelve,[5] these and both brothers and sisters and sons and daughters in law; while in two more[6] the class is even more elastic.

The relatively small revenue in a few of our States is explained in part by the fact that only personal property is taxed. This is true of the tax in its entirety in North Carolina, of the direct taxes in Michigan and Montana.[7]

The small yield of our taxes is explained in part by the further fact that many of the exemptions are comparatively large. As a rule, this is not true of the exemptions accorded

[1] The following statistics are typical of the revenue in New York:—

Year.	*Revenue from direct tax.*	*Revenue from collateral tax.*
1896	$776,195	$1,265,978
1897	941,119	1,227,017
1902	878,297	2,425,258

[2] Arkansas, Connecticut, Iowa, Maryland, Missouri, North Dakota, Pennsylvania, Washington, and West Virginia.

[3] Maine and Vermont.

[4] North Carolina and Virginia.

[5] California, Colorado, Illinois, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New York, Oregon, Tennessee, and Wyoming.

[6] Delaware (tax applies to strangers in blood only) and Ohio.

[7] Most of the laws which formerly applied to personal property only have been declared unconstitutional, or, as in New York (in 1903), have been amended. See Huebner, p. 535.

collateral heirs. However, in North Carolina collateral heirs are not taxed on estates below $2,000; in Massachusetts, $10,000; in North Dakota, $25,000. In Connecticut and Utah a uniform exemption is fixed for both classes of heirs, the amount being $10,000.[1] The exemptions accorded direct heirs in this country are comparatively large. In Great Britain it is £100; in France, 1,000 francs; in South Australia, £500; in Victoria, £1,000. Direct heirs in the majority of the American Commonwealths, on the other hand, are taxed on the excess of estate or share over $10,000 or those under $10,000 are not taxed. In Michigan only the shares of personal property over $25,000 are taxed; in Illinois, the excess of the share over $20,000. In Ohio the heirs are taxed on the excess of their shares over $3,000; in Oregon, $5,000; in Montana, $7,500; in North Carolina, $2,000,—the tax being collected in the last two mentioned States upon personal property only.

The net result of the non-taxation of direct heirs in half of the States, of making the class of direct heirs very inclusive, of discriminating in favor of real estate, and of the numerous large exemptions, has been to limit the inheritance tax to a comparatively few estates.[2]

A further examination of Tables I*a* and I*b* will show that the rate of the tax on successions is in many instances comparatively low. In Great Britain the rates for direct heirs are graduated from 1 to 8 (or even 9) per cent.; in France and in Victoria, from 1 to 5 per cent.; in South

[1] The last Massachusetts Tax Commission found that an exemption of estates not exceeding $10,000 would reduce the taxable principal almost 20 per cent. See *Report of the Commission on Taxation*, 1897, p. 98.

[2] The number of taxable estates in New York for some years has been:—

1895	2,682	1900	2,818
1896	2,624	1901	3,059
1897	2,556	1902	3,277
1899	2,721	1903	3,769

The number of taxable estates in Iowa in 1902 was 319; in Montana for the four years 1898 to 1902, 96. This is about one taxable estate per year to each 2,400 persons in New York, one to 7,000 in Iowa, and one to 10,130 in Montana. In Great Britain the number of taxable estates in 1900 was 67,338, or one to each 620 of the population. A comparison with the number of inheritances and donations reached by the tax in France is misleading. *Cf.* Huebner, pp. 546, 547.

Australia, from 1½ to 10 per cent.[1] Among the American Commonwealths Wisconsin alone makes use of graduated rates for direct heirs. They are from 1 per cent. on the first $25,000 to 3 per cent. on the excess over $500,000.[2] Of the other fourteen States collecting direct inheritance taxes, seven[3] have the rate of 1 per cent., three[4] 2 per cent., Louisiana 3 per cent., Utah 5 per cent., North Carolina three-quarters of 1 per cent., and Connecticut one-half of 1 per cent. These low uniform rates, with the large exemptions noted above, should not bear heavily upon the widows and orphans.

