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DOUBLE TAXATION

PRELIMINARY REPORT OF A SUBCOMMITTEE

OF THE

COMMITTEE ON WAYS AND MEANS

RELATIVE TO

FEDERAL AND STATE TAXATION AND DUPLICATIONS THEREIN

Printed for the use of the Committee on Ways and Means

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NOTE.—This report has been ordered printed for purposes of information and discussion, but it has not yet been considered or approved by the committee or any member thereof.

LETTER OF TRANSMITTAL

WASHINGTON, *December 29, 1932.*

Hon. JAMES W. COLLIER,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: There is transmitted herewith a preliminary report on the subject of Federal and State taxation and duplications therein.

At the close of the first session of the Seventy-second Congress, the Committee on Ways and Means authorized and directed the appointment of a special subcommittee for the purpose of making a study of Federal and State taxation with particular reference to the duplications which occur through overlapping authority. A committee of five members was named, of which I have the honor to serve as chairman.

Your committee adopted a program of procedure which contemplated three major steps, to wit: (1) The preparation of a preliminary report containing basic data on Federal and State taxation; (2) the holding of public hearings; and (3) the submission of a final report with suggestions for improving our taxation system. The accompanying report, which has been prepared by the staff of the Joint Committee on Internal Revenue Taxation at your direction and at our request, thus represents the completion of the first part of our program.

Your committee has given general consideration to this report and recommends that the same be printed in order that it may form a basis for an effort in the direction of eliminating double taxation, duplications, and overlapping. It is also hoped that it may form a basis for a revision of our taxation system as a whole in order that the tax burden may be more equitably distributed.

Inasmuch as the report submitted concerns itself almost entirely with presenting facts, it was unnecessary for the Subcommittee on Double Taxation specifically to approve or disapprove of the report as prepared by the staff of the joint committee. However, we are in substantial agreement with the statements contained therein.

Respectfully,

FRED M. VINSON,
Chairman Subcommittee on Double Taxation.

LETTER OF SUBMITTAL

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, December 28, 1932.

Hon. FRED M. VINSON,
Chairman Subcommittee on Double Taxation,
Washington, D. C.

MY DEAR MR. CHAIRMAN: At the direction of Hon. James W. Collier, chairman of the Joint Committee on Internal Revenue Taxation, there is submitted herewith a "Preliminary report on Federal and State taxation, and duplications therein." This report has been prepared at your request and it is hoped that it may be of sufficient value to form a basis for the future work of your committee.

At the completion of some months of study of our taxation system as a whole, it is our opinion that very substantial improvements can be made therein, through cooperation between the Federal Government and the States. The tax burden is great and the public are fully conscious of this burden in these times of stress. A more equitable distribution of the burden and its ultimate reduction through a judicious curtailment in expenditures would doubtless not only be welcomed by the public but would also have a most beneficial effect on business.

Respectfully submitted,

L. H. PARKER, *Chief of Staff.*

Approved:

J. W. COLLIER,
Chairman Joint Committee on Internal Revenue Taxation.

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PRELIMINARY REPORT ON FEDERAL AND STATE TAXATION

FOREWORD

This report has been prepared by the staff of the Joint Committee on Internal Revenue Taxation at the request of Hon. Fred M. Vinson, chairman of the Subcommittee on Double Taxation of the Committee on Ways and Means of the House of Representatives. Hon. J. W. Collier, chairman of the Joint Committee on Internal Revenue Taxation and also chairman of the Committee on Ways and Means, ordered the preparation of the report.

The principal object of the report is to set forth the important principles and facts relating to taxes imposed by the Federal Government, the State governments, and the local governments. It is hoped that this collection of principles and facts will furnish a basis for public discussion of this important matter, as well as a basis for public hearings which are contemplated in the near future. A final report will not be attempted until after the conclusion of such hearings.

In view of the above, no conclusions have been reached in the report, with the exception of certain propositions that are plainly and indisputably shown by the facts. It has not heen deemed beyond the scope of the report to raise certain issues which should be discussed and answered before any real pregress can he made in coordinating and simplifying our National, State, and local tax systems.

It is not sufficient in approaching a subject of this magnitude to consider it solely from the Federal or State point of view. It is more important to consider the effect of the various systems of taxation upon the taxpayer, whether individual or corporate. It makes little difference to the taxpayer to whom he pays the tax—the important matter to him is the total amount he has to pay. Double taxation will always impress him as unjust and taxation of the same subjects by the various taxing authorities will generally be deemed double taxation, whetber or not legally or theoretically justified. Then, too, the annoyance to the taxpayer of many of the so-called nuisance taxes, which bring in very little revenue in proportion to the trouble involved, must not be overlooked. About 150 years ago a famous writer on economics, Adam Smith, laid down four principles to which all taxation should conform. These maxims of taxation are now broadly recognized as valid and are worth repeating. Briefly stated by Doctor Munro, they are as follows:

> People should be taxed as nearly as possible in proportion to their respective abilities; all taxes should be definite and not uncertain or arbitrary; they ought to be levied at the time and in the manner which causes the least inconvenience to the people; and they should be so contrived as to take out of the pockets of the people as little as possible over what is needed by the Public Treasury.

The trouble with most of our taxing systems, as pointed out by Doctor Munro, is that they do not heed these maxims and taxes are sometimes levied on the simple principle of getting the most money with the least trouble.

The staff of this committee started work on this report in July. The subject is broad, and comprehensive and accurate treatment is extremely difficult. In order to publish the report promptly, certain approximations have been made and the check of State statutes has been hurried. The indulgence of the reader must be asked with respect to any errors which may occur in the report, and it will be greatly appreciated if such errors are promptly brought to our attention. In general, it is hoped that the report is substantially correct as of July 1, 1932.

SYNOPSIS

Part I. Discussion of Principles and Facts

1. The Power to Levy Taxes

(A) OF THE FEDERAL GOVERNMENT

The power of the Federal Government to levy taxes, like the other powers it possesses, is delegated by the Constitution. The scope of this taxing power, though broad, is defined and limited by the Constitution, and rests solely in the Congress. The limitations on the power to levy taxes applicable to Federal statutes are as follows:

First, general restriction on sovereignty.—The Government's power to tax does not extend beyond its inherent power of sovereignty. The Government must have jurisdiction over the person or object subject to tax.

Second, to pay the debts and provide for the common defense and general welfare.—The Congress can not levy taxes for private purpose, but in a broad sense must levy taxes for the purpose of providing for the payment of the public debts and the general welfare.

Third, rule of apportionment.—Direct taxes, such as property taxes, must be apportioned among the several States according to the population by the specific wording of the Constitution.

Fourth, rule of uniformity.—Indirect taxes, such as duties, imposts and excises, must be uniform throughout the United States; that is, they must operate "with the same force and effect in every place where the subject of them is found."

Fifth, prohibition on export taxes.—The Constitution provides that no tax or duty shall be levied on articles exported from any State.

Sixth, violation of the due process clause of the fifth amendment.—The Fifth Amendment provides that no person shall be deprived of property without due process of law and without just compensation. This rule applies only where the taxing provision is so palpably arbitrary and unreasonable as to lead to the conclusion that it is not an exercise of taxation but a confiscation of property.

Seventh, violation of the tenth amendment.—There are a few cases where taxing statutes have been held invalid by the Supreme Court because they violated the provisions of the tenth amendment, which provides that "the powers not delegated to the United States by the Constitution, nor prohibited to it by the States, are reserved to the States, respectively, or to the people." An example of such an invalid statute was the child labor tax law of 1919.

Eighth, taxing compensation of President and Federal judges.—The Constitution provides that the compensation of the President and of the judges of constitutional courts shall not be diminished during their term of office. The court held that the taxing of such income was, in effect, a diminution of salary and invalid.

Ninth, taxing State functions.—The Federal Government has no authority to tax the property belonging to a State or one of its subdivisions, or the means and instrumentalities employed by the State in the discharge of its ordinary functions of government.

Contrary to the opinion of many, there is no limitation on double taxation by the Congress. Neither do treaties limit the taxing power of the Congress where the treaty is prior to the tax statute. Subject to the limitations listed, the Congress can, in fact, impose nearly every kind of tax, but such power can not be delegated by it to the President or to the courts.

(B) OF THE STATE GOVERNMENTS

The power of a State to levy taxes is based on its inherent right of sovereignty. The limitations on a State's taxing power are as follows:

First, inherent limitations.—The State can reach only objects within its jurisdiction and must not levy taxes except for a public purpose.

Second, limitations under the Federal Constitution.—State statutes must not conflict with Federal laws or with the terms of treaties with foreign nations. They must not interfere with the borrowing power of the Federal Government. No State may lay a duty on tonnage nor impair the obligations of a contract by tax provisions. Taxes discriminating against citizens of other States are prohibited. No State, without the consent of the Congress, is permitted to lay duties on imports or exports. State taxes must not be so arbitrary as to result in confiscation and thus take property without due process of law. The fourteenth amendment contains a provision that no State shall deny to a person the equal protection of its laws, and this provision has been invoked in several cases as limiting the State power to tax nonresidents. The State taxing statutes must not interfere with interstate or foreign commerce exclusively under the control of the Federal Government. For the same reason that the Federal Government may not tax State functions, the States may not tax Federal functions. There has been no application of the full faith and credit clause of the Constitution as a limitation on the taxing powers of the States.

Third, limitations under State constitutions.—The legislators of a State are also limited by their respective constitutions. These constitutions differ, of course, in many respects. Many of the States require equality and uniformity in taxation. Some require that taxes on property shall be in proportion to its value, and others that the rate shall be equal and uniform. Many State constitutions specifically mention the property which shall be exempt from taxation and require the taxation of all other property. Some States fix the maximum rate of the general property tax, and, in a few instances, the rates for income and estate taxes are also specified.

The State, then, is sovereign in the field of taxation except for certain inherent limitations, and except for the limitations it has placed on itself through the delegation of its powers to the Federal Government and through the provisions of its own constitution.

(C) OF MUNICIPALITIES, COUNTIES, AND TOWNSHIPS

The power of levying taxes which cities, counties, townships and other local subdivisions possess is not an inherent power but one delegated to them by the State. It is generally true, therefore, that every political subdivision of a State which levies taxes must be able to show some authority from the State to support its levy. Such powers are usually delegated by the constitution of the State or by its statutes. In fact, State constitutions often give the local government broad powers to levy taxes for local purposes. This is consistent with the principle of home rule, so firmly imbedded in our people from the time of the colonization of our country.

2. Taxes Imposed by the Federal Government

(A) INCOME TAX ON INDIVIDUALS

One of the most important taxes levied by the Federal Government from both a revenue and a social standpoint is the income tax on individuals. The present Federal law was enacted in 1932, carrying normal rates of 4 per cent on the first $4,000 of net income and 8 per cent on the balance over $4,000. The law also provides for surtax rates graduated from 1 per cent at $6,000 to 55 per cent on amounts of net income in excess of $1,000,000. It is possible therefore for a taxpayer to pay a tax of as much as 63 cents per dollar on that portion of his net income which exceeds $1,000,000. It should be noted that maximum rates of tax on the higher portions of an individual's net income are quite different from the actual rate paid on his entire net income. For instance, the average rate of tax paid by a married man with no dependents is 2 per cent on a net income of $5,000; 4.8 per cent on $10,000; 10.1 per cent on $25,000; 17.2 per cent on $50,000; 30.1 per cent on $100,000; 52.7 per cent on $500,000; and 57.1 per cent on $1,000,000. The revenue act of 1932 more than doubled the income tax rates on individuals formerly in effect under the act of 1928. No collections have yet been made under the new act, except in the case of a few fiscal year returns, data in regard to which is not available. Under the 1928 act, the income tax on individuals produced $1,147,000,000 in the fiscal year 1930; $834,000,000 in the fiscal year 1931; and $427,000,000 in the fiscal year 1932. These figures indicate one of the principal defects of the income tax, namely, the excessive variations of its yield in boom times and in times of depression. Also, these excessive variations in revenue force frequent changes in our graduated income tax rates, which should be determined by the principle of "ability to pay" instead of from considerations of mere expediency.

(B) INCOME TAX ON CORPORATIONS

Corporations are taxed on their net incomes as is the case with individuals, but a flat rate is used instead of graduated rates. The present rate on separate corporations is 13¾ per cent and on affiliated corporations which elect to file consolidated returns, 14½ per cent. During the war years, an excess-profits tax was levied on corporations at graduated rates. This levy was repealed in 1921 on account of the difficulty encountered in its application, although the principle of this tax was generally approved. The corporate income tax, like the individual income tax, is subject to sharp variations in yield in good and bad times. For instance, the revenue derived from this tax amounted to $1,263,000,000 in the fiscal year 1930, to $1,026,-000,000 in the fiscal year 1931, and to $630,000,000 in the fiscal year 1932. The very heavy yield from corporate and individual income taxes in good times and the very unsatisfactory yield in times of depression suggests the necessity for building up reserves in the former periods.

(C) ESTATE AND GIFT TAXES

Estate tax.—The Federal Government imposes only one form of death duty. This is an estate tax, levied upon the decedent's net estate, and is to be distinguished from an inheritance tax, which is levied upon the share of each beneficiary. The present estate tax had its beginning in 1916 and has been continuously in force since that date, although numerous changes have been made in the rates. When the revenue act of 1932 was under consideration, the act then in force was the revenue act of 1926 which taxed net estates at graduated rates running from 1 per cent to 20 per cent on amounts in excess of $10,000,000, an exemption of $100,000 being allowed. The striking feature of the 1926 law was the 80 per cent credit provision, which allowed a credit of that percentage of the Federal tax for death taxes paid to any State or Territory. In 1932 it became necessary to increase the estate tax, but from a practical standpoint it was also necessary to keep the revenue act of 1926 in force in order not to disturb any additional estate taxes which had been levied by the States to take advantage of this 80 per cent credit clause. The result is that the revenue act of 1932 carries a Federal estate tax which is in addition to the tax imposed under the revenue act of 1926 and which retains to the Federal Government all of the revenues produced by such additional tax without credit for State death taxes. To further increase the revenue, the exemption, allowed in computing the net estate under the 1932 act, is fixed at $50,000.

The ultimate effect of the two Federal statutes is to impose a levy upon taxable net estates up to $10,000 of 1 per cent, and so on by graduated brackets until estates in excess of $10,000,000 pay 45 per cent on such excess. However, the actual rate paid on an entire net estate of $10,000,000 is only 30.9 per cent. Against this tax as computed at Federal rates there may be deducted State taxes to the amount of 80 per cent of the tax computed under the revenue act of 1926. The total rates under the present system are more than double the old rates, and on account of not increasing the credit for State taxes it is expected that when the new system comes fully into operation there will be received nearly seven times the present revenue from this source. Federal estate tax receipts for the fiscal year 1930 amounted to $65,000,000, for the fiscal year 1931 to $48,000,000, and for the fiscal year 1932 to $47,000,000.

Gift tax.—The revenue act of 1932 provides for a gift tax payable by the donor. This tax was not in force under the revenue act of 1926 although a trial had been made of this levy under the 1924 act. There was originally some doubt as to the constitutionality of the 1924 gift tax, but it has now been upheld by the Supreme Court of the United States. The new gift tax of 1932 is a decided improvement over the original enactment in 1924. It is believed that the present levy accomplishes its main purpose of preventing the avoidance of the estate tax by gifts inter vivos or by irrevocable trusts. Moreover, the act is designed to prevent avoidance of the gift tax itself, which was formerly possible by making gifts in a series of years. This is done by making the gift tax computations on a cumulative basis and then deducting from such tax gift taxes previously paid. The rates of the gift tax are about three-fourths of the rates provided for by the two estate taxes. A reason for allowing a somewhat lower rate is to encourage the making of gifts during the owner's lifetime, it being felt that such gifts are desirable from a social standpoint. There are no data as to the amount of revenue collected under the new gift tax. There is a total exemption of $50,000 allowed and, in addition, an annual exemption up to $5,000 for gifts made by the donor to any person. The tax provided for in 1924 was in effect about 19 months and returned about $10,000,000 in revenue.

(D) SPECIAL SALES TAXES ON SPECIFIC ITEMS

Just prior to the passage of the revenue act of 1932 there were comparatively few special sales taxes remaining on the Federal statute books. A great many of such taxes had been in force during the war but were repealed during the prosperous years under the general impression that they were nuisance taxes. The necessity for additional revenue in 1932 led Congress to impose a large number of these special sales taxes. Such sales taxes may be divided, in a general way, into those applied to the sales of tangible items and those applied to the sales of intangible items.

Sales tax on tangible items.—The following list shows the principal tangible items which are now subject to sales taxes under the revenue act of 1932 or prior acts:

Distilled spirits (beverage), $6.40 per gallon.
Distilled spirits (nonbeverage), $1.10 per gallon.
Fermented liquors (beer and ale), $6 per barrel.
Miscellaneous liquors and wines, various rates.
Cigarettes (small), $3 per thousand.
Cigarettes (large), $7.20 per thousand.
Cigars (5-cent), $2 per thousand.
Cigars (8-cent), $3 per thousand.
Cigars (15-cent), $5 per thousand.
Cigars (20-cent), $10.50 per thousand.
Cigars (over 20 cents), $13.50 per thousand.
Tobacco and snuff, 18 cents per pound.
Passenger automobiles and motor cycles, 3 per cent on manufacturer's price.
Auto trucks, 2 per cent on manufacturer's price.
Automobile accessories, 2 per cent on manufacturer's price.
Renovated butter, one-fourth cent per pound.
Adulterated butter, 10 cents per pound.
Cameras and lenses, 10 per cent on manufacturer's price.
Candy, 2 per cent on manufacturer's price.
Playing cards, 10 cents per pack.
Filled cheese, 1 cent per pound.
Soft drinks, various rates.
Firearms, etc., 10 per cent on manufacturer's price.
Mixed flour, 4 cents per barrel.
Articles made of fur, 10 per cent on manufacturer's price.
Gasoline, 1 cent per gallon.
Grape concentrates, 20 cents per gallon.
Chewing gum, 2 per cent on manufacturer's price.
Jewelry, 10 per cent on manufacturer's price.

Malt and malt sirup, 3 cents per pound.
Matches (wood), 2 cents per thousand.
Matches (paper), one-half cent per thousand.
Lubricating oil, 4 cents per gallon.
Oleomargarine (uncolored), one-fourth of a cent per pound.
Oleomargarine (colored), 10 cents per pound.
Opium, 1 cent per ounce.
Opium (for smoking purposes), $300 per pound.
Radio receiving sets, 5 per cent on manufacturer's price.
Mechanical refrigerators, 5 per cent on manufacturer's price.
Sporting goods, 10 per cent on manufacturer's price.
Tires and tubes, 2¼ cents and 4 cents per pound.
Toilet preparations (in general), 10 per cent on manufacturer's price.
Toilet preparations (soap, etc.), 5 per cent on manufacturer's price.
Brewer's wort, 15 cents per gallon.

Sales tax on intangible items.—The following list shows the intangible items which are now subject to sales taxes under the revenue act of 1932 or prior acts:

Admissions, approximately 10 per cent of ticket price.
Corporate bonds (issue), 10 cents per $100.
Corporate bonds (transfer), 4 cents per $100.
Corporate stock (issue), 10 cents per $100.
Corporate stock (transfer), 4 cents per $100 of par value of certificate or 5 cents if selling over $20 per share.
Conveyances, 50 cents per $500.
Club dues, 10 per cent of amount paid.
Electrical energy, 3 per cent of amount paid.
Cotton futures, 2 cents per pound.
Produce futures, 5 cents per $100.
Insurance (foreign), 3 per cent of premium.
Safe deposit boxes, 10 per cent of amount paid.
Telephone messages, 10 cents and up per message costing 50 cents or more.
Telegraph messages, 5 per cent of amount paid.
Cable and radio messages, 10 cents per message.
Passage tickets (foreign), $1 to $5 per ticket.
Transportation of oil by pipe line, 4 per cent of amount paid.

(E) OCCUPATIONAL TAXES

Certain trades and businesses are subject under Federal internal revenue laws to occupational taxes. Not many of these occupational taxes are now in force, although there were a great number in the statutes during the World War period. The taxes which remain in force are mainly on those trades or businesses in connection with which there is some need for supervision and control.

The occupational taxes which are now levied are, therefore, imposed on liquor dealers and manufacturers of various kinds, including brewers; on manufacturers and dealers in adulterated butter, renovated butter, filled cheese, mixed flour, and oleomargarine; and on dealers, producers, importers, or manufacturers of narcotics.

There has also been listed under occupational taxes for want of a better place, the tax on the use of pleasure boats imposed by the revenue act of 1932. This act levies a tax of from $10 to $200 on pleasure boats according to their over-all length.

(F) OTHER MISCELLANEOUS TAXES

Only two taxes remain which have not been classified under the previous headings. The more important is the tax on checks imposed by the revenue act of 1932. The amount of this tax is 2 cents on each check or draft, and instead of being collected by stamp as under former acts it must be paid by the bank to which presented for payment and deducted from the taxpayer's account. From preliminary figures it appears that this tax will yield about $50,000,000 annually.

The other is a tax on bank circulation for a description of which the reader is referred to the text.

3. Taxes Imposed by the States or Subdivisions Thereof

As might be expected in view of the power of the States to levy taxes, almost every kind of tax levied by the Federal Government is also levied by the States. The principal State levies are as follows:

(A) GENERAL PROPERTY TAXES

All the States, either directly or indirectly through their local subdivisions, levy property taxes. This form of tax is undoubtedly the most important in our present system, because it produces the greatest revenue and affects the largest number of people. The general property tax is applied not only to real but also to personal property.

The property tax on personal property, however, has not been as successful a revenue producer as the tax on real property. In 1860 it appears that the assessed value of real property amounted to $6,973,000,000 and of personal property to $5,111,000,000. In 1922, the assessed value of real property amounted to $92,369,000,000 and of personal property to $32,247,000,000. In other words, real property valuations increased about 15 times from 1860 to 1922, while personal property valuations increased but a little over six times during the same period. It is a matter of common knowledge that the ratio of actual personal property value to actual real property value has increased during that time. Therefore, it is obvious that the full value of personal property is not being reached by the general property tax.

General property taxes are open to the following principal defects: First, the value of the property which forms the basis of the tax is not an accurate measure of the person's ability to pay the tax. Second, the tax bears principally on those with real property and not upon those with personal and intangible property. Third, the property tax results in double taxation, by taxing the property of a corporation and also taxing the stock which represents the right to share in the income or proceeds from such property.

In regard to the administration of the property tax, this also seems open to at least two principal defects, as follows: First, the system of assessment is inadequate and consistent values for property are almost impossible of attainment. Second, there is widespread evasion of taxes on personal and intangible property.

The fact that the general property tax is not levied in accordance with the principle of ability to pay has been brought home to us during the current depression with great force. Indeed, the greater part of the general property tax is paid by persons with net incomes of less than $5,000. Moreover, the press has been full of statements showing that large numbers of our citizens have been unable to pay their real-estate taxes, and this result has brought about confusion in our State and local governments, since the expected revenues were not collected.

Figures recently collected show that the enormous sum of $5,266,000,000 is collected from the general property tax or from franchise taxes levied in lieu of property taxes. It has been estimated that our total national wealth subject to taxation amounts to about $240,700,000,000. If this is correct, then the average rate of tax on property in the United States is about 2.19 per cent of its full value. Investigation shows that in the various States the tax rates on the full value of property vary from 1.44 per cent to 3.04 per cent. In other words, the general property tax rates in some States are more than double those in certain other States.

From the data collected, it appears that taxes on property account for not less than 74 per cent of all the taxes collected by the States and the subdivisions thereof, and that over 50 per cent of this same tax burden falls on real property.

While some defend the general property tax as being a good tax on the basis that the burden falls, in some degree, according to the benefit received, the great majority of our economists severely condemn this property tax. In any event, it appears that this tax merits the careful consideration of all our legislators.

(B) PRIVILEGE OR FRANCHISE TAXES IN LIEU OF PROPERTY TAXES

The franchise has been defined as "a special privilege conferred by the Government upon an individual or corporation which does not belong to citizens of the country generally by common right." For the purpose of this report, we have classified franchise taxes under two headings, one of which includes those levied in lieu of a property tax and the other of which is not in lieu of a property tax and includes many special taxes imposed on public utilities, banks, insurance companies, and other particular kinds of business.

The franchise taxes levied in lieu of property taxes may be in lieu of all property taxes or in lieu of real or personal property taxes. Generally speaking, it appears that such taxes have been levied on the same principle as property taxes but that the franchise taxes have offered a more convenient and equitable form of taxation. For instance, in a majority of cases, they are based on the gross receipts of a corporation rather than on the value of its real and personal property. It has already been mentioned in this report that the question of valuation is a difficult one. This is especially true in the case of intangible items like good will. In general, the value of an entire business over a period of years is proportional to the earnings of that business over the same period of years. Going one step further we may assume in the long run that earnings will vary in some degree as gross receipts vary. Franchise taxes in lieu of property taxes are also based, in some instances, on the value of the corporate stock. Total revenue from this class of franchise taxes in 1931 was approximately $161,700,000. For practical purposes, this amount can be added to collections from the general property tax in order to determine the total burden on property.

(C) PRIVILEGE OR FRANCHISE TAXES NOT IN LIEU OF PROPERTY TAXES

Certain particular kinds of business are subjected to franchise taxes in addition to general property taxes. For instance, many of the States have special franchise taxes on public utilities, express companies, sleeping, dining and parlor car companies, and other similar businesses.