When we turn to the other heirs, we find they are required to pay progressive rates varying from 1 to 19 per cent. in Great Britain, 3¾ to 20½ in France, 2 to 10 in Victoria, and from 1 to 10 per cent. in South Australia. Twenty-three of our Commonwealths have uniform rates for collateral heirs and strangers in blood. The rate of 5 per cent. obtains in eighteen of these.[5] In North Dakota the rate is 2 per cent., in Maryland and West Virginia 2½ per cent., in Maine 4 per cent., and in Louisiana 10 per cent. Seven States make use of graduated rates, five for remote relatives and strangers in blood only, two for less remote relatives as well. In Illinois, Nebraska, and Oregon, uncles, aunts, nephews and nieces, and their descendants, pay 2 per cent.; in Colorado, 3 per cent. A third class of heirs pay rates graduated from 3 to 6 per cent. In North Carolina three classes of collateral heirs pay 1½, 3, and 4 per cent. Distant relatives and strangers in blood pay graduated rates of from 5 to 15 per cent. the tax resting on personal property only. Collateral heirs in Washington pay graduated rates of 3, 4½, and 6 per cent., more distant relatives and strangers in blood twice as much. And, finally,

[1] For the rates in numerous other foreign countries see Huebner, pp. 549–550.

[2] The rates are applied to the fractional part of the given estate falling within each class.

[3] Illinois, Michigan, Montana, Nebraska, New York, Oregon, and Washington.

[4] Ohio, Wyoming, and Colorado.

[5] Arkansas, California, Connecticut, Delaware, Iowa, Massachusetts, Michigan, Missouri, Montana, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Utah, Vermont, Virginia, and Wyoming.

in Wisconsin the rates for other than direct heirs vary from 1½ to 15 per cent.

From this comparison it is seen that the direct inheritance tax rates in this country are comparatively low, the collateral inheritance tax rates fairly high, except on the largest estates, when graduated rates are not used, and in those instances where the exemptions are very large.

A few words may be added concerning the proper place of the inheritance tax in the tax systems of our Commonwealths. How much revenue should be obtained from this source must be determined in the light of the fiscal needs of the State and the comparative goodness of the tax. The fiscal needs of the States are great. At present any movement towards radical reform of the tax system by abolishing the general property tax and separating the sources of State and local revenue is held in check in most of our Commonwealths by the difficulties involved in getting suitable sources of State revenue. The fiscal needs in almost all instances are such that a large revenue should be drawn from this source if it can be done with a fair degree of justice and without working injury.

The inheritance tax has most of the marks of a good tax. Experience shows that it can be made to yield a large revenue. This is collected at small expense. The problems of administration are comparatively simple, and evasion comparatively difficult. Absence of shifting makes it possible to place the burden where it is desired that it should rest. It is possible to arrange the details so as to make the tax equitable, as taxes go. Its tendency to suppress and to destroy the basis upon which it is levied is comparatively slight, at any rate if the burden placed on near relatives is not great. In other words, though the tax rests upon accumulated wealth, it does not necessarily discourage accumulation to any great extent. It is conveniently paid in the vast majority of instances. And, finally, though it should not be changed frequently to obtain more or less revenue as needed, it is a fairly reliable source of income. It is true that in many instances the

yield has varied greatly from year to year; but, as the tax becomes more general in its application, this irregularity tends to disappear. The inheritance tax is thus a good tax from the fiscal point of view. It also has possibilities for controlling the distribution of wealth, though the advisability of using it to any great extent for this purpose is doubtful.

The revenue from the inheritance tax being greatly needed, and the tax a desirable one, how should the laws be shaped, constitutional limitations aside, so as to obtain the proper amount of revenue from this source?

From the point of view of the tax-payer, upon whom the burden of the tax rests, real estate (assuming due time for the collection of taxes) adds to his ability to contribute to the support of government, and is in the same sense an unearned income, as is personal property. The tax should be levied upon real estate as well as upon personal property, though in some instances there may be good reason for placing a higher rate upon the latter because it is prone to evade taxation under the general property tax.

All heirs who are placed in better position to contribute to the support of the State should be taxed. The heirs not dependent upon the deceased have greatly increased ability because of the accidental and fortuitous character of the income, and because it is not, as a rule, in any way a return for time and effort spent. Heirs other than surviving wife or husband and lineal issue and ancestors are usually not in a dependent or a contributory relation to the deceased, and therefore should be taxed on that to which they succeed. In many instances the surviving husband or wife, issue, and ancestors likewise profit by the decease and succession; and the property is to no great extent the product of their effort. They have tax-paying ability which should be reached. On the other hand there are numerous instances in which this is not true. But, inasmuch as the revenue is needed, and the State cannot deal with individuals in such matters, except as members of a class, it seems best to tax all direct heirs. The tax should be gen-

eral, resting upon direct as well as upon collateral heirs and strangers in blood.

But it is clear from what has been said that good reason exists for classifying heirs and favoring some as against others. That is, some have contributed to the upbuilding of the estate inherited or are dependent upon the the deceased: others have not contributed, and are not dependent. By discriminating between surviving husband or wife, lineal issue and ancestors, on the one hand, and all other heirs, on the other, a fairly just line is drawn. In the majority of our Commonwealths the favored class of heirs should be contracted. Whether a distinction should be made between certain collateral relatives and more remote relatives and strangers in blood, as some of our States do, is a question. An intermediate class for brothers and sisters, and uncles and aunts, and their descendants, may serve to prevent their being placed in the class of "direct heirs"; but it is difficult to show that as a class they are much less able to pay taxes on their shares than are the other heirs, and such discrimination adds to the difficulties of administration and diminishes the productivity of the tax. On the whole, it may be well to provide such an intermediate class; for it will prevent the working of hardship in some cases. But the twofold and threefold classifications of heirs which generally obtain in this country are to be preferred to those more refined classifications now frequently met with. The provision of numerous classes is not necessary to obtain substantial justice.[1] Our practice with reference to the number of classes is to be commended, but the limits of the several classes are so made as to place too many in a favored position.

As to exemptions, those granted to persons other than direct heirs should be for purely administrative reasons, and therefore very small. Those granted to direct heirs should be large enough to avoid working hardship in any instance. Ten or twelve thousand dollars is not too large. The exemption should apply to the share received by each

[1] See West, *Inheritance Tax*, pp. 127, 128.

heir rather than to the estate as a whole, and a deduction should be granted on larger shares, so as to avoid injustice as between heirs.

And, finally, as to the rates which should obtain. For the same reason that the exemption accorded direct heirs should be large, the rate on the smaller taxable shares going to them should be small, say 1 per cent. The ability of other heirs to pay taxes is greatly increased, and (assuming three classes of heirs) the lowest rates might well be as much as 4 per cent. for brothers and sisters, uncles and aunts, and their descendants, and 6 per cent. for more distant relatives and strangers in blood. The rates should be progressive. Ability increases more rapidly than the amount of the share. Furthermore, heavier taxation of the larger shares encourages a more general distribution of the estate. The progression of rates might cease at 5 per cent., or, if fiscal needs were great, at 10 per cent., in the case of direct heirs; at 12 and 15, or 15 and 20 per cent. in the case of other heirs, according as they belong to the second or the third class. The progression should be sufficiently rapid to bring the maximum rate into use when the share exceeds $500,000. To avoid injustice, it would be well to have the higher rates apply to the fractional parts of the distributive share falling within the limits of the several classes.

The suggested provisions are somewhat less radical than those now obtaining in the British and the French succession taxes. Were they adopted, and more attention given to the details relating to tax administration, the revenue produced would be materially increased, and would stand as an important item among the treasury receipts.

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TABLE Ia.—PROVISIONS OF STATE INHERITANCE TAX LAWS.