By actual count there are about 607 different provisions of the State statutes, imposing these franchise taxes which are not in lieu of the general property tax. The total revenue secured in 1931 from this source, whether contributed to the State or to the subdivisions thereof, totals about $177,835,000.

(D) INCOME TAXES ON INDIVIDUALS

At the present time, there are 21 States and Alaska and Hawaii which have income tax laws on individuals. In two of these States, however, namely, Illinois and Tennessee, their laws have been declared unconstitutional. Therefore, there are only 19 States with effective income taxes on individuals. The income tax laws of Massachusetts, Ohio, and the Territory of Alaska are very limited in scope.

The income tax laws of most of the States bear marked similarity to the Federal statute which has already been described. The rates of tax, however, are much lower than is the case with the Federal law.

All but four of the States and Alaska use a graduated scale in applying their income-tax rates. Eleven States and Hawaii start their rate with 1 per cent, 1 State with 1½ per cent, 4 States with 2 per cent, and 1 State with 2½ per cent. The lowest maximum rate imposed is 3 per cent. The highest normal rate is found in the case of Wisconsin, which uses 7 per cent. Wisconsin also has a special surtax which adds one-sixth of the tax as a teacher's fund surtax and doubles the normal rates as an emergency surtax for unemployment. Thus, the Wisconsin tax at the present time is as much as 15⅙ cents per dollar of net income in excess of $12,000. The total income tax receipts of all States from both individuals and corporations amounted to about $161,000,000 in 1931. New York alone received about $81,000,000 from this source.

(E) INCOME TAX ON CORPORATIONS

At the present time, there are 20 States and 2 Territories levying income taxes on corporations if we exclude Washington, whose statute has been declared unconstitutional. We have included in this classification taxes which may be technically levied upon the right to do business but which, for practical purposes, are income taxes because the measure of the tax is net income. In general, the States determine net income by similar rules as are used in the case of the Federal income tax which has already been described. Most of the States have a flat rate on corporate net income, like the Federal Government. There are four States, however, which apply progressive rates to the net income, namely, Idaho, Mississippi, Oklahoma, and Wisconsin. These rates vary from 1 per cent to 4 per cent in the case of Idaho and from 2½ per cent to 6 per cent in the case of Mississippi.

The yield from these State income taxes on corporations has been shown in the preceding section combined with the receipts from individual income taxes. It is not available separately.

(F) ESTATE AND INHERITANCE TAXES

At the present time, every State except Nevada imposes an inheritance or an estate tax. The Territories of Alaska and Hawaii also have death duties. Of the 47 States now imposing death duties, 13 levy an inheritance tax only; 28 levy both an inheritance tax and an additional estate tax; and 6 impose an estate tax only. Since 41 States levy an inheritance tax in some form, it is evident that this duty is preferred by the States. In fact, at the time that the Federal estate tax was first enacted in 1916, only one State, Utah, had an estate tax. The fact that the Federal Government has given an 80 per cent credit for State death duties paid since 1926 has caused many of the States to abandon the inheritance tax for the estate tax or to enact an estate duty in addition to their inheritance duty.

In order to show the general nature of the inheritance tax duties levied by the States, composite rates and exemptions have been computed in the case of 37 States which levy an inheritance tax on both direct and collateral heirs. It has been thought proper to exclude from this composite picture the four States which levy an inheritance tax on collaterals only. The result of this calculation is as follows:

Beneficiary	Composite rates	Composite exemptions
Widow	1¼ per cent graduated to 6½ per cent	$16,310
Widower	1¼ per cent graduated to 7 per cent	10,600
Child	1¼ per cent graduated to 6¾ per cent	8,120
Brother or sister	3¼ per cent graduated to 10¼ per cent	2,850
Uncle or aunt	4¾ per cent graduated to 13½ per cent	510
Stranger in blood	6 per cent graduated to 16¼ per cent	290

It may be observed from the foregoing table that consanguinity is recognized in two ways, namely, by graduation of rates and by exemptions. The widow is plainly preferred over the husband and issue by granting to her a larger exemption, although the rates on these beneficiaries average about the same. It may also be observed that the rates on brothers and sisters, uncles and aunts, and more remote relatives, are substantially in excess of the rates on the surviving spouse and direct descendants. The exemptions to the collateral relatives, moreover, are much less than to direct heirs, which results in further increasing the tax on their shares.

Prior to the enactment of the Federal estate tax in 1916, the States did not realize much revenue from death taxes, and collections in 1915 amounted to only $28,784,000. Increased rates and the extension of the inheritance tax to direct heirs resulted in a continued increase in receipts year by year until, in 1924, when the credit provision of the Federal law was first enacted, it had grown to over $80,000,000. In 1930, with the 80 per cent credit provision fully operative, State receipts from death duties amounted to a total of $180,794,000.

(G) GENERAL SALES TAX

At the present time, there are nine States which impose what might be termed "general sales taxes," providing that a broad and practical definition be given this term. These States are Connecticut, Delaware, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Pennsylvania, and West Virginia. In addition to these States, the Illinois Legislature has recently passed a law giving the counties authority to levy a 1 per cent tax, and this law is now before the governor for signature. While we have listed these nine States as imposing general sales taxes, the levies in all but three cases are considerably restricted as to their scope. The most important sales taxes and those most general in character are the taxes levied by the States of Mississippi, Pennsylvania, and West Virginia.

The Mississippi sales tax in its present form was enacted on April 30, 1932, and was amended on May 18, 1932. It taxes the business of extracting natural resources, including timber, and also the business of manufacturing, wholesaling, and retailing practically all commodities. In addition to tangible items, the receipts of doctors, lawyers, dentists, barbers, and other professional or personal service occupations are taxed. The salaries of teachers, nurses, laborers, and other persons not subject to special privilege taxes are exempt. There are numerous other exemptions comprising charitable, religious, and educational associations, and also insurance companies paying a tax on their gross premiums. In addition to the above, certain types of income are exempt. For instance, the gains from the sales of stocks and bonds, the receipts from life-insurance policies, the proceeds from sales made by persons in the farming or livestock industries, the proceeds from the sales of fertilizers, and the proceeds from sales to the Federal or the State Governments, are exempt.

The tax is measured generally by the gross income or gross proceeds from sales, depending upon the classification in which the business activity falls. The rate on the extractive industries is 2 per cent on the gross proceeds from sales, except in the case of natural gas, where the rate is 2½ per cent. The general rate on manufacturing is one-fourth of 1 per cent, but 1 per cent is levied in the case of cement and clay products, and upon bottled soft drinks. There is a 2 per cent tax on all retailers. Wholesalers pay only one-eighth of 1 per cent on their gross sales. Public utilities are charged 2 per cent, except electric, gas, light, and power companies where their product is sold for industrial purposes, in which case the rate is 1 per cent. An exemption of $1,200 is allowed from gross income in all cases. Apparently, the Mississippi sales tax allows pyramiding; that is, the retailer will pay the tax on his sales regardless of the fact that the manufacturer or wholesaler from whom he purchased the goods also has paid the tax.

No complete data is available as to the receipts from this tax, but it has been estimated in official quarters that the sales tax of Mississippi will produce $2,000,000 annually.

Pennsylvania at the present time imposes two kinds of taxes which may be classed as general sales taxes. The first of these taxes is a mercantile license tax which has been in force in Pennsylvania since 1821. Retail dealers, wholesale dealers, etc., are required to pay this tax. It was quite generally evaded until a few years ago when the law was changed to require merchants and others to display notices in their places of business certifying to the fact that they had paid this license tax. Following this change in law, the tax became more effective and, in fact, receipts from this source amounted to about $4,000,000 in 1931.

The important tax from the standpoint of sales taxes is the emergency retail sales tax enacted on August 19, 1932, for the purpose of providing funds for unemployment relief. The tax applies to sales of tangible personal property for any purpose other than for resale. In other words, it is limited to sales to consumers. It applies not only to retail dealers, however, but also to sales by manufacturers and wholesale dealers when such sales are made direct to the consumer. The only broad exemption allowed is in the case of sales by farmers of their own farm products. Pyramiding is prevented by exempting sales of raw materials (and parts to be used as material) in the making of property subject to tax. The tax is measured by the gross income from sales. The rate of tax is very moderate, being only 1 per cent. Securities and stocks are not regarded as tangible personal property within the meaning of the act and are not taxed. It appears certain that this tax will be passed on to the consumer in a great majority of cases. No revenue figures showing the receipts from this tax are as yet available.

West Virginia appears to be the first State to enact a really comprehensive general sales tax. The law was enacted in 1921, with substantial amendments in 1925. The West Virginia sales tax is levied upon all business enterprises conducted within the State. It does not, however, tax the receipts from professions or from sales of farms and homes by the owners thereof not made in the regular course of business. Insurance companies and banks paying special taxes are exempt from the tax, as well as certain agricultural, religious, and charitable organizations. Proceeds from the sales of stocks and bonds and proceeds from interstate or foreign commerce are also exempt from the tax.

The tax is measured generally by the gross income or gross proceeds from sales. An exemption of $10,000 is authorized to be deducted from the gross income or gross proceeds. The rates of tax vary according to the classification of the business enterprise. Extractive industries pay from 0.42 per cent to 1.85 per cent; manufacturing pays 0.21 per cent; retail merchandising pays 0.20 per cent; and wholesale merchandising pays 0.05 per cent. Special rates are applied to banks and public utilities varying from 0.3 per cent to 1 per cent. Amusement enterprises are taxed at a 1 per cent rate.

The highest collections under the West Virginia sales tax occurred in the year 1927, when they amounted to $4,076,000. The West Virginia statute has been tested by the Supreme Court and held to be constitutional.

In addition to the States levying sales taxes, the Philippine Islands and Puerto Rico impose such levies. For a description of these taxes, the reader is referred to the text.

In view of the public interest in this form of tax, the following arguments for and against such a tax have been collected from various sources:

ARGUMENTS FOR THE GENERAL SALES TAX

1. It is a good revenue producer.
2. It is a consistent revenue producer, not subject to fluctuations like the income tax in times of depression and in times of prosperity.

3. It is easily computed by both Government and taxpayer and the records required are not voluminous.

4. It does not discriminate between different industries like the selective sales taxes.

5. The motive for evading the tax is not great, because ordinarily the burden is not borne by the taxpayer but is passed on to the consumer.

6. Although the tax may be shifted to the consumers, it is not seriously felt by them, since the rates are generally low and the payments are distributed in very small amounts over the year.

ARGUMENTS AGAINST THE GENERAL SALES TAX

1. It violates the fundamental principle of ability to pay, since it bears on the poor as well as on the rich.

2. In the case of State sales taxes, it penalizes a local business man by subjecting his sales to a tax while a corporation without the State, such as a mail-order house, is not subject to the tax.

3. The tax is proportionate to what a man spends and not to what he receives, and the tax has no relation to profits, which can more properly bear the burden of taxes than losses.

4. It is difficult entirely to prevent pyramiding and when this is done, it complicates the administration of the tax.

5. In the case of State sales taxes where we have one State with a sales tax and one without a sales tax, the practice of bootlegging commodities within the State might become common.

6. The interstate commerce clause and the import clause of the Federal Constitution seriously interfere with the operation of State sales taxes.

(H) SPECIAL SALES TAXES ON SPECIFIC ITEMS

Many of the States have sales taxes on specific items. These taxes may be divided into two groups, according to whether they are imposed upon the sales of tangibles or intangibles. The most important taxes levied upon tangibles are those on automobiles, candy, ammunition, gasoline, mechanical refrigerators, oleomargarine, playing cards, soft drinks, tobacco, and brewers' wort. The most important taxes levied upon intangible items are probably those on admissions to places of amusement, issues and transfers of corporate stocks and bonds, conveyances, electrical energy, and transportation of oil by pipe line. In describing a few of the items subject to the special sales taxes, we shall, of course, disregard the fact that these same items may be taxed under the general sales taxes of the States already described.

South Dakota has a sales tax upon automobiles levied at the rate of 3 per cent of the value of the automobile based upon the original factory retail list price.

South Carolina imposes a tax on candy when such candy retails for 50 cents or more per pound. The rate is 1 cent for each 10 cents or fraction of the selling price.

South Carolina also levies a tax on ammunition, the rate being $4 per thousand on cartridges of .23 caliber or greater.

A tax on gasoline is levied by all the States, and also by the District of Columbia and the Territory of Hawaii. The rates of tax imposed by the various States are shown by the following table:

2 cents: Connecticut, Missouri, Rhode Island, and the District of Columbia.

3 cents: California, Delaware, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Pennsylvania, and the Territory of Hawaii.

4 cents: Colorado, Indiana, Maine, Maryland, Nebraska, Nevada, New Hampshire, Ohio, Oklahoma, Oregon, South Dakota, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming.

5 cents: Arizona, Idaho, Kentucky, Louisiana, Montana, New Mexico, Virginia, and Washington.

6 cents: Alabama, Arkansas, Georgia, Mississippi, North Carolina, and South Carolina.

7 cents: Florida and Tennessee.

In addition to the above gallon tax on gasoline, a few States have sales taxes which tax the gross receipts of retailers of gasoline. A few of the counties and cities in the above States also tax gasoline. A large majority of the States allow refunds where gasoline is used for other purposes than as motor-vehicle fuel. This source of revenue has become very important within the last decade. In fact, in 1931, the net earnings from the State motor-vehicle fuel taxes were over $500,000,000.

Alabama imposes a tax of 2 cents per gallon on lubricating oils, and North Carolina imposes a 1 per cent tax on gross sales in the case of mechanical refrigerators.

Malt is taxed in seven States, namely, Arkansas, Georgia, Michigan, Mississippi, South Carolina, South Dakota, and Tennessee. The rates vary from 2 to 5 cents per pound where the rate is based on weight. Three States base their rates on the selling price. Michigan taxes brewers' wort at a rate of 5 cents per gallon.

Thirteen States impose taxes on oleomargarine. It appears that these taxes are generally imposed by States which are butter producers, who levy the tax largely to discourage the production of butter substitutes. The rates vary from 5 to 15 cents per pound.

South Carolina imposes a special tax on playing cards, at a rate of 5 cents for each 50 cents, or fraction thereof, of the retail price.

Five States, namely, Alabama, Georgia, Missouri, South Carolina, and Tennessee, levy special taxes on soft drinks or the ingredients thereof. In Alabama, Georgia, and Tennessee, the tax is levied upon carbonic-acid gas used by soft-drink dealers at rates varying from 2 to 5 cents per pound. Georgia taxes manufacturers and distributors of fountain syrups at one-half of 1 per cent of the gross receipts. Missouri imposes a tax of 5 cents per gallon on fountain syrups and three-fifths of 1 cent per gallon on soft drinks. South Carolina levies a tax of 76 cents per gallon on fountain syrups and a tax of 1 cent for each 5 cents or fraction of the retail price in the case of bottled soft drinks.

A very considerable number of States tax tobacco or cigarettes. In fact, 13 States tax cigarettes, 6 tax cigars, 5 tax cigarette papers, and 3 tax manufactured tobacco or snuff.

The most important of the tobacco taxes from a revenue standpoint are those levied on cigarettes. The States of Alabama, Arkansas, Georgia, Iowa, Kansas, Mississippi, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Texas, and Utah all have such taxes. Reducing the rates of tax to terms of the total tax on an ordinary package of 20 small cigarettes, we find that the rates range from 2 cents per package to 5 cents per package. It will be recalled that the Federal tax on these cigarettes is 6 cents per package, so that the combined levy in some cases far exceeds the value of the tobacco contained in the cigarette.

Cigars are taxed by Alabama, Arkansas, Georgia, Mississippi, South Carolina, and Tennessee. In the case of States applying the tax on an ad valorem basis, the rates range from 10 per cent of the retail price to 20 per cent of the retail price.

Cigarette papers are taxed in Iowa, Kansas, North Dakota, South Dakota, and Utah. The usual rate is one-half cent for each 50 papers or fraction thereof.

Manufactured tobacco is taxed in Tennessee at the rate of 10 per cent of the retail price. South Carolina taxes smoking tobacco at the rate of 1 cent for each 5 cents of the retail price. The receipts of the States from these tobacco taxes amounted to more than $15,000,000 in 1930.

Only three States have a general tax applying to admissions to places of amusement. These States are Mississippi, South Carolina, and West Virginia. In the first two of these States, the rate is 1 cent for each 10 cents or fraction of the admission price, while in the last-named State it is 1 per cent of gross admission receipts, with an exemption of $10,000. The admissions tax of West Virginia is included in its general sales tax statute. Boxing and wrestling exhibitions are taxed in 20 States and Alaska in addition to those named above. A list of these States will be found in the text of the report. The rates range from 3 per cent of the gross receipts to 10 per cent of the gross receipts.

The issue of corporate bonds is taxed in four States, namely, Alabama, Florida, Indiana, and South Carolina. The usual rate is 10 cents per $100 of face value. Florida is the only State imposing a tax on the transfer of bonds, the rate on such transfers being 10 cents per $100 of face value.

The same States which tax the original issue of bonds also tax the original issue of capital stock of corporations. The rates are about the same as in the case of bonds. Stock transfers are taxed in five States, namely, Florida, Massachusetts, New York, Pennsylvania, and South Carolina. The New York tax is by far the most important of these levies, because of the volume of business consummated on the New York Stock Exchange. In New York, the rate is 4 cents per $100 of par value; in Massachusetts and Pennsylvania, the rate is 2 cents per $100; in South Carolina, 4 cents; and in Florida, 10 cents.

The States of Alabama, Florida, and South Carolina tax deeds of conveyance. The rates range from 50 cents to $1 for each $500 of value.

Seventeen States and the Territory of Alaska impose a tax on producers of electrical energy, which is in addition to property taxes in those jurisdictions. On the other hand, three States and the District of Columbia and the Territory of Hawaii have similar taxes which are in lieu of property taxes. There may be some question whether these levies may properly be considered as special sales taxes, but inasmuch as the tax is generally based on either the gross income or output of the company, it is doubtless considered in rate making and is thus passed on to the consumer. We will consider here only the States imposing a tax in addition to property tax.

Those States levying such a tax, in addition to the Territory of Alaska, are Alabama, Connecticut, Delaware, Idaho, Maryland, Mississippi, Nevada, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Vermont, Virginia, and West Virginia. The Mississippi and West Virginia taxes are a part of their general sales tax laws. The rates vary, as well as the bases upon which the rates are applied. The maximum tax appears to be in North Carolina, where the rate is 5 per cent of the gross receipts.

Seven States impose a tax on the transfer of oil by pipe line. The rates vary from a minimum of one-tenth of 1 per cent in New Mexico to a maximum of 4 per cent in Ohio. In addition, Mississippi and West Virginia reach this subject by their sales taxes.

In addition to the foregoing special sales taxes, there are at least 30 other items which are subjected to taxes of this character. A list of these taxes will be found in Exhibit 12 of the Appendix. The most important of these objects of taxation are carbon black, cement, feed, fertilizer, fish, fuel oil, kerosene, lime, milk powder, and trading stamps.

(I) POLL TAXES

Practically every State or the subdivisions thereof impose poll taxes. The rates vary from 25 cents per capita to $12. In some cases, the tax applies to males over 21, and in some cases to both males and females. In some cases persons of advanced age are exempt from the poll tax. It is estimated that these poll taxes as levied in the United States produce a revenue in excess of $20,000,000 annually.

(J) LICENSES, PERMITS, AND OCCUPATIONAL TAXES

There are a tremendous number of different subjects reached by the various State and local divisions through license, permit, and occupational taxes. By actual count, it is believed that there are not less than 3,974 of such taxes in the various States. It is impossible to describe all these taxes in detail. Most of our citizens have a knowledge of many of these license taxes. An arbitrary classification has been made, according to the type of business, showing about how many divisions impose license taxes. This is shown in the following table:

Amusement licenses	427
Chain store licenses	12
Merchants' and retail dealers' licenses	577
Wholesale dealers' licenses	85
Manufacturers' licenses	177
Peddlers' licenses	272
Miscellaneous business licenses	467
Agencies (occupational tax)	92
Agents (occupational tax)	142
Brokers (occupational tax)	191
Professions (occupational tax)	449
Miscellaneous occupations	262
Fish and game licenses	266
Auto, truck, etc. (private) licenses	156
Public-carrier licenses	134
Motor-cycle licenses	62
Miscellaneous vehicle licenses	25
Vehicle dealer licenses	59
Miscellaneous licenses	119
Grand total	3,974

It appears that the total revenue of the States and local jurisdictions from these licenses, permits, and occupational taxes amounted to approximately $305,000,000 in 1931.

(K) SPECIAL ASSESSMENTS

From a strict legal view, special assessments are probably not taxes at all. However, since they are a burden on the public, and particularly on the property owner, and because collections from these assessments are often mixed with tax receipts, we have included these levies within the scope of this report.

These assessments are levied principally by local governments in order to pay for improvements resulting in special benefits to specific property. These special assessments produce a rather large revenue, estimated for 1931 at not less than $215,000,000.

(L) OTHER MISCELLANEOUS TAXES

The principal levies, not already described under the classification of State and local taxes, are those imposed on the severance of natural resources. Various States impose severance taxes on such items as coal, iron ore, manganese, marble, salt, gravel, sulphur, timber, natural gas, oil, and petroleum.

4. Double Taxation

It has already been pointed out that there is no legal bar to double taxation or to duplicate taxation occasioned by Federal and State levies. It is not an easy matter in any country to create an equitable tax system, but it is especially difficult in this country due to our dual form of government. Double taxation may or may not be unjust according to the facts in each particular case, but as a general rule it interferes with the equitable distribution of the tax burden as a whole. Moreover, the taxpayer feels himself treated unjustly whether or not the duplication can be justified on a theoretical basis. This subject is primarily important at this time when all governments are seeking, of necessity, new sources of revenue. Investigation shows that in a great majority of cases the objects of taxation reached by the Federal Government are also reached by at least some, if not all, of the States. The different taxes which are duplicated by the two jurisdictions will now be noted.

(A) INCOME TAX ON INDIVIDUALS

Twenty-three States and Territories have income-tax statutes, the majority of which are of recent origin. These States and Territories are as follows: Alaska, Arkansas, Delaware, Georgia, Hawaii, Idaho, Illinois, Massachusetts, Mississippi, Missouri, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Vermont, Virginia, and Wisconsin. The income tax laws of two of the above States, namely, Illinois and Tennessee, have recently been declared unconstitutional.

A study of the State income tax laws in connection with the Federal income tax law leads to the conclusion that bere is a real case of double taxation. It is true that the rates in the case of the State taxes are unusually low since in all the States, except Wisconsin, the maximum rate does not exceed 6 per cent. Nevertheless, as the maximum Federal rate is 63 per cent on net incomes in excess of $1,000,000, there is a real burden of taxation in all of these States and especially in the case of Wisconsin which has a maximum rate of 15⅜ per cent on net incomes in excess of $12,000. It is obvious that if the States proceeded on the theory of ability to pay but disregarded the effect of the Federal law, nearly complete confiscation of income might result in the case of those taxpayers in the higher surtax brackets.

It is true that, at present, the Federal Government and the States give some regard to the income tax laws of the other by allowing taxes paid to such other jurisdiction as a deduction from net income. This does not prevent double taxation but reduces its effect. For instance the maximum combined rate on incomes in excess of $1,000,000 in Wisconsin is approximately 66 cents on the dollar of such excess. A man with a $15,000 net income (before deducting income taxes allowed) would pay a tax of about $880 to the Federal Government and $1,165 to Wisconsin, a total tax of $2,045.

The double taxation burden indicated above may be substantially increased since the same income may be taxed by two or more States. For instance, if a resident of Wisconsin derives income from a business in Wisconsin and from another business in North Carolina, he will be taxed on his North Carolina income by both Wisconsin and North Carolina. This situation may be found in at least 10 States which tax the income of nonresidents earned within the State and the income of residents regardless of where earned.

(B) INCOME TAX ON CORPORATIONS

There are 20 States and 2 Territories that impose income taxes on corporations. In the case of one State and one Territory these laws are so restricted in application as to warrant their omission from this discussion. The remaining 19 States and 1 Territory have laws that are the same in principle as the Federal statute.

The Federal law imposes a tax rate of 13¾ per cent on separate corporations and 14½ per cent on consolidated corporations. The rates imposed by the States vary from 1 per cent to 6 per cent. The facts show that with few exceptions the States have enacted these laws subsequent to the Federal statute. If the States should materially increase their rates, serious effects might result from the double taxation plainly existing on this object of taxation. The combined Federal and State levies may reach approximately 19 per cent in Wisconsin, 18 per cent in Mississippi, and 17¼ per cent in New York. This does not take into account the double taxation resulting from two or more States taxing the same income as explained with respect to individual income taxes.

(C) ESTATE AND INHERITANCE TAXES

Not only the Federal Government levies a death duty, but also all of the States with the exception of Nevada. There would therefore be a serious amount of double taxation in this field except for the fact that a peculiar device has been employed by the Federal Government.

This device consists in the allowance against the Federal tax of a credit for State death taxes paid. The credit allowable is limited to 80 per cent of the Federal tax computed under the rates imposed by the revenue act of 1926. Therefore, it can be argued, theoretically at least, that there is no double taxation if the State does not impose death duties which total more than 80 per cent of the Federal tax under the 1926 act. It is true that duplication remains and that the public generally feels that an injustice is being done when it has to pay a tax on the decedent's property to both the Federal Government and the State government.