(States Dividing Heirs into Two Classes.)

State.	Direct Inheritance Tax.			Collateral Inheritance Tax.		Notes.
	"Direct heirs" are parents, husband or wife, lineal descendants, including adopted children, and others indicated below.(1)	Tax upon estates as indicated.	Rate (per cent.).	Others taxed upon estates as indicated.	Rate (per cent.).	
Arkansas . .	As stated above.	Not taxed.	—	Estates without exemption.	5	(1) Abbreviations used: Grf. and grm. = grandfather and grandmother. Bro. and s. = brother and sister. S. and d. in law = son and daughter in law. N. and n. = nephews and nieces.
California . .	And bro. and s. and s. and d. in law.	Not taxed.	—	Estates of $500 or more.	5	
Connecticut .	As stated above.	Excess of estate over $10,000.	½	Excess of estate over $10,000.	5	
Delaware . .	(2)		—	Estates of more than $500.	5	(2) Applies to strangers in blood only.
Iowa	As stated above.	Not taxed.	—	Estates of $1,000 or more.(3)	5	(3) So interpreted in *In re McGhee's Estate*, 74 N. W. 695, and in more recent decisions.
Louisiana . .	Law does not specify.	Shares of $10,000 or more.(4)	3	(4)	10	(4) To be collected from estates not having borne their "just proportion of taxes." Used by parishes for school purposes.

Maine . . .	And s. and d. in law.	Not taxed.	—	Excess of distributive share over $500.(5)	4	(5) So interpreted in *State* v. *Hamlin*, 86 Me. 495.
Maryland . .	As indicated above.	Not taxed.	—	Estates of $500 or more.	2½	
Massachusetts	And bro. and s. and s. and d. in law.	Not taxed.	—	Estates over $10,000, shares under $500 being exempted.	5	
Michigan . .	And bro. and s. and s. and d. in law.	Shares of personal property, if $20,000 or more.	1	Estates over $100.	5	
Missouri . .	As stated above.	Not taxed.	—	Estates without exemption.	5(6)	(6) Progressive rates are unconstitutional. *State* v. *Switzler*, 45 S. W. 245.
Montana (7) .	And bro. and s. and s. and d. in law.	Personal estate where not less than $7,500.	1	Estates of $500 or more.	5	(7) Counties retain 40 per cent. of the revenue.
New Jersey .	And bro and s. and s. and d. in law.	Not taxed.	—	Estates of $500 or more.	5	
New York . .	And bro. and s. and s. and d. in law.	Estates of $10,000 or more.	1	Estates of $500 or more.	5	
N. Dakota .	As stated above.	Not taxed.	—	Excess of estates over $25,000.	2	
Ohio	And bro. and s., s. and d. in law, and n. and n.(8)	Excess of shares over $3,000.(9)	2	Estates of $200 or more.	5(10)	(8) Nephews and nieces on decedent's side only. *In re Bates' Estate*, 70 N. E. 625. (9) Act approved April 25, 1904. (10) Counties retain 25 per cent. of the revenue.

TABLE Ia.—*Continued.*—(States Dividing Heirs into Two Classes.)