(D) SPECIAL SALES TAXES ON SPECIFIC ITEMS

Double taxation, or duplicate taxation, if this latter term is preferred, occurs in many cases when we survey the field of special sales taxes on specific items. The most important of these duplications are as follows:

(1) *Gasoline.*—The Federal Government now levies a tax of 1 cent per gallon on gasoline. Every State in the Union, the Territory of Hawaii, and the District of Columbia, also impose taxes on gasoline at varying rates. These State rates run from 2 to 7 cents per gallon. The resulting tax, therefore, of the combined levy varies from 3 to 8 cents per gallon. In addition, many of the counties and cities also impose gasoline taxes. For instance, a resident of Mobile, Ala., using 623 gallons of gasoline annually would pay the following taxes:

Federal tax (1 cent)	$6.23
State tax (6 cents)	37.28
County tax (1.5 cents)	9.35
City tax (1 cent)	6.23
Total tax	59.10

A resident of Palatka, Fla., using the same amount of gasoline would pay a total tax of $56.07; and a resident of Harrison County, Miss., would pay $62.30. The Mississippi resident would also be somewhat affected by the general sales tax of that State.

If gasoline is classified as a necessity, as undoubtedly it must be in many cases, then the tax burden is unprecedentedly high for a necessity. The only way to justify the high State and local levies is on the principle of "benefits received" since in most cases the receipts from the gasoline tax are applied to the construction of roads. In a similar way, the only justification for the Federal Government entering this field is because of its liberal appropriation for roads which at the present time exceeds its receipts from the gasoline tax.

(2) *Tobacco taxes.*—The Federal Government and 13 States have special sales taxes on tobacco in all or some of its forms. Cigarettes are taxed by the Federal Government and all 13 States. The Federal Government taxes all forms of tobacco; but only 6 States tax cigars; 3, manufactured tobacco; and 5, cigarette papers. Some of the States having sales taxes also reach this commodity.

The Federal tax on cigarettes is 6 cents for an ordinary package of 20 cigarettes. The highest State tax is 5 cents on a package retailing for 15 cents. This makes a combined levy of 11 cents, or nearly 75 per cent, a very high tax even on a luxury. The taxes on cigars are not proportionately as heavy but they may amount to as much as 25 per cent of the selling price.

In order to give an illustration of this tax burden on cigarettes, the total annual tax collected per person, consuming one 15 cent package of cigarettes per day, would be as follows in the States named:

Arkansas	$40.15
Tennessee	36.50
North Dakota, South Carolina, South Dakota, Texas	32.85
Kansas, Ohio, Utah	29.20

(3) *Electrical energy taxes.*—The Federal Government enacted a tax of 3 per cent on the sales price of electrical energy in 1932. About 23 States and Territories have special taxes on this subject—either sales taxes, gross receipts taxes, or franchise taxes. Probably only 18 out of the 23 have taxes which may properly be classified as sales taxes. In these latter cases the tax is measured by gross receipts or by the kilowatt-hour. The gross receipts rates vary from one-half of 1 per cent to 5 per cent. Therefore, the duplication of these taxes may result in a rate of tax as high as 8 per cent.

(4) *Soft-drink taxes.*—The Federal Government and five States have special sales taxes on soft drinks in different forms. A number of States in addition have general sales taxes reaching this subject. The basis of these taxes and the rates vary to such an extent that the reader is referred to the text of the report for detailed information. It is sufficient to state here that the maximum burden on carbonic acid gas is 9 cents per pound; on fountain sirups, 82 cents per gallon; and on other soft drinks, 2⅜ cents per gallon.

(5)-(6) *Other sales taxes.*—Other duplications of special sales taxes may be shown by the following table, from which duplications occurring in the case of States having general sales taxes are omitted:

Subject of tax	Number of States[1] imposing tax
Admissions (general)	3
Admissions (boxing)	21
Automobiles, trucks, and accessories	1
Bond issues	4
Bond transfers	1
Capital-stock issues	4
Capital-stock transfers	5
Candy	1
Deeds of conveyance	3
Liquors	(2)
Firearms, ammunition, etc	1
Foreign insurance premiums	10
Mechanical refrigerators	1
Oleomargarine	13
Playing cards	1
Transportation of oil by pipe line	9
Malt	7
Wort	1

The combined Federal and State tax on a $1 admission ticket in Mississippi and South Carolina is 20 cents. The combined tax on the transfer of a share of stock selling for $100 is 15 cents in Florida and 9 cents in New York. In the case of transportation of oil by pipe line the maximum burden is 8 per cent of the gross receipts; in the case of malt, 8 cents per pound; and in the case of wort, 20 cents per gallon.

[1] In addition to Federal Government.
[2] Not determined.

There is also duplication of the Federal special sales taxes on the following subjects by the general sales taxes of certain States:

Cameras and lenses.
Cheese, filled.
Fur, articles made of.
Flour, mixed.
Jewelry, watches, etc.
Matches.
Narcotics.
Radios and phonographs.
Sporting goods.
Toilet preparations.
Tires and tubes.

(E) LICENSES, PERMITS, AND OCCUPATIONAL TAXES

The Federal Government has largely retired from the field of occupational and license taxes. The only important duplications are in the case of manufacturers or dealers in oleomargarine, adulterated butter, liquor, narcotics, and filled cheese.

It is interesting to note, in concluding the subject of double taxation, that there are approximately 326 duplications between the Federal Government and the States and Territories. The number of duplications between the State and local governments has not been ascertained.

5. REVENUE FROM TAXATION

(A) Federal Government

The total receipts of the Federal Government on the warrant basis for the fiscal year 1932 was about $2,118,000,000. On the basis of daily Treasury statements (unrevised) the receipts shown are practically the same, namely, $2,121,000,000. In the fiscal year 1929, $4,034,000,000 was collected from the same taxes with the same rates of tax. Therefore, revenue receipts declined 47 per cent due to the depressed business conditions. A comparison by sources of 1929 receipts and 1932 receipts is interesting. This comparison is as follows:

Federal revenue receipts

Source	Fiscal year 1929	Fiscal year 1932	Decrease
			Per cent
Income taxes	$2,331,000,000	$1,057,000,000	55
Estate taxes	62,000,000	47,000,000	24
Sales taxes on liquors	12,000,000	8,000,000	33
Sales taxes on tobacco	435,000,000	399,000,000	8
Sales taxes on other tangible items	13,000,000	5,000,000	61
Sales taxes on intangible items	76,000,000	39,000,000	49
Occupational taxes	3,000,000	2,000,000	33
Miscellaneous taxes	7,000,000	1,000,000	87
Total taxes	2,939,000,000	1,558,000,000	47
Customs	602,000,000	328,000,000	44
Miscellaneous receipts	493,000,000	232,000,000	53
Grand total revenue	4,034,000,000	2,118,000,000	47

Last June, just before the close of the fiscal year 1932, a new revenue bill was enacted designed to provide additional revenue of $1,118,-500,000 during the fiscal year 1933. Comparing the revenue expected at that time for the year 1933 with revenue for the fiscal year 1913, the following facts are indicated for that 20-year period.

In 1913, grand total revenue from all sources was $724,000,000, of which 85 per cent was derived from customs and liquor and tobacco taxes, and only 15 per cent from all other sources.

In 1933, grand total revenue from all sources was estimated at $3,126,000,000, of which only 23 per cent should come from customs and liquor and tobacco taxes, and 77 per cent from income, estate, special sales, occupational taxes, and other sources.

These figures indicate the extent to which our tax system has been revolutionized in the last 20 years.

(B) STATE GOVERNMENTS

According to our computations, State revenue from taxes for 1931 was approximately $1,984,000,000 as compared with $1,814,000,000 in 1930 and $873,000,000 in 1922. Total State revenue from all sources was about $2,243,000,000 in 1930 and $1,160,000,000 in 1922.

The tax revenue for 1931 may be analyzed as follows:

State revenue from taxes, 1931

Source:	
General property tax	$427, 000, 000
Franchise taxes in lieu of property tax	148, 000, 000
Franchise taxes not in lieu of property tax	162, 000, 000
Income taxes	127, 000, 000
Estate and inheritance taxes	183, 000, 000
General sales taxes	4, 000, 000
Sales taxes on specific items	546, 000, 000
Poll taxes	8, 000, 000
Licenses, permits, and occupational	363, 000, 000
Special assessments	12, 000, 000
Miscellaneous	4, 000, 000
Total revenue from taxes	1, 984, 000, 000

Some idea may be obtained as to the increase in State taxes by the following figures:

Increase in State taxes, 1922 to 1931

	Per cent
General property tax receipts	22
Income-tax receipts	338
Estate and inheritance tax receipts	177
All other tax receipts	189
Total increase, 9 years	127

Revenue from taxes, then, has increased about 127 per cent in the last nine years, or, in other words, has more than doubled. As far as State revenue is concerned, this increase is not due principally to an increase in the general property tax. The taxes of most of the States have been greatly revised in the last 15 years. The States have turned to income taxes, estate taxes, franchise taxes, and general or special sales taxes instead of increasing their share of the general property tax.

(C) COUNTY GOVERNMENTS

The revenue from taxes secured by the county governments has been difficult to secure, but it is believed that the following figures are approximately correct:

Source	Receipts	
	1922	1931
General property taxes	$687,300,000	$897,800,000
Income taxes	1,300,000	1,800,000
Death taxes	500,000	200,000
Poll taxes	9,100,000	1,800,000
Licenses and permits	25,100,000	34,400,000
Special assessments	19,500,000	2,100,000
All other taxes	2,200,000	19,800,000
Total	745,000,000	957,900,000

It is evident from the above figures that the increase in county taxes in the last nine years has been about 28 per cent. This increase is largely due to the increase in the general property tax which accounts for over 93 per cent of county revenues.

(D) MUNICIPALITIES

The United States Department of Commerce has issued very complete statistics in regard to the revenue receipts of cities of over 30,000 inhabitants, from which the following have been selected:

Revenue receipts, cities of over 30,000 inhabitants

Source	1922	1930
General property taxes	$1,337,800,000	$2,180,100,000
Special property taxes	13,400,000	15,700,000
Other special taxes	27,700,000	66,900,000
Licenses and permits	58,100,000	110,400,000
Poll taxes	4,200,000	5,700,000
Special assessments	103,100,000	238,000,000
Total revenue from taxes	1,544,300,000	2,618,400,000
Fines, forfeits, etc	13,000,000	20,000,000
Subventions and grants	99,100,000	163,500,000
Donations, gifts, and pension assessments	20,000,000	36,100,000
Highway privileges, rents, and interest	94,200,000	157,500,000
Earnings of general departments	52,000,000	87,000,000
Earnings of public-service enterprises	184,500,000	339,000,000
Total revenue receipts	2,007,100,000	3,418,500,000

From the above figures it can be computed that in the eight years from 1922 to 1930, city revenues from taxes have increased 69 per cent and total city revenues 70 per cent. The general property tax accounted for 86 per cent of the city revenue from taxes in 1922, and 83 per cent in 1930.

According to the data compiled by this office, city revenue from taxes in 1931 amounted to $2,978,000,000, which is about 14 per cent higher than shown by the Department of Commerce for the preceding year.

(E) TOWNSHIPS AND OTHER CIVIL DIVISIONS

Our information as to local taxes collected is by no means complete, but the figures shown below are believed to be approximately correct:

Revenue from taxes (local governments, other than State, county, and city)

Source	Revenue	
	1922	1931
General property taxes	$941,100,000	$1,146,200,000
Special taxes	3,800,000	1,000,000
Poll taxes	4,500,000	1,600,000
Licenses and permits	4,600,000	25,100,000
Special assessments	26,900,000	14,100,000
Total	980,800,000	1,188,000,000

The above figures show an increase in the last nine years of about 21 per cent in local taxes, with 85 to 90 per cent of total tax revenue secured from the general property tax.

6. THE TOTAL TAX BURDEN

According to our figures, the total tax burden in the United States in 1931 amounted to $9,519,000,000. This amount includes collections from special assessments amounting to $215,268,462, while some might not regard these special assessments as taxes, they have been included because expenditures for many similar capital outlays are paid out of the general fund derived from taxes. The total tax burden may be classified as follows by governmental agencies:

Total revenue from taxes, 1931

Federal taxes	$2,428,000,000
State taxes	1,967,000,000
County taxes	958,000,000
City taxes	2,978,000,000
Local taxes	1,188,000,000
Grand total	9,519,000,000

These figures understate the Federal tax burden at the present time, since Federal taxes were materially increased in 1932. The Federal tax burden in 1931 is also less than in 1930 when Federal collections amounted to $3,040,000,000. While it has been recently often stated that our total tax burden was from $12,000,000,000 to $14,000,000,000, we believe these figures unsubstantiated, unless all governmental revenues are included rather than merely tax revenues. It does not seem proper, however, to consider interest received, foreign debt payments, receipts from grants, and income from public service enterprises as part of the tax burden. We do believe, at the present time, in view of increased Federal taxes, that the total tax burden is in excess of $10,000,000,000.

(A) PER CAPITA TAX BURDEN

The per capita tax burden in the United States was approximately $77.53 in 1931. This figure is analyzed by collecting agencies and by form of tax in the following table:

	Per capita tax burden	Per cent of total
Collecting agency:		
Federal Government	$19.77	25.5
State governments	16.02	20.6
County governments	7.80	10.1
City governments	24.28	31.3
Other local governments	9.66	12.5
Total	77.53	100
Form of tax:		
General property taxes	41.47	53.5
Franchise taxes in lieu of property taxes	1.32	1.7
Franchise taxes not in lieu of property taxes	1.45	1.9
Income taxes	16.45	21.2
Estate and inheritance taxes	1.88	2.4
General sales taxes	.04	.1
Special sales taxes	8.75	11.3
Poll taxes	.15	.2
Licenses and permits	4.13	5.3
Special assessments	1.75	2.2
Miscellaneous	.14	.2
Total	77.53	100

It is interesting to note the following facts shown by the two tables above:

First. The city governments are the largest tax collectors, securing 31.3 per cent of the total taxes collected. The Federal Government is second, with 25.5 per cent, and the State governments third, with 20.6 per cent.

Second. The general property tax is the greatest single tax burden, since this levy accounts for 53.5 per cent of all taxes collected. Income taxes are second in importance, accounting for 21.2 per cent of the total burden, and special sales taxes third, with 11.3 per cent.

The per capita tax burden in the cities is much greater than in the rural communities.

(B) TAX BURDEN IN PROPORTION TO ESTIMATED TAXABLE WEALTH

An estimate has been made by adjusting real and personal property tax assessments of the total taxable (or taxed) wealth of the United States. This estimate is placed at $239,731,911,778 for 1930–31. On the basis of this estimate the taxes in the United States amounted to $3.98 per $100 of estimated taxable wealth in 1930–31.

The tax burden on the basis of wealth in the different States is much more consistent than on the per capita basis. Moreover, the city communities do not seem to pay more on the basis of wealth than the rural communities. These figures on the basis of wealth should be studied in connection with the per capita figures already given.

(C) HOW THE TAX BURDEN HAS INCREASED

In the 9-year period 1922[1] to 1931[1] the following increases or decrease in per capita tax burden have taken place:

		Per cent
Federal per capita tax burden	decrease	32
State per capita tax burden	increase	100
County per capita tax burden	do	14
City per capita tax burden	do	62
Local per capita tax burden	do	7
Total per capita burden	do	14
Total per capita burden of States and subdivisions thereof	do	48

In analyzing the above figures, we should not congratulate ourselves too much on the decrease in the Federal tax burden, for in 1931 Federal expenditures exceeded receipts by over $900,000,000. Furthermore, the Federal Government had an opportunity to cut expenditures which did not present itself to the other governments by eliminating certain activities started during the World War.

The increases and decreases in the per capita tax burden from 1922 to 1931, classified by form of tax, will also prove interesting. This classification is as follows:

Form of tax		Per cent
General property tax	per capita increase	36
Income taxes	per capita decrease	17
Estate and inheritance taxes	do	2
Other special taxes	per capita increase	17
Poll taxes	per capita decrease	44
Licenses and permits	per capita increase	6
Special assessments	per capita decrease	77
Total per capita	increase	14

The per capita increase in the general property tax of 36 per cent in the last nine years is the most significant of the above figures, for this increase is more than sufficient to account for the total increased burden. In fact, tax collection from all other taxes taken as an aggregate have decreased.

(D) HOW THE TAX BURDEN HAS BEEN SHIFTED

A study of the data already supplied will show that the Federal tax burden has been materially shifted in the last 20 years; that the State tax burden has been considerably shifted; and that the county, city, and local tax burdens have not been materially changed but still remain on property.

For instance, in 1913 Federal taxes were derived to the extent of 64.6 per cent from liquors, to the extent of 22.3 per cent from tobacco, to the extent of 10.1 per cent from incomes, and to the extent of 3 per cent from all other levies. In 1931, on the other hand, 76.6 per cent of our tax revenues came from income, 18.3 per cent from tobacco, 2.6 per cent from miscellaneous sales taxes, 2 per cent from estate taxes, and 0.5 per cent from all other taxes. It is apparent from these figures that the Federal tax burden has been shifted from the consumers of liquor to the persons with large incomes.

[1] Fiscal years are used in this discussion unless otherwise stated.

In the case of the State tax burden, we find that the States' share of property taxes has not been greatly increased, but that the States have turned to gasoline taxes, privilege taxes, inheritance taxes, and special license taxes in order to meet their increasing expenditures and to offset the loss of revenue from the liquor taxes.

In the case of county, city, and other local taxes, we find that there has been little shift in the tax burden. This can be easily shown by taking the cities of over 30,000 inhabitants as an example. In the year 1915, 79 per cent of the total taxes collected by these cities came from property taxes. In 1922, 80 per cent came from this source; in 1927, 83 per cent; and in 1930, 84 per cent. It is obvious from the above figures that the burden of our local taxes still remains on the property owner. Further illustrations appear in text of this report.

7. Governmental Expenditures

(a) Federal Expenditures

The total Federal expenditures increased nearly seven times in the last 20 years. In 1913, total expenditures were approximately $725,000,000; in 1932, they were $5,007,000,000. Even with a concerted attempt at economy in making appropriations for the fiscal year 1933, it appears that the expenditures of the Government for that year will not be less than $3,957,000,000.

A comparison of the expenditures for 1913 and 1932 may be interesting and is given below:

Federal expenditures classified

Purpose of expenditure	1913	1932
General Government	$128,000,000	$874,000,000
Protection to person and property	254,000,000	611,000,000
Conservation of health and sanitation	6,000,000	20,000,000
Conservation of natural resources	25,000,000	114,000,000
Highways and waterways	83,000,000	326,000,000
Charities, hospitals, and corrections	6,000,000	148,000,000
Education	4,000,000	16,000,000
Recreation	1,000,000	19,060,000
Interest	23,000,000	599,000,000
Miscellaneous	195,000,000	2,080,000,000
Total	725,000,000	5,007,000,000

The miscellaneous expenditures in 1932 are so large as to require an explanation and therefore the following items which are included under this heading are listed below:

Pensions	$549,000,000
Military, naval, and veteran insurance	126,000,000
Adjusted-service certificates	194,000,000
Special relief and loans to agriculture	262,000,000
Indian Affairs	36,000,000
Special relief and loans to business	500,000,000
Debt retirements	413,000,000

In connection with the governmental expenditures for 1932 which amount to $5,007,000,000, one fact stands out; that is, the principal part of our governmental expenditures is due to past wars or to the preparation for future wars. Indeed, out of total expenditures in 1932, not less than 55 per cent is directly due to war.

In studying the expenditures of the Federal Government, it will be found that many items, such as interest, are irreducible. This makes it difficult to cut governmental expenditures to the extent which has often been advocated.

(B) STATE EXPENDITURES

The following table compares classified State expenditures for the years 1922 and 1930, and will be sufficient to show the principal expenditures of the States and the changes therein in the last eight years:

	1922	1930
General government	$76, 593, 856	$124, 866, 797
Protection to person and property	55, 929, 316	84, 613, 652
Conservation of health and sanitation	24, 235, 629	36, 843, 770
Development and conservation of natural resources	47, 398, 015	83, 848, 448
Highways	349, 816, 178	866, 514, 579
Charities, hospitals, and corrections	189, 796, 036	286, 796, 277
Education	356, 956, 455	596, 058, 060
Recreation	3, 551, 925	16, 125, 347
Interest	41, 308, 039	101, 430, 598
Miscellaneous	134, 734, 285	71, 172, 511
Total expenditures	1, 280, 319, 734	2, 290, 270, 069

The above items speak for themselves but special attention is directed to the enormous increase in expenditures for highways and for education. In fact, these two items alone are sufficient to account for the greater part of the increase in State expenditures.

(C) COUNTY EXPENDITURES

Complete data as to county expenditures has not yet been compiled. Judging from the records of certain States, it is believed that county expenditures have increased largely because of added disbursements for highways and schools.

(D) MUNICIPAL EXPENDITURES

An analysis of the expenditures of 310 cities having a population of over 30,000 in the year 1930, is as follows:

	Amount	Percentage
General government	$204, 746, 673	5. 37
Protection to person and property	441, 638, 562	11. 58
Conservation of health and sanitation	333, 978, 595	8. 76
Highways	604, 872, 819	15. 87
Charities, hospitals, and corrections	172, 948, 658	4. 55
Education	1, 002, 659, 632	26. 32
Recreation	126, 944, 889	3. 33
Interest	405, 152, 731	10. 63
Miscellaneous	517, 839, 306	13. 59
Total expenditures	3, 810, 681, 763	100. 00

It will be noted from the above figures that the largest item of disbursement is for education in the amount of $1,002,659,632. The next largest item of expenditure is for highways.

(E) EXPENDITURES OF TOWNS AND OTHER CIVIL DIVISIONS

In the case of the local civil divisions not already mentioned, complete data is again lacking. From an analysis made of these divisions in a few States it appears that the expenditures account for about 20 per cent of the total amount expended by the State and local governments.

(F) HOW EXPENDITURES HAVE INCREASED

In regard to Federal expenditures it appears that the following statements are substantiated by the report as to the increases or decreases from 1922 to 1931:

First. The greatest increase (in amount of money) has been in the items of pensions, veterans' insurance, and adjusted-service certificates, an increase of $413,000,000, or 90 per cent.

Second. The next largest increase (in amount of money) has been in the item of general government, an increase of $232,000,000, or 50 per cent.

Third. The largest increase (in percentage) has been in the item of development and conservation of natural resources, amounting to 140 per cent, or an increase of $49,000,000.

Fourth. The greatest decrease in expenditures has been in the item of interest, amounting to $379,000,000, or a decrease of 38 per cent.

Fifth. The total increase in expenditures in the 9-year period amounts to $425,000,000, or 11 per cent.

In regard to the increase in State expenditures, the following statements appear justified:

First. The largest increase in expenditures (in amount of money) is found in connection with the item for highways and waterways, an increase of $536,000,000, or 125 per cent.

Second. The next largest increase in expenditures (in amount of money) is found in connection with the item of education, an increase of $241,000,000, or 67 per cent.

Third. While the largest increase (in percentage) is in the case of the item of recreation, amounting to 300 per cent, since the increase is only $12,000,000 the item is not important. The important item in connection with percentage increases is that of interest, which shows an increase of 146 per cent.

Fourth. The total increase in State expenditures of $1,010,000,000, or 79 per cent, is largely accounted for by increased highway and school expenditures.

In the case of municipal expenditures, the following statements appear justified:

First. The largest increase in expenditures (in amount of money) occurs in the item of education, an increase of $341,000,000, or 52 per cent.

Second. The next largest increase in expenditures (in amount of money), and the largest (in percentage), occurs in the item of highways, an increase of $306,000,000, or 102 per cent.

Third. The item of interest shows an increase of $191,000,000, or 89 per cent; the item of protection to person and property, $168,000,000, or 62 per cent; and the item of conservation of health and sanitation, $126,000,000, or 61 per cent.

Fourth. The total increase in the 8-year period is $1,588,000,000, or 71 per cent. It will be noted that this increase is largely due to the items of highways, schools, interest, police and other protection, and sanitation.

Sufficient data is not at hand to analyze accurately the increase in county expenditures or the increase in township expenditures. However, from what information is at hand it is believed that county expenditures have increased about 35 per cent in the last nine years and township and similar local governmental expenditures about 30 per cent.

8. Remarks on Foreign Tax Systems and Revenue Derived Therefrom

(A) GREAT BRITAIN

Great Britain derives its tax revenue from income, estate, inheritance, excise, stamp, tariff, and other taxes; and miscellaneous revenue from postal, telephone, and telegraph services, Crown lands, sundry loans, etc. The total tax revenue of Great Britain including tariff revenue amounted to $3,665,000,000 in 1932. The grand total of national revenue amounted to $4,257,000,000 in that year. Local tax revenue is not available for 1932, but in 1929 it amounted to $1,656,000,000. The following remarks seem pertinent in regard to the English tax system.

The income tax levied by Great Britain has many points of similarity with the Federal income tax. The standard rate of British income tax is 25 per cent and surtaxes are graduated to 41¼ per cent on net incomes in excess of £50,000. The total British levy may therefore reach a maximum of 66¼ cents per $1 on amounts in excess of £48,000, compared with our maximum of 63 cents per $1 on amounts in excess of $1,000,000. The tax on persons with small incomes is very much greater in Great Britain than in the United States. For instance, a married man with no dependents and net income of $3,000 will pay a tax of $303.13 in Great Britain as compared with a tax of $20 in the United States. Further comparisons can be found in the text under this heading. Great Britain gives a substantial allowance for earned income, which feature has been eliminated from our present law. Another point of difference is in connection with capital gains and losses which are not subject to tax or allowed as deductions, respectively, as is the case in the United States.

The British levy both an estate tax and an inheritance tax. The estate tax is by far the most important and its rates are graduated from 1 per cent to 50 per cent. As the British apply the estate tax rates by totality instead of by bracket, an estate of over £2,000,000 would be taxed 50 per cent of the entire amount.

A large number of excise taxes are levied in Great Britain. They reach about 42 subjects of taxation. The total revenue from these excise duties in 1932 amounted to about $599,000,000.

Stamp duties are also levied and reach about eight objects of taxation. The receipts from this source in 1932 amounted to about $85,000,000. Customs duties in Great Britain amounted to about $681,000,000 in 1932. A very large part of this revenue came from the tariff on tobacco.

(B) FRANCE

The French revenue system comprises taxes on incomes, estates, inheritances, sales, monopolies, liquors, transportation, and miscellaneous objects, and imports. The total tax revenue of France in 1932 amounted to $1,981,000,000 and the total revenue from all sources amounted to $2,098,000,000. The following remarks seem pertinent in regard to the French system.

Income taxes are levied according to schedules, with specific rates for each schedule and a general surtax which is levied on all incomes in excess of 10,000 francs. The classifications of income are as follows:

First. Industrial and commercial profits.
Second. Agricultural profits.
Third. Salaries, wages, pensions, and annuities.
Fourth. Professional incomes.
Fifth. Income from land and buildings.
Sixth. Income from mining.
Seventh. Income from transferable securities.

For the rates on these various classifications and examples, the reader is referred to the text under this heading. The surtax is graduated to 40 per cent on amounts of net income in excess of 1,800,000 francs.

France levies both an estate tax and an inheritance tax and also a tax on gifts inter vivos. The estate tax varies according to the number of children of the decedent. The rates reach a maximum of 46.8 per cent on estates in excess of 500,000,000 francs where there is no issue. The inheritance tax which is levied on each share varies according to the degree of relationship to the decedent. The maximum rate is 56.4 per cent. The maximum rate of the gift tax is 48 per cent.

The general sales or turnover tax of France has received considerable attention in this country during the past year. In 1932, the receipts from this tax totaled $301,000,000. The rate of the tax is 2 per cent and applies to practically all sales with a few exemptions. It permits pyramiding; that is, the same article may be taxed several times in the course of its transfer from manufacturer to consumer. For a description of the taxes on liquors, transportation, motor vehicles, Government monopolies, etc., the reader is referred to the text.

(C) GERMANY

The revenue of Germany is raised from taxes on individuals and corporations, on inheritances and gifts, on general property, on sales, on imports, and on miscellaneous objects. The total revenue for the fiscal year 1931 amounted to approximately $2,500,000,000, based on a value of 25 cents per reichsmark. The following remarks are pertinent in regard to the German tax system.

The income tax on individuals is graduated from 10 per cent on net incomes up to 8,000 reichsmarks to 40 per cent on net incomes in excess of 80,000 reichsmarks. An additional surtax was imposed for the fiscal years 1931 and 1932 at a flat rate of 5 per cent on net incomes in excess of 8,000 reichsmarks. For rates and examples the reader is referred to the text under this heading. The corporation income tax is graduated from 10 per cent on the first 8,000 reichsmarks to 30 per cent on net incomes in excess of 30,000 reichsmarks.

Germany levies an inheritance tax and a tax on gifts inter vivos. The rates are graduated according to the degree of relationship from 2 per cent to 60 per cent.

The tariff, the tobacco tax, and the general property tax all produce substantial revenue, but need no special mention.

A gross sales or turnover tax of 2 per cent is levied on gross cash incomes from industrial, commercial, or professional activity (excepting wages). The receipts from the turnover tax for the fiscal year 1931 amounted to about $249,000,000. There are also transportation taxes, automobile taxes, taxes on circulating capital, etc.

(D) JAPAN

The principal taxes in Japan are imposed on incomes, liquors, imports, sugar, land, and business profits. There is also a tax on inheritances and gifts.

For income-tax purposes incomes are classified and the rates and allowances are applied according to each class. For a description of this tax the reader is referred to the text. The rates on individuals run from 0.8 per cent to 36 per cent.

Residential land is taxed at 2.5 per cent of the value and rice and other farm lands are taxed at 4.5 per cent of the value. There are a number of special taxes.

The inheritance tax is graduated from 0.5 per cent to 21 per cent. Gifts are taxed in a similar manner. The tax on liquors averages about $18 per barrel and on beer about $12.50 per barrel. The other taxes are described in the text.

(E) OTHER FOREIGN COUNTRIES

Canada imposes certain interesting taxes, namely: An income tax, a sales tax, and excise taxes, which are described in the text.

Australia levies a sales tax, and New South Wales levies an income tax at graduated rates and also an estate tax graduated from 2 per cent to 25 per cent.

Mention is made in the text of certain interesting taxes imposed in Queensland, Tasmania, Denmark, and Venezuela.

Part II. Comments and Suggestions

1. Obvious Conclusions

While it is not the purpose of this report to draw conclusions which would be subject to controversy, it does appear proper to state certain obvious conclusions that appear plainly justified by the facts set forth. It is believed that section 1, Part I, of the report entitled "The Power to Levy Taxes" justifies the following statements:

First. There is no legal bar to double taxation by the Federal Government and the States of the same subjects.

Second. No plan has been devised up to the present time under which the Federal Government can secure consistency or uniformity in State taxation by direct legislation.

Third. A desirable and comprehensive plan for making our taxing system as a whole more equitable, more productive, and less complicated can only be arrived at by sincere cooperation between our governmental officials, our legislators, our economists, and the public.

In sections 2 and 3 of Part I of this report the various taxes imposed by the Federal and State Governments have been described. From the facts there stated, it appears that the following conclusions may be drawn as to the merit of these taxes:

First. The general property tax is our oldest and most productive tax. It can no longer be said, however, that this tax is levied in accordance with either the principle of "ability to pay," or the principle of "benefit received." The burden of this tax is so great as to merit first consideration in any plan for improving our present system.

Second. The privilege or franchise taxes which have been largely resorted to in recent years in taxing public utilities and similar corporations are superior to the property taxes in that they are based on the principle of a payment for a special privilege. From the great variation in the bases on which these taxes are applied, it appears that there is much room for improvement in the State laws on this subject. More uniformity would be a great convenience to the taxpayer, even though the amount of tax remained the same.

Third. The income tax on individuals appears to be one of our most satisfactory taxes, since it is based on the principle of ability to pay. This tax has two defects, namely: It is subject to severe fluctuations in productivity between times of prosperity and times of depression, and it is complicated, cumbersome, and a source of litigation and controversy.

Fourth. The same general remarks made in connection with the income tax on individuals hold in the case of the income tax on corporations. This tax, however, may have one added defect, namely: No satisfactory method of applying the graduated rate principle to this levy has been devised.

Fifth. Inheritance and estate taxes when properly designed are generally recognized as being one of the best forms of taxation. Some hardships occur when there is a sudden fall in values immediately after the decedent's death. This phase of our death taxes should receive consideration.

Sixth. General sales taxes as imposed by some of the States are of too recent origin to be accurately judged. It appears that this form of tax offers great possibilities in the way of revenue and deserves careful consideration, although little can be said for this tax on the theory of "ability to pay."

Seventh. Special sales taxes on specific items often produce very substantial revenues. When levied on luxuries and at a rate which does not reach the point of diminishing returns they appear fully justified. When these taxes are levied on necessities, the question of discrimination at once arises, and careful study from many angles is required.

Eighth. In regard to the provisions taxing licenses, permits, and occupations, it must be evident, since there are nearly 4,000 of these provisions in our taxing statutes, that they should be reviewed to eliminate mere nuisance taxes productive of little revenue.

We now come to the subject of double taxation and duplication between Federal and State taxes, as discussed in section 4 of Part I. It appears that there are about 326 cases of double taxation or duplication. While this subject is a vital one, no conclusion may be drawn at this time without entering into the field of controversy.

However, it must be emphasized that serious duplication does exist and does require early attention.

Finally, we come to the question of what conclusions can be drawn from the revenue and expenditure data shown in sections 5, 6, and 7 of Part I of the report. It is believed these data substantiate the following:

First. The present tax burden is greater and the present rates higher than at any time during the last decade, but in spite of this taxes are insufficient to meet expenditures.

Second. Expenditures of our governments have increased to such a point as to obviously make it necessary for them to undertake a comprehensive plan for the reduction of expenditures.

2. Questions Which Should be Discussed and Solved

These questions require attention:

First. What taxes are most adaptable for use by the Federal Government and what taxes are most adaptable for use by the State governments?

Second. In what cases may double taxation or duplication be properly tolerated?

Third. What means should be adopted to develop a model tax system and to bring it into practical operation?

3. Proposed Hearings Before the Subcommittee on Double Taxation

The subcommittee on double taxation is composed of the following Congressmen appointed from the members of the Committee on Ways and Means of the House of Representatives:

Hon. Fred M. Vinson, of Kentucky (chairman).
Hon. Thomas H. Cullen, of New York.
Hon. David J. Lewis, of Maryland.
Hon. Carl R. Chindblom, of Illinois.
Hon. Frank Crowther, of New York.

This committee requested the preparation of this preliminary report and proposes to hold public hearings on the subject of double taxation and possible improvements in our tax system as a whole at an early date. A final report will not be attempted until the suggestions made at the hearings have been studied and analyzed.

4. Concluding Remarks

The subject dealt with in this preliminary report is of such broad scope that comprehensive and accurate treatment is difficult, especially when the time available is limited. It is hoped that any errors which may be found will be called to the attention of the committee.

It is believed that the report is sufficient to show:

First. That our present system of taxation is complicated and in many respects inequitable.

Second. That there are many instances of double taxation, duplication or overlapping in regard to the taxes imposed by our various governments.

Third. That the tax burden on many subjects is nearing the breaking point, and that the increase of expenditures requires immediate check.

PART I. DISCUSSION OF PRINCIPLES AND FACTS

I. POWER TO LEVY TAXES

The power to levy taxes for the support of governments has long been recognized as one of the most essential attributes of sovereignty. Without this no government is able to function properly. Its decrees are mere idle gestures, due to its inability to provide revenue to put them into execution. The absence of such a power was the great source of weakness of the old Confederation created by the thirteen Colonies to carry on the Revolutionary War. To raise revenue the old Confederation was obliged to make requisitions upon the States, which respected or disregarded such requisitions at their pleasure. The framers of the Constitution, recognizing this potent weakness, were careful to provide in the Federal Constitution for the levying of taxes directly by the National Government.

In this country we have a dual system of government—that is, a Federal Government and State governments. The revenues of the Federal Government must be obtained in the same territory, from the same people, and in some instances even from the same activities as are also reached by the States in order to support their local governments. Both the Federal and the State Governments are supreme in their sphere of action and are exempt from interference or control by each other. We will first consider the taxing power of the Federal Government and then discuss the taxing power of the States and their political subdivisions.

(A) Of the Federal Government

The Federal Government is a government of delegated powers, which are defined and limited by the Constitution. It is divided into three branches, the executive, the legislative, and the judicial. "The legislative makes, the executive executes, and the judicial construes the laws." The legislative branch, the Congress of the United States, has the sole power under the Constitution to levy taxes. The reason for this becomes apparent when one considers the conditions existing at the time of the adoption of the Constitution. The men who framed the Constitution had just emerged from the struggle for independence, the rallying cry of which had been "Taxation without representation is tyranny." In other words, they were staunch advocates of the principle that the consent of those who were expected to pay the tax was essential to its validity. The Congress of the United States, and especially the House of Representatives, more truly represents the people than any other branch of the Government. It is peculiarly fitting, therefore, that the Constitution should provide that all bills for raising revenue should originate in the House of Representatives,[1] so that the tax so voted would fall upon the constituents of those who imposed it. Indeed, one act, the cotton futures act of August 18, 1914, was held to be unconstitutional in the case of Hubbard *v.* Lowe,[2] because it did not originate in the House of Representatives. The Supreme Court has held, however, that this requirement does not extend to bills for other than revenue purposes, although they incidentally create revenue.[3] Furthermore, in Flint

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[1] U. S. Constitution, art. 1, sec. 7, cl. 1.
[2] 226 Fed. 135, appeal dismissed, 242 U. S. 654.
[3] U. S. *v.* Norton, 91 U. S. 569; Twin City National Bank *v.* Nebeker, 167 U. S. 196.

v. Stone Tracy Co.,[4] the Supreme Court held that the Senate had the right to substitute a corporation tax for a plan of inheritance taxation as contained in the bill originally introduced in the House, for the reason that the bill properly originated in the House and the amendment made by the Senate was germane to its subject matter.

Neither the President nor the courts have any power to impose taxes and the Congress has no authority to delegate such authority to them. This was clearly brought out by the Supreme Court in the recent case of Hampton & Co. v. U. S.,[5] in which the court stated that—

> It is a breach of the national fundamental law if Congress gives up its legislative power and transfers it to the President, or to the judicial branch.

It is not always easy to determine what is a legislative power and this question has resulted in considerable litigation. The distinction usually drawn is between a power to make the law and a power to carry it into execution, to be exercised under such law. The first can not be delegated, while the second can. For example, powers that can not be delegated are the right to select the persons or objects to be taxed, or to determine the purpose for which the tax is to be imposed and the measure of taxation. On the other hand, administrative powers to enforce the law are frequently delegated to the Executive Department. In our first income tax law many administrative powers to enforce such law were conferred upon the Secretary of the Treasury and the Supreme Court upheld the right of Congress to delegate such powers to the Secretary.[6] Moreover, in the Hampton case referred to above, the Supreme Court went a step further and upheld the flexible tariff provisions of section 315 (a) of the tariff act of 1922 as not being a delegation of legislative power. In that case the collector of customs increased the dutiable rate upon the importation of barium dioxide from 2 to 6 cents per pound in accordance with a proclamation of the President issued under authority of the flexible tariff provisions. Chief Justice Taft, who delivered the opinion of the court, made the following statement:

> It is conceded by counsel that Congress may use executive officers in the application and enforcement of a policy declared in law by Congress, and authorize such officers in the application of the Congressional declaration to enforce it by regulation equivalent to law. But it is said that this never has been permitted to be done where Congress has exercised the power to levy taxes and fix customs duties. The authorities make no such distinction. The same principle that permits Congress to exercise its rate-making power in interstate commerce, by declaring the rule which shall prevail in the legislative fixing of rates, and enables it to remit to a rate-making body created in accordance with its provisions the fixing of such rates, justifies a similar provision for the fixing of customs duties on imported merchandise. If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power.

Having determined that the power to levy taxes is vested in Congress, we will now consider the extent of such power. The Constitution[7] provides that—

> The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts, and provide for the common defense and general welfare of the United States.

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[4] 220 U. S. 107.
[5] 276 U. S. 406.
[6] Brushaber v. Union Pacific Railroad Co., 240 U. S. 1.
[7] U. S. Constitution, art. 1, sec. 8, cl. 1.

It should be noted that under this power Congress is given authority to levy and collect "taxes" and "duties, imposts, and excises." This classification is broad enougb to include every kind of tax. It was Chief Justice Fuller who pointed out in the Pollock case [8] that although there have been from time to time intimations that there might he some tax which was not included within this classification, such a tax for more than one hundred years of national existence has as yet remained undiscovered.

The term "taxes" is ordinarily understood to refer to direct taxes as distinguished from indirect taxes, which are regarded as comprising duties, imposts and excises. The distinction is important, as direct taxes are subject to the rule of apportionment and indirect taxes to the rule of uniformity. These rules will be discussed later.

In general, a tax imposed upon property solely by reason of its ownership is direct. Taxes on lands, houses, and other permanent real estate have always heen deemed to he direct taxes, and capitation or poll taxes are direct taxes by the express words of the Constitution.[9] Taxes on income from real estate or personal property were held to be direct taxes by the Supreme Court.[10] However, by the sixteenth amendment to the Constitution, it is specifically provided that income taxes shall not be subject to the rule of apportionment. The courts have pointed out that the effect of this amendment is to remove income taxes from the direct tax class and to put them in the class of duties, imposts, and excises.[11] As stock dividends have been held not to be income, a tax levied on stock dividends would undoubtedly be a direct tax and subject to the rule of apportionment.[12] It has been contended, however, that a tax on the right of corporations to declare stock dividends would be in the nature of an excise and, therefore, not subject to the rule of apportionment.

With the exception of the income tax, there has been little direct taxation in our national history. The first direct tax was imposed in 1798 [13] upon "dwelling houses, lands, and slaves." This was followed in 1813 [14] by a tax upon "lands, lots of ground with their improvements, dwelling houses, and slaves." A similar tax was levied in 1815.[15] No other direct taxes were levied until the outbreak of the Civil War. In 1861 [16] Congress voted a direct tax on real estate. This tax was found to be very difficult to enforce, due in a large measure to the war between the States, and by an act of Congress passed on March 2, 1891, all the money collected from this tax was returned to the States. This was the last time Congress attempted to levy a direct tax and it must be admitted that it was far from a fiscal success. On the other hand, the States have long regarded direct taxes as their chief source of revenue although the tendency at the present time seems to he toward increasing their indirect taxes.

We have attempted in a general way to explain the meaning of direct taxes. Since the power to levy taxes under the Constitution reaches every subject, it necessarily follows that all taxes which are

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[8] 157 U. S. 680.
[9] U. S. Constitution, art. 1, sec. 9, cl. 4.
[10] Pollock v. Farmers Loan & Trust Co., 157 U. S. 429; 158 U. S. 601.
[11] Cook v. Talt, 286 Fed. 409; Evans v. Gore, 253 U. S. 245; Brushaber v. Union Pacific Railroad Co., 240 U. S. 1.
[12] Elsner v. Macomber, 252 U. S. 189.
[13] 1 U. S. Stat. 597.
[14] 3 U. S. Stat. 53, 26.
[15] 3 U. S. Stat. 164.
[16] 12 U. S. Stat. 292.

not direct taxes must fall within the classification of duties, imposts, and excises, otherwise known as indirect taxes.[17] The term "duty" in its widest significance is hardly less comprehensive than the term "tax." In its restricted sense, it is synonymous with the term "impost." An impost was defined by Chief Justice Marshall[18] as a "custom, or tax, levied on articles brought into a country." In other words, it is a duty on imported goods and merchandise. An excise has been defined as a tax laid upon the manufacture, sale, or consumption of commodities within the country, upon licenses to pursue certain occupations, and upon corporate privileges.[19] Furthermore, the Supreme Court has held that a tax upon a particular use of property or the exercise of a single power over property incidental to ownership is an excise.[20] Among the taxes which have been upheld as excises are taxes upon legacies, successions, gifts and estates, carriages, use of foreign-built boats, transfers in contemplation of death, the privilege of doing business in a corporate capacity, bank circulation, capital employed in the business of banking, the business of insurance companies, club dues, manufacture and sale of tobacco and distilled spirits, the business of refining oil or sugar, the sale of certificates of stock, the privilege of selling property at an exchange, and the manufacture of oleomargarine and filled cheese.

There are certain limitations upon the Federal Government's power to levy the taxes authorized under the Constitution. These limitations will be discussed in the following order:

- General restriction upon sovereignty.
- To pay the debts and provide for the common defense and general welfare.
- Rule of apportionment.
- Rule of uniformity.
- Prohibition upon export taxes.
- Violation of the due process clause of the fifth amendment.
- Violation of the tenth amendment.
- Taxing compensation of President and Federal judges.
- Taxing State functions.

GENERAL RESTRICTION UPON SOVEREIGNTY

As pointed out by Judge Cooley,[21] the Federal Government's power to tax can not extend beyond its inherent power of sovereignty. In other words, its power to tax must depend upon its having jurisdiction of the person or object subject to the tax. For instance, the Federal Government could not impose a tax upon the property of a nonresident alien located outside of the United States. On the other hand, it has the power to levy a tax upon an American citizen wherever domiciled. For example, the income of an American citizen domiciled in Mexico was held subject to the Federal income tax although such income was derived solely from property located outside of the United States.[22] This same rule has been applied to excise taxes. In a leading case on this point the Supreme Court upheld the right of Congress to levy an excise tax upon the use of a foreign-built boat outside of the

[17] Brushaber v. Union Pacific Railroad Co., 240 U. S. 1; License Tax cases, 5 Wall. (U. S.) 462.
[18] Brown v. Maryland, 12 Wheat. (U. S.) 419.
[19] Flint v. Stone Tracy Co., 220 U. S. 107.
[20] Bromley v. McCaughn, 280 U. S. 124.
[21] Law of Taxation, sec. 57.
[22] Cook v. Tait, 265 U. S. 47.

United States by an American citizen who had a permanent domicile in a foreign country.[23] Following this decision, the Board of Tax Appeals held that the Federal Government had the power to subject to the Federal estate tax personal property of a citizen of the United States located abroad.[24] The revenue act of 1932, section 501, taxes gifts by nonresident citizens of property located outside the United States, whether the property is real or personal, tangible or intangible. Perhaps the most recent statement of this doctrine of the power of the Federal Government to tax its citizens wherever resident is in the case of Blackmer *v.* U. S.,[25] in which the court used the following language:

> While it appears that the petitioner removed his residence to France in the year 1924, it is undisputed that he was, and continued to be, a citizen of the United States. He continued to owe allegiance to the United States. By virtue of the obligations of citizenship, the United States retained its authority over him, and he was bound by its laws made applicable to him in a foreign country. Thus, although resident abroad, the petitioner remained subject to the taxing power of the United States.

TO PAY THE DEBTS AND PROVIDE FOR THE COMMON DEFENSE AND GENERAL WELFARE

To quote Justice Story in his commentary on the Constitution—

> Congress has not an unlimited power of taxation; but it is limited to specific objects—the payment of the public debts, and providing for the common defense and general welfare. A tax, therefore, laid by Congress for neither of these objects would be unconstitutional as in excess of its legislative authority.

The Supreme Court has given a very broad interpretation to the term "debts." They include for the purpose of this provision not only debts enforceable at law but also moral obligations. The meaning of "debts" within this constitutional provision was fully explained in the case of U. S. *v.* Realty Co.[26] In that case the question before the court was whether Congress could lawfully collect money by imposing customs duties on imported merchandise and then make a free gift of a part of the proceeds to sugar manufacturers to encourage the production of high-grade sugars. Justice Peckham, who delivered the opinion of the conrt, said:

> What are the debts of the United States within the meaning of this constitutional provision? It is conceded and indeed it can not be questioned that the debts are not limited to those which are evidenced by some written obligation or to those which are otherwise of a strictly legal character. The term "debts" includes those debts or claims which rest upon a merely equitable or honorary obligation and which would not be recoverable in a court of law if existing against an individual. The Nation, speaking broadly, owes a "debt" to an individual when his claim grows out of general principles of right and justice; when, in other words, it is based upon considerations of a moral or mere honorary nature, such as are binding on the conscience or the honor of an individual, although the debt could obtain no recognition in a court of law. The power of Congress extends at least as far as recognition and payment of claims against the Government which are thus founded. * * * Their recognition depends solely upon Congress, and whether it will recognize claims thus founded must be left to the discretion of that body. Payments to individuals, not of right or of a merely legal claim, but payments in the nature of a gratuity, yet having some feature of moral obligation to support them, have been made by the Government by virtue of acts of Congress, appropriating the public money, ever since its foundation.

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[23] U. S. *v.* Bennet, 232 U. S. 299.
[24] Guaranty Trust Co. of New York, 21 B. T. A. 331.
[25] 284 U. S. 421.
[26] 163 U. S. 427.

The term "common defense" is self-explanatory, but the term "general welfare" is so broad as to be impossible of definition. Protective tariff laws have been criticised on the ground that they did not provide for the general welfare. This contention was considered by the Supreme Court in Hampton & Co., cited supra, in connection with the tariff act of 1922. The title of that act was "An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes." Chief Justice Taft in delivering the opinion of the court made the following statement on this point:

> Whatever we may think of the wisdom of a protective policy, we can not hold it unconstitutional. So long as the motive of Congress and the effect of its legislative action are to secure revenue for the benefit of the General Government, the existence of other motives in the selection of the subjects of taxes can not invalidate congressional action.

On the other hand, there are many who urge that protective duties are imposed not under the taxing clause of the Constitution but under the power to regulate commerce with foreign nations.[27] The question seems to depend upon whether the so-called tariff is actually a tax imposed for the purpose of raising revenue or whether it is not a tax but a means of regulating commerce with foreign countries. It seems clear that while the term "general welfare" is too broad to be susceptible of definition, it applies only to the general welfare of the United States as distinguished from the general welfare of a particular State. In this connection the Supreme Court has pointed out that Congress has no power to levy taxes to pay the debts of a State or to provide for its general welfare.[28] Both objects of taxation—the payment of the public debts, and providing for the common defense and general welfare—are embraced in the general statement that the revenue must be levied and collected for a public purpose as distinguished from a private purpose.[29]

RULE OF APPORTIONMENT

The Constitution requires that direct taxes shall be apportioned among the several States according to population. The purpose of this provision was to equalize the tax burden among the several States. In the South a land tax without apportionment would have been confiscatory at the time of the adoption of the Constitution, due to the fact that there was a large amount of land and very few people. On the other hand, such a tax would not have been so burdensome in the North where there was a large population and little land. The framers of the Constitution sought by a rule of apportionment to prevent this inequality by making the thickly settled communities carry the heaviest part of the burden and putting the lighter share on those which were sparsely inhabited. The rule of apportionment means that "after Congress has decided on a sum to be raised by direct taxation, that sum must be divided among the States according to their respective populations and assessed in each State at a rate to be determined by dividing the total value of the property within the State subject to the tax by the amount appor-

[27] Congressional Record, 71st Cong., 2d sess., Dec. 11, 1929, pp. 480–482; May 26, 1930, pp. 9589–9592.
[28] Passenger cases, 7 How. (U. S.) 283, 446.
[29] Flint v. Stone Tracy Co., 220 U. S. 107.

tioned to the State." [29] For example, the act of January 9, 1815,[30] levied a direct tax of $6,000,000. Under the method of apportionment, New York was liable for the largest amount of the tax, namely, $862,000; Pennsylvania was next with a liability of $739,000; and Virginia third with a tax of $738,000. The smallest liability was in the case of Georgia, its share of the direct tax burden amounting to only $56,000.