State.	Direct Inheritance Tax.			Collateral Inheritance Tax.		Notes.
	"Direct heirs" are parents, husband or wife, lineal descendants, including adopted children, and others indicated below.(1)	Tax upon estates as indicated.	Rate (per cent.)	Others taxed upon estates as indicated.	Rate (per cent.).	
Pennsylvania,	As stated above, except that adopted children are excluded.	Not taxed.	—	Estates of $250 or more.	5	
Tennessee . .	And bro. and s. and s. and d. in law.	Not taxed.	—	Estates of $250 or more.	5	
Utah	No distinction between heirs.	Excess of estate over $10,000.(11)	5	See preceding.	—	(11) So interpreted in *Dixon* v. *Ricketts*, 72 P. 947.
Vermont . . .	And s. and d. in law.	Not taxed.	—	Estates of $2,000 or more.	5	
Virginia . .	And grf. and grm. and bro. and s. and their descendants.	Not taxed.	—	Estates without exemption.	5	
W. Virginia(12)	As stated above.	Not taxed.	—	Estates of $100 or more.	2½	(12) The present legislature has had under consideration a bill grouping collateral heirs into three groups and taxing their shares at 5, 7½, or 10 per cent.
Wyoming . .	And bro. and s. and s. and d. in law.	Excess of estate over $10,000.(13)	2	Estates of $500 or more.	5	(13) The law states, however, that the "provisions of this chapter shall not apply to *bona fide* residents of this State when they shall possess the relation of husband or wife or children of deceased, and where the valuation of the property does not exceed the sum of twenty-five thousand dollars to each legatee." This discrimination perhaps violates the Constitution of the United States. Cf. *In re Stanford's Estate*, 54 P. 259.

TABLE Ib.— PROVISIONS OF STATE INHERITANCE TAX LAWS.

(States Dividing Heirs into More than Two Classes.)

State.	Direct Heirs.			Collateral Heirs.			Other Heirs.	Notes.
	Husband or wife, ancestors, lineal issue, brothers and sisters, sons and daughters in law.	Tax collected upon.	Rate (per cent.).	Uncles and aunts, nephews and nieces, and descendants.	Tax collected upon.	Rate (per cent.).	Taxed on shares at rates indicated.	
Colorado .	As stated above.	Excess of share over $10,000.	2	As stated above.	Excess of share over $500.	3	Shares:— $500 to $10,000, 3% $10,000 to $20,000, 4% $20,000 to $50,000, 5% $50,000 or more, 6%(1)	(1) So interpreted in *Burns* v. *Elder*, 77 P. 853, where the law was held to be constitutional.
Illinois . .	As stated above.	Excess of share over $20,000.	1	As stated above.	Excess of share over $2,000.	2	As in Colorado.(2)	(2) The laws of Colorado, Nebraska, and Oregon were copied with some changes, from the Illinois Act of 1895.
Nebraska .	As stated above.	Excess of share over $10,000.	1	As stated above.	As in Illinois.	2	As in Colorado.	
Oregon . .	As stated above.	Excess of share over $5,000 estates below $10,000 exempted.	1	As stated above.	As in Illinois.	2	As in Colorado.	

TABLE I*b*. — *Continued*. — (STATES DIVIDING HEIRS INTO MORE THAN TWO CLASSES.)

STATE.	Direct Heirs.			Collateral Heirs.			Other Heirs.	Notes.
	Husband or wife, ancestors, lineal issue, brothers and sisters, sons and daughters in law.	Tax collected upon.	Rate (per cent.).	Uncles and aunts, nephews and nieces, and descendants.	Tax collected upon.	Rate (per cent.).	Taxed on shares at rates indicated.	
Washington.	Parents and lineal descendants.	Excess of estate over $10,000.(3)	1	Collateral relatives to the third degree.	Shares:— Below $50,000, $50,000 to $100,000, 100,000 or more,	3 4½ 6(4)	Classes of shares the same. The rates twice as high as in preceding.(4)	(3) So interpreted in *State* v. *Clark*, 71 P. 20. In this decision the law was held to be valid. (4) The higher rate is collected upon excess of share over maximum of lower class.
North Carolina . .	Five classes of heirs taxed upon shares of personal property in excess of $2,000 at rates indicated:— (*a*) Ancestors, lineal issue, brothers, and sisters, ¾ per cent.(5) (*b*) Descendants of brother or sister . . . . . 1½ " " (*c*) Uncle or aunt and descendants . . . . . 3 " " (*d*) Great uncle or aunt and descendants . . . 4 " " (*e*) All other heirs at rates graduated as follows:— Shares, $2,000 to $5,000, 5 per cent " $5,000 " 10,000, 7½ " " " 10,000 " 25,000, 10 " " " 25,000 " 50 000, 12½ " " " 50,000 or more, . 15 " "							(5) Surviving husband or wife not taxed.
Wisconsin .	Five classes of heirs. Rates progressive.(6) Shares are divided into five classes, as follows:— (*a*) $25,000 less exemption; (*b*) $25,000 to $50,000; (*c*) $50,000 to $100,000; (*d*) $100,000 to $500,000; (*e*) $500,000 or more. (*a*) Husband or wife, ancestor, lineal issue, initial rate . 1 %; rate progressive ½% for each class (of shares). (*b*) Sons and daughters in law, brother or sister, and descendants, initial rate . . . . . 1½ " " " ¾ " " " " " " (*c*) Uncle or aunt and descendants, initial rate . . . . . 3 " " " 1½ " " " " " " (*d*) Great uncle or aunt and descendants, initial rate . . . 4 " " " 2 " " " " " " (*e*) All other heirs, initial rate . . . . . 5 " " " 2½ " " " " " "							(6) The higher rate is collected upon excess of share over maximum of lower class. Exemptions by classes of heirs are: (*a*) $10,000 (widow) or $2,000 (others); (*b*) $500; (*c*) $250; (*d*) $150; (*e*) $100.