While the rule of apportionment appeared to be equitable in the case of direct taxation, it was not suited to indirect taxation. This was revealed by the Supreme Court in the Hylton Carriage case.[31] In that case the court presented the following example to show how inequitably the rule of apportionment would operate if applied to excise taxes:

For example, suppose two States equal in census had to pay $8,000 each and in one State there are 100 carriages and in the other 1,000. The owners of carriages in one State would pay ten times the tax of the owners in the other. A in one State would pay for his carriage $8; but B in the other would pay for his carriage $80.

If a direct tax is imposed there is no power in Congress to exempt any State from its share of the burden. It is, however, within the discretion of Congress to determine whether the tax should be extended to the District of Columbia or the Territories, as the express wording of the Constitution requires apportionment only among the several States.[32]

RULE OF UNIFORMITY

The Constitution requires that duties, imposts, and excises must be uniform throughout the United States. The term "uniformity" has been construed by the Supreme Court to mean geographical uniformity, the court stating that "a tax is uniform when it operates with the same force and effect in every place where the subject of it is found." [33] In other words, a tax can not be levied at one rate in one locality and at another rate in another locality upon the same object or business, nor may Congress exempt from taxation taxpayers of a certain class located in one part of the country and not taxpayers of the same class living in another part of the country. However, the allowance of deductions and exemptions to specified classes of taxpayers does not violate the uniformity rule if all taxpayers falling within such classification are taxed alike and the classification is a reasonable one. For example, the Supreme Court has held that it was proper to exempt from the income tax imposed by the revenue act of 1913 the incomes of unmarried persons up to $3,000 and the incomes of married persons up to $4,000; to exempt from the income tax labor, agricultural, or horticultural organizations and mutual savings banks, and to tax other corporations; to allow a credit against the income tax for normal tax purposes and not for surtax purposes; to permit farmers to omit from their income returns the value of certain products of the farm used by them in sustaining their families during the taxable year; to require corporations to withhold and pay to the Government a tax on the interest due on bonds and mort-

[29] Veazie Bank v. Fenno, 8 Wall. (U. S.) 553.
[30] 3 Stat. 164.
[31] 3 Dallas (U. S.) 171.
[32] Loughborough v. Blake, 5 Wheat. (U. S.) 317.
[33] Head money cases, 112 U. S. 581.

gages and not to require the same from individuals; to allow individuals to deduct from their gross income dividends paid them by corporations and deny such right to corporations.[34] Moreover, the Supreme Court has also held that a tax on the privilege of selling property at an exchange did not violate the rule of uniformity, as the privilege of selling property at an exchange was so different from that of making a sale elsewhere that it constituted a reasonable ground for classification.[35] In Knowlton *v.* Moore,[36] it was held that the uniformity clause was not violated in exempting from the tax on legacies and successions those falling below a certain amount in classifying the rate of taxation according to relationship, and in providing for a rate progressing by the amount of the legacy or share. A tax on the use of foreign-built boats was also held not to violate the uniformity rule.[37]

The Supreme Court has pointed out that a tax does not lack uniformity because of the conflicting or adverse laws of the several States. In Florida *v.* Mellon [38] it was contended that the provisions of the Federal estate tax allowing credit for death taxes paid to the States up to 80 per cent of the Federal tax violated the uniformity clause of the Constitution. The Supreme Court held that this contention was without merit, stating as follows:

> The contention that the Federal tax is not uniform, because other States impose inheritance taxes while Florida does not, is without merit. Congress can not accommodate its legislation to the conflicting or dissimilar laws of the several States, nor control the diverse conditions to be found in the various States, which necessarily work unlike results from the enforcement of the same tax. All that the Constitution (art. 1, sec. 8, clause 1) requires is that the law shall be uniform in the sense that by its provisions the rule of liability shall be alike in all parts of the United States.

A similar question was raised in Poe *v.* Seaborn,[39] in which the Federal Government attempted to force a citizen of the State of Washington to include all of the community property income in his income-tax return instead of permitting his wife to file a separate return reflecting therein her share of the community income which was vested in her under the State law.

The Constitution requires uniformity throughout the United States. The term "United States" has a limited application. While it undoubtedly includes all of the States, it has been held that it does not include territory ceded or acquired by the United States and not yet incorporated into the United States. For example, it was held that the rule of uniformity did not apply to Puerto Rico because that island had not been incorporated into the United States but was merely pertinent thereto as a possession.[40] This is also true in the case of the Philippines.[41] Nor does it apply to territory of a foreign State in the military occupation of the United States during the progress of a war, nor to taxes for the benefit of a territory or business within such territory.[42] Alaska and Hawaii have been incor-

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[34] Brushaber *v.* Union Pacific R. R. Co., 240 U. S. 1.
[35] Nichols *v.* Ames, 173 U. S. 521.
[36] 178 U. S. 87.
[37] Rainey *v.* United States, 232 U. S. 310.
[38] 273 U. S. 266.
[39] 232 U. S. 201.
[40] Downes *v.* Bidwell, 182 U. S. 244.
[41] Neuss, Hesslein & Co. *v.* Edwards, 24 F. (2d) 989.
[42] Binns *v.* United States, 194 U. S. 486.

porated into the United States and are subject to the rule of uniformity. It should also be pointed out that a tax on shipments from one State to another, while not prohibited under the export clause of the Constitution, would probably violate the uniformity clause.[43] In other words, the term "exports" has been interpreted to mean shipments to foreign countries.

PROHIBITION UPON EXPORT TAXES

The Constitution provides that no tax or duty shall be levied on articles exported from any State.[44] James Madison said:

> This prohibition resulted from the apparent impossibility of raising in that mode a revenue from the States, proportioned to their ability to pay it; the ability of some being derived in a great measure, not from their exports, but from their fisheries, from their freights, and from commerce at large in some of the branches altogether external to the United States; the profits from all of which, being invisible and intangible, would escape a tax on exports.

In other words, at the time of the adoption of the Constitution, the whole burden of a tax upon exports would have fallen upon the products produced in the South, as the North had practically nothing to export. This prohibition does not cover shipments to every place. It only applies to shipments to foreign countries and does not apply in the case of shipments to possessions of the United States.[45] There has been considerable litigation involving the meaning of this clause of the Constitution. The Supreme Court has interpreted the clause to mean that the exportation must be free from taxation and, therefore, as requiring "not simply an omission of a tax upon the articles exported, but also a freedom from any tax which directly burdens the exportation." [46] In those cases where the tax is not laid upon the articles themselves in the course of exportation, the true test of its validity is whether it so directly and closely bears on the process of exporting as to be in substance a tax on the exportation. The following have been held to be exempt from the operation of the taxing power:

(1) Articles in the course of exportation;[47]
(2) The act or occupation of exporting;[48]
(3) Bills of lading for articles being exported;[49]
(4) Charter parties for the carriage of cargo from the States to foreign ports;[50] and
(5) Policies of insurance on articles being exported.[51]

The Supreme Court has also held that a sale of goods in the United States to a commission merchant for a foreign consignee for the sole purpose of export and consummated only when the goods are delivered to the exporting carrier, is a step in their exportation and can not be taxed by the United States.[52] On the other hand, a general tax levied on all property alike and not upon goods in the course of exportation nor because of their intended exportation is

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[43] Dooley v. United States, 183 U. S. 157.
[44] U. S. Const. art. I, sec. 9, cl. 5.
[45] Swan & F. Co. v. U. S., 190 U. S. 143; Dooley v. U. S., 183 U. S. 151.
[46] Peck & Co., Inc. v. Lowe, 247 U. S. 165; Fairbanks v. U. S., 181 U. S. 283.
[47] Turpin v. Burgess, 117 U. S. 507.
[48] Brown v. Maryland, 12 Wheat. (U. S.) 419.
[49] Fairbanks v. U. S., 181 U. S. 283.
[50] United States v. Hvoslef, 237 U. S. 1.
[51] Thames v. Mercantile Insurance Co., 237 U. S. 119.
[52] Spalding v. Edwards, 262 U. S. 66.

not within the prohibition.[53] Thus the application of the Federal income tax to income derived from the business of exporting has heen upheld.[54] A manufacturer's tax on filled cheese was held applicable to filled cheese manufactured for export.[55] A tax on distilled spirits was applied to spirits intended for exportation[56] and a tax on cigarettes was applied to cigarettes for export.[57]

In general, it may be stated that a tax on the manufacture of a product as distinguished from the sale or removal of the product would not fall within the prohibition upon exports. This was brought out by the Supreme Court in the case of Cornell *v.* Coyne, already referred to, in which a tax on the manufacture of filled cheese under contract for export and actually exported was upheld.[58] Moreover, a stamp tax to identify goods intended for export is not invalid. For instance, the Supreme Court has held that an act of Congress requiring stamps to be placed on packages of manufactured tobacco intended for export and making a charge for the stamps was not a duty upon exports within the meaning of this clause. It was held that such a stamp was intended for no other purpose than to separate and identify the tobacco which the manufacturer desired to export and thereby, instead of taxing it, to relieve it from the taxation to which otber tobacco was subjected.[59]

VIOLATION OF THE DUE PROCESS CLAUSE OF THE FIFTH AMENDMENT

The fifth amendment of the Constitution provides, among other things, that no person shall be deprived of property without due process of law; nor shall private property be taken for public use without just compensation. It is generally true that the due process clause of tbe Constitution is not a limitation upon the taxing power of Congress. However, the Supreme Court bas pointed out[60] that tbis general rule has no application if the taxing provision is so palpahly arbitrary and unreasonable as to lead to tbe conclusion that it is not an exercise of taxation but a confiscation of property; or what is equivalent thereto, is so wanting in basis for classification as to produce a gross and patent inequality. In other words, the classification must be reasonable and not arbitrary or capricious.

In selecting the subjects of taxation, Congress has almost unlimited discretion. It was Mr. Justice Day who pointed out[61]—

> In levying excise taxes the most ample authority has been recognized from the beginning to select some and omit other possible subjects of taxation, to select one calling and omit another, to tax one class of property and to forbear another.

For example, Congress has selected as subjects of taxation carriages which the owner kept for private use, sales, or exchanges on boards of trade, transmission of property from the dead to the living, transfer of property by gift, agreements to sell shares of stock, tobacco manufactured for consumption, filled cheese manufactured for export, oleomargarine not artificially colored, oleomargarine, bank circulation,

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[53] Turpin *v.* Burgess, 117 U. S. 507.
[54] William E. Peck Co. *v.* Lowe, 247 U. S. 165; Neuss, Hesslein & Co. *v.* Edwards, 24 Fed. (2d) 989.
[55] Cornell *v.* Coyne, 192 U. S. 419.
[56] Thompson *v.* United States, 142 U. S. 471.
[57] Anargyros *v.* Edwards, 26 Fed. (2d) 319.
[58] See also American Manufacturing Co. *v.* St. Louis, 250 U. S. 459; Indian Motorcycle Co. *v.* U. S., 51 S. Ct. 601.
[59] Pace *v.* Burgess, 92 U. S. 374.
[60] Brushaber *v.* Union Pacific Railroad Co., 240 U. S. 244.
[61] Flint *v.* Stone Tracy Co., 220 U. S. 352.

business of refining sugar and oil, issues and transfers of stocks and bonds, the net income of domestic corporations from all sources and only such income of foreign corporations as is derived from sources within the United States. In the revenue act of 1932 taxes are levied on tires and inner tubes, toilet preparations, furs, jewelry, automobiles, radios, refrigerators, sporting goods, firearms, shells and cartridges, cameras, matches, candy, chewing gum, soft drinks, electrical energy, gasoline, transportation of oil by pipe line, leases on safe deposit boxes, checks, the use of boats, and transfers to avoid income taxes. All of the above taxes show clearly what a wide range of selective subjects Congress has. But there have been a few instances in which Congress has exceeded its powers and the provisions of the fifth amendment have been invoked to invalidate a taxing statute. An example of this was presented in the case of Nichols v. Coolidge,[62] in which the Supreme Court held that the revenue act of 1918 was invalid in so far as it attempted to include in the gross estate of a decedent the corpus of an irrevocable trust distributable at death but executed before the Government imposed any estate tax. In this connection the court made the following comment:

> And we must conclude that section 402(c) of the statute here under consideration, in so far as it requires that there shall be included in the gross estate the value of property transferred by a decedent prior to its passage merely because the conveyance was intended to take effect in possession or enjoyment at or after his death, is arbitrary, capricious, and amounts to confiscation.

For the same reason the Supreme Court held that the gift tax provisions of the revenue act of 1924 were unconstitutional in so far as they attempted to tax gifts made before the enactment of that act. The court said:

> It seems wholly unreasonable that one who in entire good faith and without the slightest premonition of such consequence, made absolute disposition of his property by gifts should thereafter be required to pay a charge for so doing.[63]

However, mere retroactivity is not in itself sufficient to invalidate a taxing statute. This was brought out by the Supreme Court in two cases dealing with the taxation for estate tax purposes of transfers in contemplation of death and tenancies by the entireties.[64] In both cases the transfers had been made and the tenancies created prior to the taxing statute, but at such times there was a similar statute in force to which they would have been subject had the decedent died then. In upholding the validity of the tax, the Supreme Court laid down the rule that if the transfer or tenancy was subject to an excise when made, a mere increase in the tax pursuant to a policy of which the donor was forewarned at the time he elected to exercise the privilege does not change its character. It is only when the nature of the tax burden imposed could not have been understood and foreseen by the taxpayer at the time of the transaction which occasioned the tax that retroactivity will render the tax invalid. It is interesting to note that practically all of our income tax laws have been retroactive in the sense that they apply to income for the year preceding the adoption of the taxing statute. The right to impose such retroactive legislation has been recognized for many years. In

[62] 274 U. S. 531.
[63] Blodgett v. Holden, 275 U. S. 142; Untermyer v. Anderson, 276 U. S. 440.
[64] Milliken v. U. S., 283 U. S. 15; Phillips v. Dime Trust & Safe Deposit Co., 284 U. S. 1.

the case of Stockdale v. The Insurance Co.,[65] the Supreme Court made the following comment on this point:

> The right of Congress to have imposed this tax by a new statute, although the measure of it was governed by the income of the past year, can not be doubted; much less can it be doubted that it could impose such a tax on the income of the current year, though part of that year had elapsed when the statute was passed.

The joint resolution of July 4, 1864 (13 Stat. L. 417), imposed a tax of 5 per cent upon all income of the previous year, although one tax on it had already been paid, and no one doubted the validity of the tax or attempted to resist it. This view was reaffirmed in the case of Brushaber v. Union Pacific Railroad Co.,[66] in which the court upheld the right to tax income during the period from March 1, 1913, the effective date of the sixteenth amendment, to December 31, 1913, although the revenue act of 1913 which imposed such tax was not enacted until October 3, 1913.

A few of our excise taxes have also been retroactive. For example, the corporation excise tax in 1909 was not enacted until August 5, 1909, although it applied to income for the whole calendar year, and the munitions manufacture tax of the revenue act of 1916, passed September 8, 1916, was retroactive to January 1 of that year. Moreover, the capital stock tax increase in the revenue act of 1918, passed February 24, 1919, was made retroactive to July 1, 1918.

From the foregoing the following rules may be deduced as to the power of Congress to impose retroactive taxation:

(1) Congress may not tax a transaction retroactively if at the time of the transaction there was no statute in force levying a tax of the same character on such transaction.

(2) Congress may increase a tax retroactively if a tax of the same character was in effect at the time the transaction subject to the tax was entered into.

VIOLATION OF THE TENTH AMENDMENT

There are a few cases in which the Supreme Court has held that a taxing statute was invalid because it violated the provisions of the tenth amendment, which provides that "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people." A notable example of a violation of the tenth amendment is the child labor tax law of February 24, 1919, which the Supreme Court held to be unconstitutional on the ground that it attempted to regulate the employment of child labor in the States, an exclusively State function under the Federal Constitution and within the reservations of the tenth amendment. In that case the court said:

> Does this law impose a tax with only that incidental restraint and regulation which a tax must inevitably involve? Or does it regulate by the use of the so-called tax as a penalty? If a tax, it is clearly an excise.

The court held that the so-called tax was a penalty imposed to coerce the people of a State to act as Congress wished them to act in respect of a matter completely the business of the State government. Applying the same principle, the Supreme Court held that the future trading act was unconstitutional, as it constituted an inter-

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[65] 20 Wall. (U. S.) 323.
[66] 240 U. S. 242.

ference with a police power reserved solely to the States.[67] However, it is interesting to observe that the fact that the subject of the tax is a privilege granted exclusively by the State does not render the tax invalid. This contention was raised in Flint *v.* Stone Tracy Co. in connection with the corporation excise tax of 1909.[68] In denying the soundness of this contention the Supreme Court made the following statement:

> While the tax in this case, as we have construed the statute, is imposed upon the exercise of the privilege of doing business in a corporate capacity, as such business is done under authority of State franchises, it becomes necessary to consider in this connection the right of the Federal Government to tax the activities of private corporations which arise from the exercise of franchises granted by the State in creating and conferring powers upon such corporations. We think it is the result of the cases heretofore decided in this court that such business activities, though exercised because of State-created franchises, are not beyond the taxing power of the United States.

The same contention was made in Knowlton *v.* Moore,[69] in which it was argued that the transmission of property by death is exclusively subject to the regular authority of the several States and that, therefore, Congress had no power to tax inheritances in any form. But the court pointed out that such a contention was wholly unsound, as conveyances, mortgages, leases, pledges, and, indeed, all property and the contracts which arise from its ownership, are subject more or less to State regulation, and that, therefore, under such a rule there would be very few objects which the Federal Government could reach by taxation.

TAXING COMPENSATION OF PRESIDENT AND FEDERAL JUDGES

There has been considerable discussion relating to the power of Congress to tax the salaries of the President and judges of United States courts. The Constitution provides [70] that the compensation of the President shall not be increased or diminished during his term of office. In the case of judges of constitutional courts created under Article III of the Constitution, it is provided that their compensation shall not be diminished during their continuance in office.[71] So far as the power of taxation is concerned, the question has arisen as to whether the taxing of the salaries of the President and Federal judges constitutes a diminution of salary within the meaning of the constitutional provisions referred to. The first case involving this point was that of Evans *v.* Gore [72] and related to the salary of a United States district judge for the western district of Kentucky. This judge was appointed by the President with the advice and consent of the Senate in 1899. He was clearly a judge of a constitutional court within the meaning of Article III of the Constitution. The Government taxed his salary under the revenue act of 1918 which included as income for the purpose of the income tax, the salary of the President of the United States and of the judges of the supreme and inferior courts of the United States. The Supreme Court held that the taxation of such income amounted to a diminution of salary and therefore came within the constitutional prohibition. This case

[67] Hill *v.* Wallace, 259 U. S. 144.
[68] 220 U. S. 350.
[69] 178 U. S. 753.
[70] U. S. Constitution art. 2, sec. 1, cl. 7.
[71] U. S. Constitution art. 3, sec. 1.
[72] 253 U. S. 245.

settled the question as to the taxability of the salary of the President or Federal judges appointed prior to the enactment of the taxing statute. It left open the question as to whether Congress had the right to tax the salaries of the President and Federal judges appointed after the taxing act became effective. This last question came before the Supreme Court in the case of Miles *v.* Graham.[73] In that case, a judge of the Court of Claims was suing to recover the income tax paid on his salary for the years 1919 and 1920. This judge assumed office on September 1, 1919, which was after the date of the enactment of the revenue act of 1918 (February 24, 1919) under authority of which the Government collected the tax. The Supreme Court also held this tax invalid, stating:

> Does the circumstance that the defendant in error's appointment came after the taxing act require a different view concerning his right to exemption? The answer depends upon the import of the word "compensation" in the constitutional provision. The words and history of the clause indicate that the purpose was to impose upon Congress the duty definitely to declare what sum shall be received by each judge out of the public funds and the times for payment. When this duty has been compiled with, the amount specified becomes the compensation which is protected against diminution during his continuance in office.

The court then pointed out that the salary of the judge of the Court of Claims was fixed by an act of Congress passed February 25, 1919,[74] at $7,500 a year, and concluded as follows:

> The power of Congress definitely to fix the compensation to be received at stated intervals by judges thereafter appointed is clear. It is equally clear, we think, that there is no power to tax a judge of a court of the United States on account of the salary prescribed for him by law.

This last decision seems to indicate that if Congress has definitely fixed the salary of a judge in a statute, prior to his appointment, such salary can not be diminished by subjecting it to an income tax. The difficulty with this last decision is that the Supreme Court in a later case [75] pointed out that the Court of Claims was not a constitutional court established under Article III of the Constitution, but a legislative court. Judges of legislative courts do not appear to be subject to the constitutional prohibition. Among the legislative courts might be mentioned the Court of Customs Appeals and the Territorial courts. In the Old Colony Trust Co. case,[76] the Supreme Court held that the United States Board of Tax Appeals was not a court. From the foregoing, it seems clear that the prohibition in the Constitution applies only to the President and judges of constitutional courts established pursuant to Article III of the Constitution. In the revenue act of 1932, Congress has, by legislation, attempted to meet the constitutional objections by requiring the President and judges taking office after the date of the enactment of that act (June 6, 1932), to include the compensation received as such in their gross income and has amended all acts fixing such compensation accordingly. Thus, Congress has by such action definitely declared what sum shall be received out of the public funds as compensation for the President and Federal judges taking office after June 6, 1932. This sum consists of a certain amount less the income tax payable on such amount by reason of the inclusion of such amount in gross income for income-tax purposes.

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[73] 268 U. S. 501.
[74] Ch. 29, 40 Stat. 1156, 1157.
[75] Ex parte Bakelite Corp. 279 U. S. 453.
[76] Old Colony Trust Co. v. Commissioner, 279 U. S. 716.

TAXING STATE FUNCTIONS

The Federal Government has no authority to tax the property belonging to a State or one of its municipalities, or the means and instrumentalities employed by the State in the discharge of its ordinary functions of government. This limitation arises not from any express prohibition in the Constitution, but from the dual system of our Government. As stated by the Supreme Court in the Indian Motorcycle case, [77] "this principle is implied from the independence of the National and State Governments within their respective spheres and from the provisions of the Constitution which look to the maintenance of the dual system." But not every function of a State is exempt from taxation by the Federal Government. States and political subdivisions have two kinds of power—one that is governmental and public, and one that is proprietary and private. In the exercise of the former, the State and its political subdivisions are clothed with sovereignty. In the exercise of the latter, they are treated as private individuals.[78] Just what instrumentalities are exempt can not be stated in terms of universal application. As pointed out by the Supreme Court in Metcalf & Eddy *v.* Mitchell,[79] this limitation upon Federal and State Governments must be given such a practical construction as will not unduly impair the taxing power of one or the appropriate exercise of its functions by the other. It is well settled that the exercise of such rights as the establishment of a judiciary, the employment of persons to administer and execute the laws, and similar governmental functions, can not be taxed by the Federal Government.[80]

In a case decided as late as April 11, 1932,[81] the Supreme Court held that the lessee's income from the sale of oil and gas products under a lease of State school lands was not taxable by the Federal Government, since the lease constituted a governmental instrumentality of the State and to tax the income of the lessee arising therefrom would amount to an imposition upon the lease itself. Bonds of State and municipal corporations are held to be exempt from Federal taxation on the theory that such a tax would burden the exercise by the State or a municipality of its power to borrow money.[82] The salary of a State or municipal officer or employee engaged in the exercise of a governmental function is also exempt.[83] Bonds exacted by a municipal corporation as a condition precedent to the granting of licenses, the issuance of which was committed by the State to such corporation, can not be taxed by the Federal Government.[84] Furthermore, Congress has no power to tax indirectly what it can not tax directly. Thus, the Supreme Court holds that Congress has no power to tax indirectly State obligations by refusing to their owners deductions allowed to others. This was brought out in the National Life Insurance Co. case.[85] In that case, an act of Congress taxing incomes

[77] Indian Motorcycle Co. *v.* U. S., 283 U. S. 570.
[78] South Carolina *v.* U. S., 199 U. S. 437; Collector *v.* Day, 11 Wall. (U. S.) 113.
[79] 269 U. S. 515.
[80] Flint *v.* Stone Tracy Co., 220 U. S. 107.
[81] Burnet *v.* Coronado Oil & Gas Co., 52 Supreme Court 445.
[82] Metcalf & Eddy *v.* Mitchell, Admx., 269 U. S. 514, 521; Pollock *v.* Farmers' Loan & Trust Co., 157 U. S. 429, 584–586, 601, 652, 653.
[83] Collector *v.* Day, 11 Wall. (U. S.) 113, 124.
[84] Ambrosini *v.* U. S., 187 U. S. 1.
[85] National Life Insurance Co. *v.* U. S., 277 U. S. 508.

of insurance companies granted a deduction for income-tax purposes equal to 4 per cent of their reserve. Under the terms of the statute, this deduction was considerably restricted if the taxpayer received income from tax-exempt securities. The court held that such a method of taxation constituted a discrimination against the holders of tax-exempt securities and was, therefore, invalid.

Not only is a State or political subdivision exempt from taxation in the exercise of its Government functions, but also it is not subject to the Federal statute of limitations in suing to recover such taxes when illegally collected by the Government. This was brought out in the case of South Carolina *v.* U. S.[86] In that case, the State of South Carolina sought to recover special taxes collected by the United States from the State dispensary commissioner and county dispensers of liquors. The Government argued that the action could not be maintained because the State had not complied with the Federal statute of limitations requiring claim for refund to be made to the Commissioner of Internal Revenue within a certain time as a condition precedent to the bringing of suit. In answering this argument on the part of the Government, the Court of Claims concluded as follows:

> There are a number of minor questions in the case which were exhaustively argued by counsel on both sides, such as (on the part of the defendants) that the claimant should have presented its claim to the Commissioner of Internal Revenue for the remission of the tax as illegally collected; such as (on the part of the claimant), that the statute (14 St. L. p. 163, sec. 44), imposing this excise uses only the term "corporation," and was not intended to apply to a State. But it seems plain, if a State is a power above and exempt from the operation of the revenue laws, that it can not be compelled to resort to them for redress; and, conversely, that if a State is not a power constitutionally exempt from all national taxation in its commercial transactions, but is, like other persons and corporate bodies, subject to the conditions which the law imposes, the court can not read into the statute an exemption which is not needed by reasonable construction or by the ordinary principles of justice, and which will be an arbitrary departure from the plain, positive, language of the statute.

It is interesting to note that the Federal Government has no authority to levy a tax on the sale by a manufacturer of any article to a State or municipality for use in the exercise of a governmental function. This was decided by the Supreme Court in the Indian Motorcycle case[87] in which the court held that the Federal Government is without power to tax a sale of a motor cycle by a manufacturer to a city for its police service. It was brought out in that case that although the tax was imposed directly on the manufacturer, the burden of the tax fell upon the city. But the question still remains unanswered in case the State or municipality buys from a wholesale or retail dealer instead of from the manufacturer upon whom the tax is imposed. Does the manufacturer's tax in such a case have to be refunded to the State or political subdivision on the theory that it has been passed on to the State or municipality? In this connection, a resolution was proposed in the Seventy-second Congress, first session, to secure complete exemption of State or political subdivisions from any excise taxes imposed under the revenue act of 1932, provided the articles subject to such taxes were purchased for use in governmental purposes. This resolution passed the House, but due to the short time before adjournment it was not considered by the Senate.[88] It was to apply chiefly to

[86] 39 Ct. Cls., 257, Aff. 199 U. S. 437.
[87] Indian Motorcycle Co. v. U. S., 283 U. S., 570.
[88] Congressional Record, Seventy-second Congress, first session, page 14081.

sales to the States or subdivisions made by those other than the producer or manufacturer. The State or political subdivision was to secure relief through a refund or credit from the Treasury of the tax paid in respect of any article purchased by the State or political subdivision for use solely in the exercise of a governmental function.

However, the constitutional limitation is not extended so as to prohibit a tax on the manufacture of articles which are purchased by a State or political subdivision. Here the connection between the purchase by the State and the tax on the manufacture is too remote to constitute an interference with a State function.[89] Another example of the burden being too remote to invalidate the tax is found in the case of Denman *v.* Slayton,[90] in which the Supreme Court upheld the provisions of the revenue act of 1921, denying deductions of interest on money borrowed to purchase or carry tax-exempt securities of a State or political subdivision, even though the Federal Government could not tax the interest from such securities. This was also true in the case of Willcuts *v.* Bunn,[91] in which the Supreme Court held that the Federal Government has the power to tax profits on the sale of State or municipal securities. Furthermore, as pointed out before, if a State or State agency engages in a private enterprise, it is subject to tax to the same extent as a private individual. This was settled in the South Carolina case upholding Federal occupational taxes upon agents of the State of South Carolina engaged in dispensing liquors. Moreover, it is no part of the essential governmental functions of a State to provide means of transportation, supply artificial light, water, and the like.[92] Thus the courts hold that the operation of street railways, waterworks, light and power plants, wharves, piers, and harbors are not instrumentalities of the Government and are, therefore, taxable to the Federal Government.[93] The courts also do not regard independent contractors as State employees and compensation received by them from the State is treated as taxable. It is, of course, very difficult in many cases to draw the line between what are governmental functions and what are proprietary or private functions. Each case stands upon its own footing and, as pointed out before, must be given such a practical construction as to permit both Federal and State Governments to function with the minimum of interference from each other.

EFFECT OF TREATIES UPON FEDERAL TAXING POWER

Some mention should be made as to the effect of treaties with foreign countries upon the Federal taxing power. Under the Constitution,[94] a treaty is placed upon the same footing as an act of Congress. If the two are inconsistent, the one last in date will control the other. For example, a statute declaring that Russian hemp imported into this country shall pay a duty of $40 per ton was held by the Supreme Court to repeal the stipulation in a prior treaty with Russia which in effect declared that the duty on Russian hemp should not be

[89] Cornell *v.* Coyne, 192 U. S. 418; American Manufacturing Co. *v.* St. Louis, 250 U. S. 459.
[90] 282 U. S. 514.
[91] 282 U. S. 216.
[92] Flint *v.* Stone Tracy Co., 220 U. S. 107.
[93] Mim. 3838, Int. Rev. C. B. IX-2, p. 138.
[94] U. S. Constitution Art. VI, cl. 2.

more than $25.[95] The courts have also held that a steamship company clearing from Bremen, which port is in the Hanseatic Republics, was liable for tonnage duties imposed by a Federal statute, as it was of a later date than a treaty.[96] These cases seem to indicate that treaties are not a limitation upon the Federal taxing power.

DOUBLE TAXATION AS AFFECTING THE FEDERAL TAXING POWER

The question of the power of the Federal Government to impose so-called "double taxation" has provoked considerable discussion among tax experts and laymen alike. Regardless of any equitable considerations which might influence congressional action in a matter of this kind, it seems clear that Congress has the power to levy double taxes. This was brought out in the early case of Patton *v.* Brady,[97] in which the Supreme Court upheld an additional excise tax imposed by Congress upon manufactured tobacco, even though such tobacco had passed from the hands of the manufacturer to a dealer at the time of the enactment of the act. In that case the court said:

> Our conclusion, then, is that it is within the power of Congress to increase an excise, as well as a property tax, and that such an increase may be made at least while the property is held for sale and before it has passed into the hands of the consumer; that it is no part of the functinn of a court to inquire into the reasonableness of the excise either as respects the amount or the property upon which it is imposed.

In the past Congress has imposed a great many taxes of this character. They are known as floor taxes. For example, the revenue act of 1918, section 604, imposed a floor tax of $3.20 upon distilled spirits held on February 24, 1919, by any person and intended for sale for beverage purposes. This was in addition to the internal-revenue tax which had been paid on such spirits prior to the enactment of the revenue act of 1918. A floor tax was also imposed by section 604 of the revenue act of 1918 upon rectified spirits. The principle of double taxation has also been applied to income taxes. Thus, in Hellmich *v.* Hellman,[98] the Supreme Court upheld the right of Congress to subject to the normal tax gains by stockholders from the distribution of assets of a corporation in liquidation, even though such gains consisted of accumulated earnings and profits upon which a normal tax had already been paid by the corporation. Furthermore, in the Packard Motor Car Co. case,[99] the Court of Claims held that Congress had the power to tax in full the 1918 consolidated net income of affiliated corporations filing a consolidated return, even though a portion of such net income had already been taxed when such companies filed returns as separate corporations in 1917. This view was also taken by Federal Judge F. P. Schoonmaker for the western district of Pennsylvania when he sustained the demurrer of the Government in a suit brought by the Aluminum Co. of America and affiliated corporations to recover $650,632.38 in income and excess-profits taxes for the year 1918. The Board of Tax Appeals has also applied the principle of double taxation to sales of property upon the installment basis. In the case of Blum,

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[95] Ropez *v.* Clinch, 8 Blatch. (U. S.) 304.
[96] North German Lloyd Steamship Co. *v.* Hedden (C. C. N. J. 1890) 43 Fed. 17.
[97] 184 U. S. 608.
[98] 276 U. S. 233.
[99] 39 Fed. (2d) 991, cert. den. 51 S. Ct. 27.

(Inc.),[1] the board held that a taxpayer changing from the accrual to the installment basis was required for income-tax purposes to report payments received in prior years, notwithstanding the fact that an income tax had already been paid on such profits for the prior years when they were reported on the accrual basis.

In considering the question of double taxation, it is necessary not only to view the picture from the standpoint of the Federal Government but also from the standpoint of the individual who is required to pay the tax. Both the Federal Government and the States in many instances impose a tax upon the same subject, so that from the viewpoint of the taxpayer a double tax may be said to be imposed in such cases. However, the Supreme Court has pointed out that neither the Federal Government nor a State is under any constitutional obligation to make allowances on account of the taxes imposed by the other.[2] Therefore, it seems clear that there is no objection from a legal standpoint to the imposition of double taxation. The objections to such form of taxation must be based upon practicable and equitable grounds.

In concluding the discussion of the power of the Federal Government to levy taxes, it seems proper to summarize certain important principles which should always be kept in mind:

First. The power to levy taxes is a legislative power vested in Congress, which can not be delegated to the President or to the courts.

Second. Congress can impose nearly every kind of tax. There are, however, certain exceptions to this general rule. Thus, arbitrary and capricious taxes can not be imposed, or taxes on exports to foreign countries, or taxes on State functions, or taxes for private purposes.

Third. If Congress levies direct taxes they must be apportioned among the several States according to population. There is one exception to this rule. Under the sixteenth amendment income taxes are not required to be apportioned.

Fourth. If Congress levies indirect taxes, they are subject to the rule of uniformity, that is, the taxes must operate "with the same force and effect in every place (in the United States) where the subject of it is found." Income taxes, not being subject to the rule of apportionment, are subject to the rule of uniformity.

Fifth. Double taxation is not prohibited to Congress, although it may refuse to impose double taxation in many instances upon equitable or practical grounds.

Sixth. There is no constitutional prohibition against retroactive taxation if a tax of the same character was in effect at the time the transaction subject to the tax was entered into.

(B) Of the State Governments

The power of a State to levy taxes differs materially from that of the Federal Government. As shown in our previous discussion, the Federal taxing power is derived from the Federal Constitution. This is not true in the case of the States. The power of a State to impose taxes is based upon its inherent right of sovereignty. This power is subject to certain limitations, which are either inherent because of its

[1] 7 B. T. A. 737.
[2] Frick v. United States, 268 U. S. 473.

sovereignty or are embodied in the Federal or State Constitutions. These limitations will be discussed in the following order:

(1) Inherent limitations;
(2) Limitations under the Federal Constitution; and
(3) Limitations under the State constitutions.

(1) Inherent Limitations

Perhaps the best exposition of the inherent limitations upon the taxing power of a State is found in the opinion of Justice Field in the case of the State tax on foreign-held bonds,[3] in which he said:

> The power of taxation, however vast in its character and searching in its extent, is necessarily limited to subjects within the jurisdiction of the State. These subjects are persons, property, and business. Whatever form taxation may assume, whether as duties, imposts, excises, or licenses, it must relate to one of these subjects. It is not possible to conceive of any other, though as applied to them, the taxation may be exercised in a great variety of ways. It may touch property in every shape, in its natural condition, in its manufactured form, and in its various transmutations. And the amount of the taxation may be determined by the value of the property, or its use, or its capacity, or its productiveness. It may touch business in the almost infinite forms in which it is conducted, in professions, in commerce, in manufactures, and in transportation. Unless restrained by provisions of the Federal Constitution, the power of the State as to the mode, form, and extent of taxation is unlimited, where the subjects to which it applies are within her jurisdiction.

Subsequent decisions of the Supreme Court make it clear that the right to tax both real property and tangible personal property rests upon the fact that it is situated within the jurisdiction of the State imposing the tax. This is true regardless of the domicile of the owner. The reason for such a rule is that if such property is outside of the State imposing the tax, it is beyond the sovereignty of such taxing State and can not receive the protection of its laws for which the tax is supposed to be the compensation.[4] This rule was first laid down in the case of property taxes, the court stating it was unnecessary to consider the question of the taxation of intangible personal property or of inheritance or succession taxes. However, in a recent case the court has applied the same doctrine to the taxation of tangible personal property for inheritance tax purposes, stating that to impose either a property tax or a death duty, the State must have jurisdiction of the thing that is taxed.[5] In the case of intangible property a different rule applies. The Supreme Court has held [6] that intangible personal property is subject to a death duty at the place of the domicile of the owner. However, the court has not as yet passed upon the taxability of intangible personal property which may be so used in a State other than the owner's domicile as to give it a situs analogous to the actual situs of tangible personal property. Moreover, the court has pointed out that the State of incorporation may tax the transfer of a stock of a nonresident decedent and the issue of a new certificate to take the place of the old, under the power generally to impose taxes of that character. Such a tax, says the court, "is not a death duty which flows from the power to control the succession; it is a stock transfer tax which flows from the power of the State to control and condition the operations of the corporation which it creates." [6]

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[3] 15 Wall. (U. S.) 319.
[4] Union Transit Co. v. Kentucky, 199 U. S. 204.
[5] Frick v. Commonwealth of Pennsylvania, 268 U. S. 492.
[6] First National Bank of Boston v. State of Maine, 52 S. Ct. 174.

It appears that a State has the power to levy an income tax upon the net income of a nonresident and of a foreign corporation if such income is derived from property located within the State or a business carried on within the State. This was decided by the Supreme Court in Shaffer *v.* Carter (252 U. S. 37), in which that court said:

> That the State from whose laws property and business and industry derive the protection and security without which protection any gainful occupation would be impossible is debarred from exacting a share of those gains in the form of income taxes for the support of government is a proposition so wholly inconsistent with fundamental principles as to be refuted by the mere statement. That it may tax the land but not the profits, the tree but not the fruit, the mine or well but not the produce, the business but not the profit derived from it is wholly inadmissible.

Many of the States also tax a resident or domestic corporation upon the entire net income, even though derived from property or a business located without the State. This has been upheld under authority of such decisions as Crescent Manufacturing Company *v.* South Carolina Tax Commission (129 S. C. 480) and Maguire *v.* Trefry (253 U. S. 12). However, it is not certain whether the Supreme Court will permit more than one State to tax the same income. In case it is held that only one State can tax such income, the question will remain as to whether such State is the one in which the taxpayer is a resident or the one in which the income is earned.

It should also be borne in mind that no State has the power to levy a tax except for a public purpose. As an added precaution, some State constitutions contain a provision that taxes shall be laid for public purposes only. But such a provision is unnecessary, for an imposition laid for a private purpose is not a "tax" within the common acceptation of the term and would violate a basic principle upon which all of our State governments rest.

(2) Limitations Under the Federal Constitution

CONFLICT WITH FEDERAL LAWS AND TREATIES

The Federal Constitution [7] provides that "this Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, under authority of the United States, shall be the supreme law of the land." It has accordingly been held that every act of Congress or treaty made pursuant to the Federal Constitution is supreme and renders invalid all laws of the State or provisions of the State constitution in conflict therewith.[8] A State statute imposing taxes which is in conflict with a Federal law or treaty, is of course, invalid. An interesting example of a State law being in conflict with a treaty is found in the recent case of Neilsen *v.* Johnson.[9] In that case, the State of Iowa enacted an inheritance tax law imposing a tax on property passing to nonresident aliens, regardless of amount, and exempted property passing to citizens of the State up to $15,000. This statute was held invalid, as conflicting with a treaty with Denmark.

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[7] U. S. Constitution, Art. VI, cl 2.
[8] Gibbons *v.* Ogden, 9 Wheat. (U. S.) 210.
[9] 279 U. S. 47.

INTERFERENCE WITH FEDERAL BORROWING POWER

The Constitution [10] gives Congress the power to borrow money on the credit of the United States. This provision is clearly a limitation upon the States' power to levy taxes. A State has no right by taxation to burden this power, either directly or indirectly. For instance, it is elementary that bonds or other securities of the United States may not be taxed by State authorities, for if this were permitted the power of Congress to borrow money on the credit of the United States would be burdened and might be destroyed for that purpose. In the case of Weston *v.* Charleston,[11] the court held that stock issued for loans made to the Government of the United States is not liable to be taxed by State or municipal corporations. In this connection, the court made the following statement:

> The American people have conferred the power of borrowing money on their Government and by making that Government supreme, have shielded its action, in the exercise of this power, from the action of the local governments.

Furthermore, as pointed out by the Supreme Court in State ex rel. Missouri Insurance Co. *v.* Gehner, 281 U. S. 313, since the tax-exempt feature tends to increase and is reflected in the market price of Government securities, a State tax burden thereon would adversely affect the terms upon which money may be borrowed to execute the purposes of the general government. In that case, the court held that a State may not subject one to a greater burden upon his taxable property merely because he owns tax-exempt securities.

PROHIBITION UPON TONNAGE DUTIES

Under the Constitution,[12] it is provided that no State shall, without the consent of Congress, lay a duty of tonnage. This clause was designed to prevent the States from imposing hindrances of this kind to commerce carried on by vessels. A duty of tonnage, within the meaning of the Constitution, is a charge upon a vessel, according to its size or capacity, for the privilege of navigating the public waters of the country or of entering or leaving a port therein.[13] To determine whether a charge is a duty of tonnage, the object or purpose of the levy must be carefully considered. If it is a contribution claimed for the privilege of entering a port or remaining in it, or departing from it, and is measured by the capacity of the vessel, it undoubtedly falls within the Constitutional prohibition.[14] However, a reasonable wharfage charge to compensate a municipal corporation for the use of its wharf is not a duty of tonnage,[15] even though such wharfage charges may be graduated by the tonnage of vessels using the wharf.[16] But a State can not demand that the master or warden of a port shall receive a fee.[13] It can, however, charge a toll for passing through the improved waters of a State [13] and require keepers of ferries to pay a license.[17] It may also impose a quarantine fee [18] and a pilot fee for performing pilot services.[19]

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[10] U. S. Constitution, Art. I, sec. 8, cl. 2.
[11] 2 Pet. 464.
[12] U. S. Constitution Art. I, sec. 10, cl. 3.
[13] Southern Steamship Co. *v.* Port Wardens, 6 Wall. (U. S.) 31; Huse *v.* Glover, 119 U. S. 549.
[14] Packet Co. *v.* Keokuk, 95 U. S. 84.
[15] Northwestern Union Packet Co. *v.* St. Louis, 100 U. S. 427.
[16] Ouachita Packing Co. *v.* Aiken, 121 U. S. 448.
[17] Wiggins Ferry Co. *v.* E. St. Louis, 107 U. S. 375.
[18] Morgan Steamship Co. *v.* Louisiana, 118 U. S. 463.
[19] The Queen, 206 Fed. 148, cert. den. 231 U. S. 750.

IMPAIRMENT OF OBLIGATIONS OF A CONTRACT

The Federal Constitution [20] provides that no State shall impair the obligations of a contract. An early case on this point related to a political subdivision of a State, which is subject to the same limitations as the State. In 1871, the city of Charleston by ordinance directed the city to retain out of dividends on city stock a tax assessed on all the real and personal property in the city. The Supreme Court held the ordinance void, as an impairment of the obligations of a contract of the city with its creditors.[21] Furthermore, when the laws of a State provide that a foreign corporation complying with certain conditions shall be subject to the same liabilities and duties as domestic corporations of the same character, the State can not impose a higher tax on the foreign corporations than is imposed upon the domestic corporations.[22] Moreover, a Pennsylvania statute making all bonds and mortgages taxable and requiring a corporation to withhold a certain amount from the interest due the bondholder and pay it over to the State in the form of taxes, was held invalid.[23]

It seems clear that if a State issues bonds providing that they shall be exempt from certain taxes, it can not thereafter impose such taxes on such bonds without violating this clause of the Constitution. However, the Supreme Court holds that a State may impose a lawful tax on a new subject or an increased tax on an old one without impairing the obligations of the contract, even though such a tax may increase the debt of one person and lessen the security of the other, or may impose additional burdens upon one class and relieve the burdens of another.[24] Thus, a tax on insurance premiums was held not to impair the obligations of an insurance contract; [25] a tax upon a distributing agent by a city did not impair the obligations of a contract between the agent and his employer; [26] a tax on royalties received from mines did not impair the obligations of a contract between lessor and lessee; [27] also, a transfer tax upon the exercise of a power of appointment was held not to violate the obligations of a contract.[28]

While this prohibition upon the impairment of the obligations of a contract has a very wide scope, it has never been construed as a limitation upon the power of eminent domain, which can not be contracted away by the State. To permit a State to divest itself by contract of the right to exert its authority in governmental matters would, according to the Supreme Court, be a renunciation of power to legislate for the preservation of society or to secure the performance of essential governmental duties. Thus, the power of eminent domain acts more or less as a check upon the power of a State to make contracts.[29]

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[20] U. S. Constitution Art. I, sec. 10, cl. 1.
[21] Murray v. Charleston, 96 U. S. 432.
[22] American Smelting Co. v. Colorado, 204 U. S. 103.
[23] Delaware Canal Co. v. Commissioner, 156 U. S. 200.
[24] North Missouri Railroad Co. v. Maguire, 20 Wall. (U. S.) 61.
[25] Home Insurance Co. v. Augusta, 93 U. S. 120.
[26] Kehrer v. Stewart, 197 U. S. 69.
[27] Lake Superior Consolidated Iron Mines v. Lord, 271 U. S. 577.
[28] Chanley v. Kelsey, 205 U. S. 466.
[29] Pennsylvania Hospital v. Philadelphia, 245 U. S. 20; Galveston Wharf Co. v. Galveston, 260 U. S. 473.