TABLE II. REVENUE DERIVED FROM STATE INHERITANCE TAXES SINCE 1885.(1)

(THE FIGURES DENOTE THOUSANDS OF DOLLARS; THUS, 31.2 = $31,200.)

YEAR.(2)	Maine.	Vermont.	Massachusetts.(3)	Connecticut.	New York.	New Jersey.	Pennsylvania.	Delaware.	Maryland.	West Virginia.	Virginia.	North Carolina.
1904	—	37.2	—	—	—	—	—	—	—	—	—	—
1903	31.2	29.4	506.1	249.7	4,665.7	138.9	1,300.8	*	67.7	1.4	19.6	*
1902	39.9	55.1	427.7	335.7	3,303.6	149.6	1,231.7	1.0	89.5	6.3	*	4.2
1901	38.9	50.8	506.1	222.3	4,084.6	163.7	1,232.1	1.3	90.7	2.6	28.3	.2
1900	18.0	26.3	398.0	165.9	4,334.8	177.0	1,167.7	2.2	54.5	3.8	21.9	*
1899	36.3	13.7	478.7	115.2	2,194.6	85.5	933.6	1.4	58.5	15.5	67.2	*
1898	23.3	11.5	563.7	133.0	1,997.2	112.9	834.9	.3	134.3	2.5	14.3	1.1
1897	28.7	.5	501.4	77.5	1,829.9	113.8	894.7	*	60.3	1.8	1.7	.1
1896	23.2	—	275.4	135.8	1,796.6	82.2	925.7	.8	76.9	1.4	2.8	
1895	42.3	—	419.4	68.8	2.126.8	121.3	1,092.0	1.6	83.2	1.0		
1894	12.1	—	239.4	74.2	1,689.0	204.7	869.2	*	62.7	6.6		
1893	1.0	—	59.4	143.6	3,071.7	44.2	1,124.5	*	70.7	4.7		
1892	—	—	13.9	177.7	1,786.2	21.0	1,110.6	1.2	114.0	1.0		
1891	—	—	—	74.8	890.3	—	1,230.7	.9	67.7	.3		
1890	—	—	—	14.6	1,117.6	—	670.1	—	83.7	.2		
1889	—	—	—	—	1,075.7	—	1,377.5	—	56.4	.1		
1888	—	—	—	—	736.1	—	713.2	—	57.8			
1887	—	—	—	—	561.7	—	762.7	—	45.6			
1886	—	—	—	—	84.1	—	662.1	—	52.2			
1885	—	—	—	—	—	—	797.0	—	147.0			