DISCRIMINATION AGAINST CITIZENS OF OTHER STATES

The Constitution [30] requires that citizens of each State shall be entitled to all the privileges and immunities of citizens in the several States. This provision prevents a State from taxing citizens of other States who own property or carry on business within its territorial limits at a higher rate than its own citizens are taxed, under similar conditions. However, the Supreme Court has held that corporations are not citizens within the meaning of this provision.[31] There are many cases in which a State taxing statute has been held invalid under this clause. Thus, a Maryland statute prohibiting persons not permanent residents from selling goods within the State other than agricultural products grown and goods manufactured in such State, was held invalid.[32]

An annual license tax of $100 imposed in each county of Alabama upon a person engaged in railway construction in the State, who had his chief office outside the State, was held to be a discrimination, for the reason that a person in the same business but having his office within the State was subject to a similar license tax of only $25.[33] Furthermore, a New York income-tax provision was held to violate this clause when it denied to all nonresidents the exemptions accorded to residents, that is, $1,000 to single persons, $2,000 to married persons, and $200 for dependents. However, this clause has been held not to apply in the case of a State tax imposed upon the net income of nonresidents derived from property within the State, on the theory that as to nonresidents it is purely a tax upon the property and business within the State to which citizens of the State are not subject, while in the case of citizens and residents it is purely a personal tax measured by their incomes.[34] Furthermore, it has been held that the State has the right in its income-tax law to confine a deduction for expenses, losses, etc., to such as are connected with income arising from sources within the State.[35] Moreover, a State statute taxing the business of hiring persons to labor outside of the State limits does not violate this clause, as there is no discrimination between citizens of other States and citizens of that State.[36] Nor is a State statute imposing a transfer tax on the property of a nonresident decedent located in that State invalid.[37]

PROHIBITION UPON IMPORTS AND EXPORTS

Under the Constitution,[38] no State without the consent of Congress is permitted to lay any imposts or duties on imports and exports, except what may be absolutely necessary for executing its inspection laws. By this provision the States gave up their right to levy taxes on articles imported from or exported to foreign countries.[39] This clause has no application to goods transported from one State to another.[40] Furthermore, the term "imports and exports" as used

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[30] U. S. Constitution, Art. IV, sec. 2, cl. 1.
[31] Paul v. Virginia, 8 Wall. (U. S.) 177.
[32] Ward v. Maryland, 12 Wall. (U. S.) 424.
[33] Chalker v. Birmingham Railroad Co., 249 U. S. 522.
[34] Shaffer v. Carter, 252 U. S. 37.
[35] Travis v. Yale, 252 U. S. 60.
[36] Williams v. Fears, 179 U. S. 274.
[37] Commonwealth v. Fleet, 152 Va. 353, cert. den. 279 U. S. 887.
[38] U. S. Constitution, Art. I, sec. 10, cl. 2.
[39] Patapsco Guano v. The Board of Agriculture, 171 U. S. 354.
[40] Coe v. Errol, 116 U. S. 527.

in this clause refers only to property. It might be noted, however, that a State would have no authority to tax immigrants brought into this country.[41] A bill of exchange is not an import or export, as it is not transmitted through the ordinary channels of commerce but by mail.[42] Nor is a legacy payable to a nonresident alien.[43]

Not only is a State prohibited from levying a tax directly upon the goods imported or exported, but it is also prohibited from levying an indirect tax by burdening the right to dispose of them. Goods do not lose their character as imports or exports until they have passed from the control of the importer or exporter, or have been broken up by him from the original package. This is the famous "unbroken package doctrine" which was first announced by the Supreme Court in Brown *v.* Maryland.[44] However, as soon as the goods have reached their destination and are held for sale, they are no longer imports or exports and a State has the same right to subject them to taxation as any other property located within its limits.[45] Among the taxes which have been held invalid under this clause are a tax on the sale of foreign goods by an auctioneer in original packages and before they become incorporated into the general property of the State;[46] a stamp tax on bills of lading as applied to goods sent to a foreign country;[47] and a tax on German warehouse receipts for whisky exported to Germany.[48]

DENIAL OF DUE PROCESS

It is interesting to note that in a great many cases going to the Supreme Court, it is alleged as one of the grounds for relief that the taxing statute violates the fourteenth amendment,[49] in that it deprives the taxpayer of property without due process of law. The purpose of this provision of the fourteenth amendment was to extend to citizens and residents of the State the same protection against arbitrary State action as is afforded them against arbitrary Federal action by the fifth amendment. If, as in the case of a Federal law, a State statute results in such a flagrant and palpable inequality between the burden imposed and the benefit received as to amount to the arbitrary taking of property without just compensation, it will be held to violate this clause of the Constitution. Thus, the Supreme Court held unconstitutional a provision of the Wisconsin inheritance tax statute providing that all gifts made within six years prior to the date of the donor's death were in contemplation of death and, therefore, taxable regardless of the actual facts in the case.[50] A Massachusetts excise tax on successions was held repugnant to this clause in so far as it applied to successions under trust deeds taking effect prior to the enactment of the taxing law.[51] Furthermore, a Wisconsin statute was held to be in violation of this clause in requiring a joint return from husband and wife. Under that statute, the wife was required to include all of her income in one return with that of her husband in

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[41] New York *v.* Compagnie General Transatlantique, 107 U. S. 61.
[42] Nathan *v.* Louisiana, 8 How. (U. S.) 81.
[43] Mager *v.* Grima, 8 How. (U. S.) 493.
[44] 12 Wheat. (U. S.) 419.
[45] American Steel Co. *v.* Speed, 192 U. S. 520.
[46] Cook *v.* Pennsylvania, 97 U. S. 573.
[47] Almy *v.* California, 24 How. (U. S.) 174.
[48] Selliger *v.* Kentucky, 213 U. S. 200.
[49] Federal Constitution, Amendment XIV, sec. 1.
[50] Schlesinger *v.* Wisconsin, 270 U. S. 230.
[51] Coolidge *v.* Long, 282 U. S. 582.

order to determine their tax liability. In holding that such a statute was invalid, the Supreme Court said that a State had no right to measure a tax on a person's property or income by a reference to another person's property or income. Most cases in which the courts have held that there was a violation of the due process clause deal with procedural questions as to whether a taxpayer has had an opportunity to be heard in connection with the assessment and collection of the tax complained of. However, this clause does not require that the taxpayer be entitled to a judicial hearing; a hearing before an administrative body is a sufficient compliance with the provision. It is only necessary that the taxpayer be heard at some stage of the proceedings.[52]

EQUAL PROTECTION OF THE LAWS

The fourteenth amendment contains a provision that no State shall deny to any person within its jurisdiction the equal protection of the laws. If this provision were applied literally, it would undoubtedly seriously cripple the taxing power of a State. However, the Supreme Court has pointed out that it was not intended by this clause to require a State to adopt an iron rule of uniformity or to prevent the classification of property for purposes of taxation. Equal protection of the laws is accomplished if the classification is a reasonable one, that is, not based upon arbitrary distinctions, and there is equality within the classification itself.[53] We will mention a few of the cases in which the Supreme Court has invalidated a statute because of this clause. If a foreign corporation has come into a State in compliance with its laws and has acquired property therein, a State will violate this provision if it imposes an additional excise tax for the privilege of doing business within the State in case such a tax is not imposed upon domestic corporations of like character.[54]

Furthermore, a license tax upon the sale of automobiles within the State where the rate of tax was made to depend upon the amount of assets which the vendor had within the State, was held invalid,[55] and a law requiring a person insuring with a foreign corporation not doing business within the State to pay a tax also constituted a violation of this clause.[56] Moreover, a State statute conflicts with this provision if it exempts from taxation domestic corporations doing business solely within the State but taxes domestic corporations doing business both within and without the State.[57] Even in a case where there is a lawful tax, the taxpayer may be denied equal protection of the laws through the manner of its assessment or collection. Thus, if the property of a corporation were assessed under a State drainage statute on a different basis than lands used for agricultural purposes and at an exorbitant figure, equal protection of the laws is denied,[58] and if the property of a State has been systematically underassessed, the assessment of similar property of a single individual at its full value will be set aside.[59]

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[52] Depauw University v. Brunk, 52 S. Ct. 405.
[53] Shaffer v. Carter, 252 U. S. 37; Hopkins v. Southern California Telephone Co., 48 S. Ct. 180.
[54] Southern Railroad Co. v. Green, 216 U. S. 400.
[55] Bethlehem Motor Corporation v. Flint, 256 U. S. 421.
[56] St. Louis Cotton Compress Co. v. Arkansas, 260 U. S. 346.
[57] F. S. Royster Guano Co. v. Virginia, 253 U. S. 412.
[58] Chicago Railroad Co. v. Ristig, 270 U. S. 378.
[59] Bohler v. Calloway, 267 U. S. 479.

On the other hand, there are many cases in which the Supreme Court has held that the taxpayer has not been denied equal protection of the laws under a taxing statute. Recently, the high court denied review of a case in which Chicago property owners challenged taxes on real estate in Cook County on the ground that personal property does not bear its full proportion of the tax burden. The following have been held by the Supreme Court not to violate this provision of the Constitution:

1. Assessing savings banks in a manner different from other classes of banks.[60]
2. A graduated income tax.[61]
3. An inheritance tax statute classifying lineals, collaterals, and strangers in blood, and subjecting them to a different rate of taxation.[62]
4. Classifying property for inheritance tax purposes according to the real and personal property situated within the State.[63]
5. The imposition of an additional transfer tax on investments escaping their share of tax burden during life of investor and held by him at his death.[64]
6. Exempting from inheritance taxation religious and educational institutions of the State and taxing religious and educational institutions of other States.[65]
7. Taxing anthracite coal and not bituminous coal.[66]
8. Discriminating between memberships in local and foreign stock exchanges.[67]
9. Classifying merchants according to the maximum and minimum amount of sales.[68]

Many other cases might be mentioned in which the Supreme Court has held that a State statute did not deny equal protection of the laws. As pointed out before, the test in all of these cases must be that the classification for taxation purposes is not arbitrary or unreasonable and that it operates uniformly upon all subjects falling within such class.

INTERFERENCE WITH INTERSTATE AND FOREIGN COMMERCE

The Federal Government is granted under the Constitution[69] the power to regulate commerce with foreign nations, among the several States, and with the Indian tribes. This is another limitation upon the taxing power of a State.

While it may tax property located in the State and used in carrying on commerce, it has no authority to tax foreign and interstate commerce as such.[70] If the property is actually in transit to a foreign country or to another State, it is exempt from taxation. This prohibition upon the State applies not only to a tax laid on the transpor-

[60] Farmers' Savings Bank v. Minnesota, 232 U. S. 516.
[61] Alderman v. Wells, 85 S. Ct. 507.
[62] Campbell v. California, 200 U. S. 87; Billings v. Illinois, 188 U. S. 101.
[63] Lord v. Glynn, 211 U. S. 477.
[64] Watson v. Comptroller, 254 U. S. 122.
[65] Board of Education v. Illinois, 203 U. S. 553.
[66] Heisler v. Thomas Colliery Co., 260 U. S. 245.
[67] Citizens National Bank v. Burr, 257 U. S. 99.
[68] Clark v. Titusville, 184 U. S. 330.
[69] U. S. Constitution, Art. I, sec. 8, cl. 3.
[70] N. J. Bell Telephone Co. v. N. J., 280 U. S. 338.

tation of the article of commerce but also to the receipts derived from such transportation or the business or occupation of carrying it on, regardless of the instrumentalities or means employed to that end.[70] To determine when an article ceases to be subject to the State taxing power because it is in interstate or foreign commerce, is sometimes very difficult. The Supreme Court has stated that the moment of time when the State power ceases is when the article commences its final movement for transportation from the State of its origin to that of its destination. Thus, in Heisler *v.* Thomas Colliery Co.,[71] it was held that anthracite coal when prepared and ready for shipment or market but not yet moved from the place of production, was not in interstate commerce and was, therefore, still subject to the taxing vower of the State of Pennsylvania. A State tax computed on the palue of gas at the well before it enters interstate commerce was also upheld by the Supreme Court.[72] On the other hand, it was held that oil stored in tanks for export shipment after transportation from another State was not subject to State taxation, since the storage was a part of the continuous interstate shipment.[73] Moreover, if the subjects of taxation can be separated so as to distinguish between commerce within and without the State, a tax on the commerce within the State will be upheld. Thus, an occupation tax may be lawfully imposed on one engaged in both interstate and intrastate commerce, if it is clear that one engaged solely in interstate commerce would not be taxed.[74] In the case of gasoline, the Supreme Court has held that it is subject to State taxation when the interstate transportation has ended and the commodity comes to rest within the State, provided it is not discriminated against as compared with domestic gasoline.[75] While a State may not interfere either directly or indirectly with property in interstate commerce, the Supreme Court has held that it can compel motor vehicles engaged exclusively in interstate commerce to pay a reasonable charge as a contribution to the cost of the highways in the State. This charge must, however, bear a reasonable relationship to the service rendered.[76]

In closing this discussion of the commerce clause, it might be well to mention what may be the subject of interstate or foreign commerce. In a very early case, the Supreme Court pointed out that policies of insurance were not commerce within the meaning of this clause.[77] However, radio broadcasting constitutes interstate commerce,[78] as well as the transportation of oil or gas by pipe lines.[79] Furthermore, contracts bearing a direct relation to interstate commerce are not subject to State taxation.[80] It makes no difference whether the commerce is carried on by corporation or individuals; both are protected from State interference under this clause.

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[70] N. J. Bell Telephone Co. *v.* N. J., 280 U. S. 338.
[71] 260 U. S. 245.
[72] Hope Gas Co. *v.* Hall, 274 U. S. 284.
[73] Carson Petroleum Co. *v.* Vial, 279 U. S. 95.
[74] E. Ohio Gas Co. *v.* Ohio, 51 Supreme Ct. 499.
[75] Hart Refineries *v.* Harmon, 278 U. S. 687.
[76] Interstate Transit (Inc.) *v.* Lindsey, 283 U. S. 183.
[77] Hall *v.* Virginia, 8 Wall. (U. S.) 168.
[78] U. S. *v.* American Bond & Mortgage Co., 31 F. (2d) 448.
[79] E. Ohio Gas Co. *v.* Ohio, 51 S. Ct. 499.
[80] Rosenberger *v.* Pacific Express Co., 241 U. S. 48.

INTERFERENCE WITH FEDERAL FUNCTIONS

It has already been shown that the Federal Government has no power to tax the governmental functions of a State, due to its sovereign character. For the same reason, a State has no power to tax the property or instrumentalities of the Federal Government. Instruments of Government include the officers appointed to enact, execute, and expound the laws, and the public buildings erected and occupied for uses of government. A State, like the Federal Government, can not evade this limitation by accomplishing indirectly what it can not do directly. Thus, a tax on a retail sale of gasoline purchased by the United States for the use of its Coast Guard fleet was held invalid, as an interference with a Federal instrumentality.[81] A statute of Massachusetts was held unconstitutional in imposing an excise tax upon all corporations doing business within the State, because the measure of the tax was based upon the corporations' incomes from all sources, including Federal securites. It was shown that the legislature of Massachusetts was aiming directly at the taxation of Federal securities, for the reason that a prior statute on the same subject had expressly exempted them.[82] On the other hand, a New York statute of the same character was upheld on the ground that it was not aimed at the taxation of Federal securities.[83] Furthermore, in Pacific Co. *v.* Johnson, 285 U. S. 480, the Supreme Court upheld a California statute levying an excise tax on corporations measured by net income and directing the inclusion of interest on Federal and State securities, even though the State constitution had formerly exempted such securities from taxation. It has long been recognized that the salaries of Federal officers and employees are not subject to the State taxing power.[84] It was also pointed out in Missouri *v.* Gehner [85] that a State had no right to include Federal securities in the valuation of property in taxing the assests of insurance companies. But this immunity from State taxation does not extend to anything lying outside or beyond the governmental functions and their exertion.

Thus, the Supreme Court has held that the State of New York had the right to tax gross receipts of royalties from copyrights granted by the Federal Government.[86] In that case, the court stated that such a copyright, while granted by the Federal Government, was not a franchise or privilege to be exercised on behalf of the Government or in performing a function of government, for after the copyright was granted it was exercised by the owner for his own personal profit. Furthermore, where a private corporation is granted a privilege or franchise to effect some governmental purpose, the property employed by such corporation in the exercise of such privilege is not exempt from State taxation even though the State can not tax the privilege itself.[87] In determining the exemption of a Federal instrumentality from State taxation, the courts will apply such a practical construction as will not unduly impair the taxing power of the State or the appropriate exercise of the governmental functions of the Federal Government.

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[81] Panhandle Oil Co. *v.* Mississippi, 277 U. S. 618.
[82] Macallen Co. *v.* Commonwealth of Massachusetts, 279 U. S. 620.
[83] Educational Films Corporation of America *v.* Ward, 282 U. S. 379.
[84] Dobbins *v.* Commissioner of Erie County, 16 Pet. (U. S.) 435.
[85] 281 U. S. 313.
[86] Fox Film Corporation *v.* Georgia, decided by S. Ct. on May 16, 1932.
[87] Susquehanna Power Co. *v.* State Tax Commission of Maryland, 51 S. Ct. 434.

FULL FAITH AND CREDIT CLAUSE

There has been some question as to whether or not the full faith and credit clause[88] imposes any limitation upon the taxing power of a State. Nothing has developed up to the present time which indicates that this clause is in any way a limitation upon a State's taxing power. However, judicial proceedings in one State, under which inheritance taxes have been paid and the administration of the estate closed, are denied full faith and credit by the action of a probate court in another State in assuming jurisdiction and assessing inheritance taxes against the beneficiaries, where under the law of the former State the order of the probate court barring all creditors who failed to file claims within a certain time was binding upon all.[89]

(3) LIMITATIONS UNDER THE STATE CONSTITUTIONS

The taxing power of a State is restricted not only by the Federal Constitution but also by its own State constitution. It is impossible to set forth in a report of this nature all of the limitations expressed or implied in the various constitutions of all of the 48 States. Some State constitutions contain very comprehensive provisions, in a few cases even specifying the subjects of taxation and the rate and amount of tax, leaving the legislature little discretion in the enactment of laws putting them into effect. Others are couched in general terms and some are very brief, permitting wide discretion to the legislature. For the purpose of this report, all that can be accomplished is to call attention to the existence of such limitations and set forth a few of those of general character.

The constitutions of all but two States, namely, New York and Connecticut, contain provisions which either expressly or impliedly require equality and uniformity in taxation. The language of these provisions varies considerably. In some instances, equality or uniformity is implied from very general language. For example, the constitution of Vermont contains a quaint provision requiring each citizen to contribute his proportion toward the expense of protection which the State affords to him. The consitution of Idaho provides that all general laws (which include taxing statutes) must be uniform throughout the State, and the constitution of Rhode Island provides that the burden of the State ought to be evenly distributed among its citizens.

In considering the express provisions of the various State constitutions, we find that many constitutions require the tax to be assessed in proportion to the value of the property. Examples of such provisions are found in the constitutions of Alabama, California, Illinois, Mississippi, Missouri, Nevada, Tennessee, Texas, and West Virginia. The constitutions of Colorado, Indiana, Montana, and Wyoming require the legislature to provide for a just valuation of property. The constitution of Kentucky requires all property not exempt from taxation to be assessed at its fair cash value, estimated at the price it would bring at a fair voluntary sale. The constitution of Louisiana provides that property can not be assessed for more than its actual cash value. In Maine taxes upon real and personal property must

[88] U. S. Constitution Art. IV, sec. 1.
[89] Tilt v. Kelsey, 207 U. S. 43.

be assessed according to the just value thereof, but the legislature is given authority to levy a tax upon intangible personal property without regard to the rate applied to other property. In Michigan assessments on property must be at the cash value. In Nebraska the legislature is required to levy taxes by valuation uniformly and proportionately upon all tangible property and franchises. The New Jersey constitution requires assessments to be made according to true value. In New Mexico taxes on tangible property must be in proportion to value. The constitution of North Carolina requires real and personal property, including moneys, credits, and investments in bonds and stocks, to he assessed according to the true value in money. In Ohio lands and improvements are required to be taxed by uniform rule according to value. The constitution of Utah provides that property must be subject to a uniform and equal rate of assessment according to its value in money. Virginia provides real and tangible personal property to be assessed at its fair market value, to be ascertained by law.

The requirement that taxes shall he assessed according to value is generally applied solely to what is known as "property" taxes. However, some of our State constitutions define "property" to include even incomes and franchises. The California constitution defines "property" as including "moneys, credits, bonds, stocks, dues, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership, provided that a mortgage, contract, or other obligation by which a debt is secured upon lands, together with the money represented by such debt, shall not be considered property subject to taxation." The Illinois income tax law was held to be unconstitutional because "income" was defined as "property" under the Illinois constitution. In holding the statute to be invalid, the Illinois Supreme Court made the following comment (Bachrach *v.* Nelson):

> The word "property" as used in our constitution includes income, and income is property. Therefore, it necessarily follows that under the constitution of the State all taxes must be levied by valuation, so that every person and corporation shall pay a tax in proportion to the valuation of his or its property.

Pointing to the fact that the income tax provides for a graduated scale, the court concluded that "graduation" was not "valuation," and was not "uniform" as required by the constitution. Recently the Supreme Court of Tennessee held that the income tax law of that State was unconstitutional, on the ground that it was a property tax and, therefore, subject to the valuation requirement. In those States which define "income" as "property," this constitutional provision has played havoc with their desire to enter the income-tax field so as to lessen the general property tax hurden. Some States have provided for such a situation by granting the legislature express authority in their constitutions to levy both flat and graduated income taxes. This is true in Arizona, California, Massachusetts (which permits taxing income from property at a higher rate than unearned income), Oklahoma, North Carolina (if the rate of tax does not exceed 6 per cent, exemptions are not less than $2,000 for married persons or heads of families, or $1,000 for single persons, and no deductions for living expenses are allowed), South Dakota, Utah, Virginia (on incomes in excess of $600), and Wisconsin. A few States have recently proposed amendments to their constitutions, to be voted upon at the fall election, specifically stating that "income" shall not be considered "property" for the purpose of ad valorem taxes. Alabama, Minnesota, Washington, and West Virginia are some of the States proposing such amendments as a means of offsetting the general property tax burden.

Some State constitutions require a valuation of property for assessment purposes at regular periods. Thus, the constitutions of Maine and Massachusetts require a valuation at least every 10 years. The constitution of Michigan requires the annual assessments, which are made by township officers, to be equalized by a State board which reviews them for that purpose every five years. Under the Rhode Island constitution, the legislature is required to provide for new valuations from time to time in such manner as they may deem best. While some States contain no express provisions on this subject, the necessity for making new valuations is implied and the period is left for legislative discretion.

There are some State constitutions which require that all taxes must be uniform upon the same class of property within the territorial limits of the authority levying the tax. Under such a provision, property classification is not precluded, the only restriction being that the classification must be a reasonable one and not arbitrary or capricious. Examples of such provisions are contained in the constitutions of Arizona, Colorado, Delaware, Georgia, Kentucky, Louisiana, Minnesota, Missouri, Montana, Oklahoma, Pennsylvania, South Dakota, and Virginia. Michigan's constitution requires a uniform rate of taxation, except on property paying specific taxes, in which cases the taxes are required to be uniform as to class. The constitution of Nebraska requires the legislature to levy taxes by valuation uniformly and proportionately upon all tangible property and franchises, and upon all other property, taxes uniform as to class.

In other States, the constitutions require taxes to be both equal and uniform. This is the rule in Indiana, Mississippi, New Mexico, Nevada, and West Virginia. In Florida, the legislature is required to provide a uniform and equal rate of taxation, except on intangibles on which it may impose a special rate not in excess of 5 mills on the dollar of the assessed valuation of such intangible property. In Kansas the legislature is required to provide a uniform and equal rate of taxation, except mineral products, money, notes, and other evidence of indebtedness may be classified and taxed uniformly as to class. In Utah, property must he subject to a uniform and equal rate of taxation according to its value in money.

There are a few States which merely require the taxes to be uniform This rule applies in North Carolina, Washington, and Wyoming. In Massachussetts, proportionate and reasonable taxes may be levied upon inhabitants within the State. In Wisconsin, the constitution requires that the rule of taxation shall be uniform and taxes shall be levied upon property with such classifications as to forests and minerals, as the legislature shall prescribe.

Due to the different wording of the above provisions, the decisions are not altogether uniform as to what constitutes a violation of their requirements. In general, "equality" of taxation is accomplished when the burden of the tax falls equally or impartially upon all persons subject to it; and "uniformity," when all taxable property is, alike, subject to the tax. In most States, the State constitution requires the taxation of all property within the State, subject to certain exemptions granted by the State constitution itself. If the State constitution requires the taxation of all property within the State, the legislature is without authority to tax real property and exempt personal property, or vice versa. But the Supreme Court has pointed out that in the absence of State constitutional provisions, the legislature is not required to make taxation both equal and uniform. Under such circumstances, the only limitation confronting the legislature is the "equal protection of the laws" provision of the Federal Constitution, requiring taxation of all property in the same class in an equal manner.

Moreover, the requirements of equality and uniformity in the State constitutions apply, for the most part, to taxes upon "property" as distinguished from taxes on franchises, privileges, occupations, licenses, or local assessments for improvements especially benefitted thereby. However, as heretofore pointed out, the California constitution specifically includes franchises in its definition of "property," and Nebraska's constitution requires taxes upon franchises to be levied proportionately and by valuation. On the other hand, many State constitutions specifically authorize the laying of taxes upon privileges, franchises, occupations, incomes, inheritances, estates, and successions. Thus, in Arizona, the constitution gives the legislature authority to levy license, franchise, gross revenue, excise, graduated income and death duties, stamp, and other specific taxes. California authorizes the taxation of licenses, railroads, express companies, telegraph companies, insurance companies, and savings and loan associations. In Florida, the legislature is authorized to levy a special capitation tax, limited in its scope, and license taxes. While income taxes are prohibited, the State constitution authorizes the levying of inheritance or estate taxes sufficient to absorb the 80 per cent credit allowed under the Federal estate tax. Other States authorizing occupational, franchise, and license taxes include Illinois, Louisiana, Massachusetts, Nebraska, North Carolina, Ohio, Oklahoma, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.

Many State constitutions specify the property which is exempt from taxation and provide that all other property shall be subject to taxation. In many cases, Federal, State, county, or municipal property is made tax exempt and the legislature is given authority to exempt property used for cemeteries, charitable, religious, educational, scientific purposes, etc. Bonds of the State, its counties and municipalities, are also exempt from taxation in many cases. In some State constitutions, the property of widows, honorably discharged sailors, soldiers, United States Marines, and Army nurses, who are residents of the State are exempted from the general property tax up to limited amounts. Almost all States provide a small exemption for heads of families.

The constitutions of many States provide that taxes shall only be laid for a public purpose. As pointed out before, this limitation is implied from the inherent sovereignty of the State, and the constitutional provision adds nothing to its effectiveness. There are a few State constitutions, however, which specifically prohibit the levying of taxes for certain purposes. For example, the Arizona constitution contains a provision that no tax shall be laid in aid of any church, or private or sectarian school, or any public service corporation. Furthermore, the constitutions of practically all the States require the legislature to state the purpose of the tax clearly in the law and provide that such tax may only be applied to the purpose stated.

A few State constitutions provide specific methods for the taxation of natural resources. Under the California constitution, the rate and amount of the tax is provided for in the case of railroad companies, Pullman and refrigerator cars, telegraph companies, insurance companies, banks and banking, gas, electricity, and savings and loan associations. In most State constitutions, there is a maximum limit provided for the general property tax. In a few State constitutions, as has already been pointed out, limitations are fixed as to the maximum rate and exemptions for income tax purposes. Many State constitutions provide that the power to tax shall not be surrendered or contracted away by the legislature. This is especially the rule in the case of the taxation of corporations. In a few instances, the State constitutions contain provisions identical with those contained in the Federal Constitution, such as the provision prohibiting the impairment of contracts, the due process clause, and the equal protection of the laws provision.

As heretofore pointed out, double taxation is not prohibited by the Federal Constitution, and where not forbidden by the State constitution, it is generally held to be within the power of the State. Some State constitutions expressly prohibit double taxation. Others, because of their equality and uniformity provisions, render double taxation invalid. In a very recent case, it was held by a Kentucky court that to constitute double taxation, two or more taxes must be imposed on the same property, by the same government, during the same taxing period, and for the same purpose. This is also the rule applied in the majority of the States.

The limitations upon the power of State governments to levy taxes, as set forth above, may be briefly summarized as follows with respect to inherent limitations:

(1) No State has any authority to tax real property or tangible personal property located outside of its borders. In the case of intangible property, the rule generally applied is that the State of domicile is the only State which has authority to levy the tax. This last rule is subject to certain exceptions. For instance, there are certain cases in which intangible property may acquire a business situs in a State other than that of the domicile of the owner. In such a case it may be possible for the State in which sucn property is located to impose the tax.