YEAR (2)	Ohio .(4)	Illinois.	Michigan.	Wisconsin.	Iowa.	Missouri.	Nebraska.	Tennessee.	Montana.(6)	Colorado.	Utah.	Washington.	California.
1904	—	—	—	—	—	—	—	—	—	—	—	—	286.7
1903	39.3	519.3	164.7	*	234.7(5)	142.6	3.3	*	—	5.0(5)	44.1	35.8(5)	290.4
1902	13.1	1,007.6(5)	211.8	*	—	229.8	.065	74.4	72.7(5)	—	1.6	—	287.0
1901	13.5	—	10.4	32.1	196.5(5)	213.3	—	37.3	—	—	—	3.1	243.6
1900	22.9	958.8(5)	4.6	4.2	—	3.9	—	61.0	13.7(5)	—	—	—	386.9
1899	17.5	—	—	—	52.8(5)	—	—	*	—	—	—	—	157.7
1898	24.2	39.2(5)	—	—	—	—	—	*	7.0	—	—	—	83.6
1897	24.9	—	—	—	—	—	—	*	—	—	—	—	60.7
1896	1.5	.3	—	—	—	—	—	*	—	—	—	—	102.7
1895	—	—	—	—	—	—	—	*	—	—	—	—	32.9
1894	—	—	—	—	—	—	—	*	—	—	—	—	1.4

* Not ascertained. Not reported separately in Tennessee till 1900.

(1) North Dakota, Oregon, Wyoming, Arkansas, and Louisiana are not included, the laws going into effect but recently in the first three, and reports being unavailable for the latter two.

(2) Fiscal year ending as indicated, usually June 30 or December 31.

(3) Does not include interest payments.

(4) State revenue only. Counties retain 25 per cent. of revenue collected.

(5) Includes yield of tax for preceding year.

(6) State revenue only. Counties retain 40 per cent. of the revenue collected.

TABLE III.—REVENUE FROM THE INHERITANCE TAX.

State.	For period	Per capita revenue.	Percentage of total revenue.
New York	1899–1901 (3)	$0.4873	12.01
Pennsylvania	1902–1903 (2)	.20	5.75
Connecticut	1899–1901 (3)	.1847	5.73
California	1899–1901 (3)	.1766	2.88
Massachusetts	1899–1901 (3)	.1656	4.96
Montana	1900–1902 (2)	1493[1]	4.68
Vermont	1900–1902 (3)	.1282	
Illinois	1898–1902 (4)	102	7.45
Michigan	1902–1903 (2)	.0778	2.42
New Jersey	1899–1901 (3)	.0754	4.0
Missouri	1902–1903 (2)	.0599	3.46
Maryland	1899–1901 (3)	.0572	1.91
Iowa	1900–1903 (4)	.0483	3.82
Maine	1899–1901 (3)	.0447	
Ohio	1899–1901 (3)	.0433[2]	2.28
Tennessee	1900–1902 (3)	.0285	
Virginia	1903 (1)	.0106	0.53
W. Virginia	1899–1901 (3)	.0076	

Figures in parentheses indicate the number of years considered.
[1] 60 per cent. of the yield, the counties retaining 40 per cent.
[2] 75 per cent. of the yield, the counties retaining 25 per cent.

TABLE IV.—REVENUE FROM THE INHERITANCE TAX IN FOREIGN COUNTRIES.

Country.	For period	Per capita revenue.	Percentage of total revenue.
United Kingdom	1900–1903 (3)	$2.06	9.97[1]
France	1900–1901 (2)	1.091	6.03
South Australia	1900–1903 (3)	1.024	3.93
Victoria	1900–1903 (3)	.72	3.6
West Australia	1900–1902 (2)	.223	
Tasmania	1900–1903 (3)	.216	1.76
British Columbia	1901–1903 (3)	.182	1.79
Ontario	1901–1903 (3)	.151	6.96
Quebec	1901–1903 (3)	.109	3.92
Nova Scotia	1901–1903 (3)	.10	3.92
New Brunswick	1901–1903 (3)	.052	1.95

[1] Percentage of total national revenue derived from the various "duties."