(2) A State has no authority to impose a tax except for a public purpose.

The limitations on the taxing power of the States under the Federal Constitution may be summarized as follows:

(1) A State has no power to levy a tax in conflict with the Constitution of the United States, the laws of the United States, or treaties entered into by the United States.

(2) Bonds or other securities of the United States may not be taxed by State authorities, for to do so would be an interference with the express power given Congress in the Federal Constitution to borrow money.

(3) No State has any authority to levy a duty of tonnage. A duty of tonnage, within the meaning of the Federal Constitution, is a charge upon a vessel, according to its size or capacity, for the privilege of navigating the public waters of the country or of entering or leaving a port therein.

(4) No State has any authority to impair the obligations of a contract. For instance, a State might issue bonds providing that they should be exempt from

the payment of certain taxes. It would thereafter have no authority to require such bonds to be subject to such taxes. This last statement must be modified to the extent that the State constitution prohibits the State from contracting away the right to impose taxes.

(5) No State has any power by taxation to discriminate against the citizens of other States. For example, a State has no authority to tax citizens of other States who own property or carry on business within its territorial limits at a higher rate than its own citizens are taxed under similar conditions.

(6) No State has any authority to levy taxes on articles imported from, or exported to, foreign countries.

(7) No State has authority by taxation to deprive a taxpayer of property without due process of law. The purpose of such a prohibition is to extend to citizens and residents of the State the same protection against arbitrary State action as is afforded them against arbitrary Federal action by the fifth amendment.

(8) No State has any power to levy any tax which denies to any person within its jurisdiction the equal protection of the laws. Equal protection of the laws is accomplished if the classification for taxation is a reasonable one, that is, not based upon arbitrary distinctions, and there is equality within the classification itself.

(9) No State has any power to interfere by taxation with interstate or foreign commerce. This prohibition applies not only to a tax laid on the transportation of the article of commerce but also to the receipts derived from such transportation or the business or occupation of carrying it on. The moment of time when the State's power of taxation ceases is when the article to be taxed commences its final movement for transportation from the State of its origin to that of its destination.

(10) A State has no power to tax the property of the Federal Government or to interfere by taxation with the exercise of Federal functions.

The limitations imposed on the State legislators by the constitutions of their respective States may be summed up as follows:

(1) The constitutions of many of the States contain provisions requiring equalty and uniformity in taxation. Some require that the taxation shall be equal and uniform, some that the property shall be taxed in proportion to its value, others that all taxes shall be uniform upon the same class of objects within the territorial limits of the authority levying the tax, and still others that the legislature shall provide for an equal and uniform rate of assessment and taxation. Due to the different wording of the above provisions, the decisions are not altogether uniform as to what constitutes a violation of their requirements. In general, equality of taxation is accomplished when the burden of the tax falls equally or impartially upon all persons subject to it; and uniformity, when all taxable property is, alike, subject to the tax. As a general rule, the equality and uniformity restrictions apply only to property taxes, as distinguished from taxes upon occupations, licenses, etc.

(2) Many State constitutions specifically provide the property which shall be exempt from taxation and require the taxation of all other property. Many State constitutions fix the maximum rate of the property tax. Some, like North Carolina and Virginia, fix the rate for income tax purposes and, in a few instances, for estate tax purposes.

(C) Of municipalities, counties, and townships.

The power of taxation which counties, cities, townships, and other local subdivisions possess is, according to the great weight of authority, not an inherent power but a power delegated by the State and, therefore, limited by the scope of the delegated authority. It is generally true that every political subdivision of a State which levies taxes upon its people must be able to show some authority from the State to support its demand. This authority may be either in the State constitution or in legislative enactments. The principle of home rule has become so firmly imbedded in our republican form of government that many State constitutions expressly prohibit the State legislature from levying taxes for local purposes as distinguished from State purposes. In such cases, the constitutions give the local governments the power to impose local taxes under a general authorization of the legislature. However, it is not always easy to determine whether a tax is for a local purpose or for a State purpose. For instance, a local government would not have the authority to protest against the levying of a tax to provide revenue for police protection, as one of the highest duties of the State is to preserve the public peace. It is also true that the legislature may impose taxes to provide for the public health, the public highways, and many other matters which affect the State as a whole. On the other hand, local improvements, etc., would appear to be entirely within the control of the local governments. In levying taxes for local purposes, it is well settled that the local government has no authority to extend its taxation provisions to property located outside of its district. It must confine its taxation to property located within the district and the tax must operate uniformly within such district.

2. TAXES IMPOSED BY THE FEDERAL GOVERNMENT

The Federal Government imposes no direct taxes except the income tax, and due to the language of the sixteenth amendment that tax is subject to the rule of uniformity and not to the rule of apportionment applied to other direct taxes. Hence, the Federal income tax in its practical effect is an indirect tax.

The present Federal internal-revenue taxes are as follows:

Income tax on individuals, trusts, and partnerships.

Income tax on corporations.

Estate tax.

Gift tax.

Sales taxes on tangible items, including tobacco, beer, liquors, wines, automobiles, auto trucks, auto accessories, cameras and photographic apparatus, candy and chewing gum, adulterated butter, filled cheese, articles made of fur, mixed flour, firearms and shells, gasoline, jewelry and watches, lubricating oil, matches, mechanical refrigerators, oleomargarine, playing cards, radios and phonographs, sporting goods, soft drinks, toilet preparations, tires and tubes, wort and malt syrup, and narcotics.

Sales taxes on intangible items, including admissions, club dues, issues of bonds and capital stock, transfers of bonds and capital stock, deeds of conveyance, sales of produce for future delivery, electrical energy, telephone and telegraph messages, transportation of oil by pipeline, leases of safe-deposit boxes, foreign passage tickets, and foreign insurance premiums.

Occupational taxes, including taxes on liquor dealers, rectifiers, brewers, and manufacturers of stills; manufacturers of oleomargarine, adulterated butter, and filled cheese; wholesale and retail dealers in oleomargarine and adulterated butter; manufacturers and packers of mixed flour; importers and manufacturers of narcotics; wholesale and retail dealers in narcotics, including physicians; and use of yachts.

Miscellaneous taxes, including a tax on checks and drafts, and a tax on bank circulation.

In addition to the above taxes, the Government also receives income from customs duties. Furthermore, the Government from time to time receives payments from miscellaneous sources, such as interest on trust funds and payments by foreign nations on account of their war debts.

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The method of raising the revenue has undergone a very great change in the last 20 years. In the fiscal year 1913 the total expenditures of the Government were $725,000,000 and the total receipts $724,000,000, a practical balance. Of this amount, $345,000,000, or about 47 per cent, was raised from internal-revenue taxes and $379,000,000, or 53 per cent, was raised from customs and other miscellaneous receipts. Customs alone accounted for $319,000,000. In 1913 out of $345,000,000 of internal-revenue taxes the sales taxes on liquor and tobacco accounted for $300,000,000 of that sum.

Our problem for the fiscal year 1933 was entirely different. For that year the total expenditures were estimated at approximately $3,957,000,000. A revenue program was formulated which, it was hoped, would produce $3,126,000,000. However, this program is some $831,000,000 short of meeting the total estimated expenditures. About $500,000,000 of this sum is accounted for by a delay in our debt retirement program. The remaining $331,000,000 is mainly due to the emergency relief program enacted shortly before the close of the last session of Congress, carrying an appropriation of about $322,000,000.

It is estimated that 75 per cent of the total receipts for 1933 will be derived from internal revenue taxes. As already stated, in 1913 only 47 per cent came from internal revenue taxes. In 1933, 25 per cent will come from customs and miscellaneous receipts, provided we are fortunate enough to receive the foreign debt payments which were contemplated at the time the balancing of the Budget was under consideration. Of the $2,339,000,000 we contemplated raising from internal revenue taxes, approximately $1,179,000,000 will come from the income tax, $52,000,000 from estate and gift taxes, $1,027,000,000 from various sales taxes on tangible and intangible items, $2,000,000 from occupational taxes, and $79,000,000 from miscellaneous taxes, the principal item of which is the tax on checks and drafts. In regard to miscellaneous receipts, it might be noted that customs receipts are estimated to be about the same in 1933 as in 1913. In 1913, they were $319,000,000, and in 1933 they are estimated to be $327,000,000.

Some of the interesting features of our tax system will now be discussed under appropriate headings.

(A) Income Tax on Individuals

A general income tax on both corporations and individuals first became possible of enactment by the Federal Government with the passage of the sixteenth amendment to the Constitution, which became effective on February 28, 1913. It is true that an income tax was imposed during the Civil War; however, a later attempt to impose this tax in 1894 was declared unconstitutional. The sixteenth amendment gave Congress the "power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration." Prior to this amendment, the principal revenues of the Government were derived from sales taxes on liquors, beer, and tobacco, and from customs.

The first income tax enacted under the sixteenth amendment was by no means the most important from a revenue standpoint. In fact, during the fiscal year 1916, the revenue from this tax from both individuals and corporations was only $125,000,000, while the revenue derived from the sales taxes on liquors, beer, and tobacco amounted to $327,000,000. However, beginning with the World War period and for subsequent years, the income tax has taken the foremost place in our tax system as a revenue producer. The largest receipts from this tax in any one fiscal year amounted to $3,957,000,000. This figure includes excess profits tax collections for that year. The enormous revenue, last mentioned, was secured in the year 1920, in which our sales taxes on liquor, heer, and tohacco amounted to only $432,000,000.

The income tax on individuals is supposed to be based on the principle of "ability to pay"—that is, a man with a large income not only should pay more tax than a man with a small income, but also should pay a higher rate of tax. The rates on individuals are, therefore, graduated in accordance with the size of their net incomes. It is obvious, however, that these rates can not be mathematically computed on the basis of ability to pay. The tax that a person is able to pay is a matter of judgment. Moreover, the fixing of the income tax rates on individuals has been more a matter of expediency than a matter determined hy the ability-to-pay theory. This is shown hy the fact that for 1918 a man with a large income might pay as high as 77 cents per dollar on that portion of his net income in excess of $1,000,000, while in the year 1928 he would pay but a maximum of 25 cents per dollar on such excess. Nevertheless, the man's ability to pay might have heen quite as great in 1928 as in 1918. Of course, in 1918, we were at war and it will he said that the ends justified the means. It is hard to see why, in peace times, in spite of fluctuations in the purchasing power of the dollar, our income-tax rates should he varied as greatly as has heen the case, when it is apparent that the ability to pay of a given class of individuals has not varied in these same years to any such extent. These variations may be brought out hy the two cases which follow:

Income tax on married man with $5,000 net income

1913	$10.00	1922	$100.00
1916	20.00	1924	37.50
1917	80.00	1926	16.88
1918	180.00	1928	16.88
1919	120.00	1932	100.00
1921	100.00		

Income tax on married man with $1,000,000 net income

1913	$60,010	1922	$550,640
1916	102,920	1924	429,575
1917	475.180	1926	241,059
1918	703,030	1928	240,769
1919	663,180	1932	571,100
1921	663,180		

While the sixteenth amendment would probably permit the Congress to levy taxes on the basis of gross income as well as net income, it has always been customary for the rates to attach to the latter basis, namely, to net income. Net income for income-tax purposes is merely the gross income less certain deductions allowed by law. Gross income includes salaries and wages; gains and profits from professions, trades, businesses, and commerce; and gains or profits from sales or dealings in property. Gross income also includes interest, rent, dividends received, and, in fact, income derived from any source whatever except income specifically excluded by the terms of the income tax act itself. The principal exemptions from gross income are certain amounts received under life insurance policies, tax-free interest on certain Government obligations, and tax-free interest on obligations of all States, Territories, and political subdivisions thereof.

As stated before, in arriving at net income certain deductions are allowed to be subtracted from gross income. The most important of these deductions are business expenses, interest paid, taxes paid (except Federal income taxes), business losses and casualties, bad debts, depreciation, depletion, charitable and other contributions, and stock and bond losses with certain limitations. It should be noted, however, that personal living expenses are not deductible. In addition to the deductions from gross income in arriving at net income, there are also allowed certain credits against net income in arriving at net income subject to normal tax. The most important of these credits are personal exemptions of $1,000 in the case of a single person and $2,500 in the case of a married person. There is also allowed a credit of $400 for each dependent receiving his chief support from the taxpayer. Dividends from the stock of domestic corporations are also allowed as a credit.

The schedule of tax rates is not simple. In the first place, it is not based on one graduated rate scale, but is divided into two classes, namely, normal tax rates and surtax rates. Under the revenue act of 1932 the normal rates are 4 per cent on the first $4,000 of net income in excess of the personal exemption and credit for dependents and 8 per cent on the balance. The surtax rates begin at $6,000 and apply without regard to the personal exemption and credit for dependents. The first surtax bracket taxes at 1 per cent net incomes between $6,000 and $10,000. The second surtax bracket taxes at 2 per cent net incomes between $10,000 and $12,000. The tenth surtax bracket taxes at 11 per cent net incomes between $26,000 and $28,000. The twentieth surtax bracket taxes at 22 per cent net incomes between $48,000 and $50,000. The fortieth surtax bracket taxes at 42 per cent net incomes between $88,000 and $90,000. The fiftieth surtax bracket taxes at 52 per cent net incomes between $400,000 and $500,000. Finally, all net incomes in excess of $1,000,000 are taxed at 55 per cent on the amount of the excess. (For complete table of surtax rates see Exhibit I, in the Appendix.)

Probably the best picture of the effect of our present income tax may be obtained from an examination of the following table:

Income tax payable under the revenue act of 1932 by a married person with no dependents

Net income	Normal tax	Surtax	Total tax	Actual rate paid
				Per cent
$1,000	0	0	0	0
2,000	0	0	0	0
3,000	$20	0	$20	0.7
4,000	60	0	60	1.5
5,000	100	0	100	2.0
6,000	140	0	140	2.3
7,000	200	$10	210	3.0
8,000	280	20	300	3.75
9,000	360	30	390	4.3
10,000	440	40	480	4.8
12,000	600	80	680	5.6
14,000	760	140	900	6.4
16,000	920	220	1,140	7.1
18,000	1,080	320	1,400	7.7
20,000	1,240	440	1,680	8.4
22,000	1,400	600	2,000	9.0
24,000	1,560	780	2,340	9.7
26,000	1,720	980	2,700	10.3
28,000	1,880	1,200	3,080	11.0
30,000	2,040	1,440	3,480	11.6
35,000	2,440	2,150	4,590	13.1
40,000	2,840	2,960	5,800	14.5
45,000	3,240	3,900	7,140	15.8
50,000	3,640	4,960	8,600	17.2
60,000	4,440	7,460	11,900	19.8
70,000	5,240	10,460	15,700	22.4
80,000	6,040	13,960	20,000	25.0
90,000	6,840	17,960	24,800	27.5
100,000	7,640	22,460	30,100	30.1
150,000	11,640	46,460	58,100	38.7
200,000	15,640	70,960	86,600	43.3
300,000	23,640	120,960	144,600	48.2
500,000	39,640	223,960	263,600	52.7
1,000,000	79,640	491,460	571,100	57.1

It can be seen from the above brief outline of our present income-tax rate schedule that it is a great departure from the original income-tax rates under the revenue act of 1913. In that act the normal rate was 1 per cent and the surtax rates started at 1 per cent on that part of net income in excess of $20,000 and reached a maximum of 6 per cent on that part of net income which exceeded $500,000.

It will no doubt be wondered why one graduated scale of rates is not used instead of a graduated normal tax and a graduated surtax. The principal reason for this treatment is on the theory that the corporate income tax is not passed on to the consumer, but is really borne by the stockholder. When, therefore, the corporation pays an income tax we assume that this tax is paid by the corporation on the account of the stockholder; in other words, it is an example of tax collection at the source. Having collected the tax at the source from the corporation at normal rates, we proceed to make a special exemption to the individual which eliminates the dividend from tax at the normal rate and subjects it merely to the surtax. In our first income-tax acts this principle was followed consistently; that is to say, the corporate income-tax rate was the same as the normal income-tax rate on individuals. Since 1918, however, we have departed from this policy. For instance, under the revenue act of 1932, the normal corporate rate is 13¾ per cent, although the normal rates on individuals are but 4 per cent and 8 per cent, as already noted.

Our present income tax law is decidedly complex in spite of many efforts in the direction of simplification. The complexity comes about in a great measure by a very proper solicitude on the part of Congress in the direction of equity. The readers desiring a complete description of our present income-tax law should read the act itself and the regulations of the Treasury Department interpreting and explaining the same. It will be sufficient for our purposes to mention under appropriate headings certain fairly important or unique features of our present law.

GAINS AND LOSSES FROM THE SALE OF PROPERTY

Under our income tax law, profits arising from the sale or other disposition of property have been taxable. This has not been the case in Great Britain which relieves from taxation the casual sale of real and personal property not made in connection with a trade or business. From the inception of our income tax law until the year 1922, the gains from the sale of real estate, stocks, bonds, etc., were taxed at the full normal and surtax rates. In the revenue act of 1921, as applicable to 1922 and 1923, however, a reduced rate was applied to this kind of net income. The rate selected was 12½ per cent. The reason for this reduction in the tax rate was because sales of property which would have taken place in the ordinary course of business were prevented by the high tax which would fall upon the profit accruing from such sale. In the revenue act of 1921, as applicable to 1922, the maximum rate upon $1 of net income was 58 per cent. The application of the lower rate was restricted to cases where the property sold had been held for a period of more than two years. The capital-gains tax was also optional and, therefore, was not applied to cases where the maximum rate on the individual would be less than 12½ per cent.

Under the revenue act of 1913, losses from the sale of real estate, stocks, bonds, etc., were not allowed as a deduction from net income unless incurred in trade. In the 1916 act, losses not incurred in trade were allowed to the extent of gains from similar transactions. In the revenue act of 1918 losses were allowed in full in all cases. In 1924 the revenue act provided that losses on the sale of such assets which had been held for more than two years could not reduce the tax by more than 12½ per cent of the amount of such loss. The reason for this change in regard to the deduction of losses was to make the treatment of losses consistent with the treatment in the case of gains.

During the consideration of the revenue act of 1932 it was decided to limit still further the deduction of losses. In this act it was provided that stocks and bonds held for more than two years should be treated as under the prior law for both the case of a capital gain and that of a capital loss. However, losses taken on stocks and bonds held less than two years were very much limited, it being provided that losses from the sales of such assets could only be taken to the extent of the gains from the sale of similar assets. To modify somewhat the harshness of this provision, it was provided that the loss disallowed (but not in excess of the amount of the net income) could be carried forward to apply against similar gains in the subsequent year.

It is important to note that our past method of treating gains and losses has been a tremendous revenue producer in boom times and a corresponding revenue destroyer in times of depression.

Complete income-tax statistics in connection with gains and losses from the sale of assets is only available from 1926 to 1930, inclusive. However, from partial data and from exhaustive research of a representative group of nearly 5,000 returns it has been possible to construct the following table showing net gains and net losses from the sale of assets, whether held for more than 2 years or less than 2 years, for the years 1917 to 1930, inclusive, all figures subject to any approximation whatsoever being marked with an asterisk (*):

Year	Net gains from the sale of assets	Net losses from the sale of assets
1917	$319, 170, 617	*$110, 720, 384
1918	291, 185, 704	*571, 468, 120
1919	999, 364, 287	*1, 175, 140, 997
1920	1, 020, 542, 719	*1, 680, 304, 149
1921	462, 858, 673	*1, 832, 641, 653
1922	991, 351, 580	*1, 251, 989, 891
1923	1, 172, 154, 628	*1, 619, 082, 743
1924	1, 513, 714, 092	*896, 906, 462
1925	2, 932, 228, 840	*655, 078, 024
Subtotal, 1917–1925	9, 701, 571, 140	9, 739, 332, 423
1926	2, 378, 542, 908	212, 789, 639
1927	2, 894, 582, 036	276, 100, 309
1928	4, 807, 921, 654	212, 754, 485
1929	4, 684, 560, 175	1, 039, 971, 418
1930	1, 325, 062, 653	1, 294, 760, 209
Subtotal, 1926–1930	16, 090, 669, 426	3, 035, 376, 060
Grand total	25, 792, 240, 566	12, 774, 708, 483

From an examination of the above data, the following comments are pertinent:

In the period of 13 years from 1917 to 1930, gains have exceeded losses by about $13,000,000,000.

From the subtotals shown, it is obvious that this entire excess of $13,000,000,000 has been realized in the five years 1926 to 1930.

For the period 1917 to 1924, inclusive, high surtax rates were in force, while from 1925 to 1930, inclusive, comparatively low surtax rates were in force. It accordingly would not be unreasonable to suppose that taxpayers refrain in many instances from taking profits in the high-tax years and, on the other hand, establish all the losses possible in these same years in order to reduce the tax on their ordinary income. The figures shown confirm this supposition. In the low-tax years 1925 to 1929 there was an extraordinary rise in the market value of securities and losses had been fairly well exhausted in prior years; hence, the tremendous excess of gains over losses in this period.

Preliminary data for 1931 indicates total gains of $355,000,000 and total losses of $808,000,000. The fact that losses exceeded gains in that year by about $450,000,000 is one of the important causes of the low revenue received from the income tax in 1931.

A careful study of the income-tax returns of a representative group indicates that not less than 80 per cent of the gains and losses reported occur from the sale of stocks and bonds, leaving only about 20 per cent from the sale of realty and other property. Stocks and bonds, therefore, are controlling in regard to the practical effect on the revenue in the treatment of gains and losses. Attention is drawn to the fact that in the figures given the gains and losses shown are net for each individual; that is, the persons taking the gains shown are not the same persons taking the losses shown.

The enormous excess of gains over losses in the period 1926 to 1929, inclusive, is not surprising. Some difficulty is encountered, however, in explaining why the losses did not far exceed the gains in 1930 during a falling market, instead of being about equal. It is believed that there are three principal causes for this phenomenon:

First. There is an enormous amount of stocks and bonds deposited as collateral in banks or owned by financial institutions and "frozen" there, so that the loss on such securities can not be taken without serious consequences.

Second. A great many people of means have established only such losses as were necessary to eliminate their gains or wipe out their income.

Third. There have been very considerable profits realized from short selling.

In any event, it is evident that these net gains bring in large revenues in good years and, conversely, the net losses substantially reduce our revenue in bad years. This loss in revenue will, however, be substantially decreased by the new limitation on stock and bond losses contained in the revenue act of 1932 and already mentioned.

EARNED INCOME RELIEF

Beginning with 1924, the Federal income tax law granted some relief to earned income. This relief was taken away by the revenue act of 1932 on the grounds of need for revenue.

Earned income may be defined as compensation for services rendered, such as salaries, wages, professional fees, and business profits due to personal endeavor. It is one of the three great divisions into which income subject to tax is divided and must be distinguished from the two other divisions, namely, investment income and capital gains.

The principal reasons advanced for a differentiation between the tax on earned income and the other forms are briefly as follows:

(*a*) Inasmuch as the productive agent of investment income—namely, capital—receives deductions from taxable income on account of depreciation or exhaustion, it is proper that the productive agent of earned income—namely, the individual—should receive proportionate relief, since the latter is also subject to the exhaustion of earning power.

(*b*) The individual with earned income generally bears expenses not borne by the individual with unearned income, and the majority of these expenses are not allowable deductions for tax purposes.

(*c*) Earned income is more uncertain than unearned income.

(*d*) Since capital gains receive tax relief by a method purporting to distinguish gains for investment purposes from gains for speculative purposes, it is also proper that earned income should receive relief according to its peculiar characteristics, for brain and brawn are entitled to as much consideration as capital.

(*e*) The fact that the principle of earned income is recognized by such countries as Great Britain, France, Italy, Belgium, and Spain is persuasive as to its soundness.

There are two principal arguments against earned-income relief as follows:

(*a*) There is already sufficient discrimination in favor of earned income because the local taxes on property, plus the income tax on investment income therefrom, already place a heavier burden on investment income than on earned income.

(*b*) A distinction between earned income and unearned income is not justified, because such income does not, in either case, vary as to the deserts of the recipient.

It is believed that these arguments against earned income relief are refutable. The facts do not support the first argument, as over 65 per cent of the total local taxes are paid by individuals with practically no investment income, and, therefore, the local taxes are paid in large measure out of earned income instead of out of investment income. In regard to the second argument, it appears impossible to base a practical tax law on moral issues. The loss of revenue in the calendar year 1930 from earned income relief was $24,938,635.

DIVIDENDS

The taxable status of income in the form of distributions by corporations should also be considered. Under the statute, any such distribution is regarded as made "out of earnings or profits to the extent thereof, and from the most recently accumulated earnings or profits." Earnings or profits accumulated, or increase in value of property accrued, before March 1, 1913, may be distributed tax free, after earnings and profits accumulated after February 28, 1913, have been distributed. Such tax-free distributions, however, go to reduce the basis for gain or loss on sale or other disposition. Distributions in complete or partial liquidation are treated as in full or part payment in exchange for the stock, and gain or loss results as from an exchange. A distribution not in liquidation, nor out of increase in value of property accrued before March 1, 1913, nor out of earnings or profits, reduces the basis and, if it exceeds the basis, is taxable to that extent as a gain from sale or exchange. Stock dividends are not subject to tax. It has already been noted that dividends received from domestic corporations are not subject to the normal tax in the hands of the recipient. Dividends are subject in full to the surtax.

INTEREST

Interest on bonds, mortgages, and the like is taxable in full at both normal and surtax rates. A very considerable amount of interest from the bonds of States, counties, and other civil divisions, however, is exempt. The amount of such wholly tax-free interest, shown on the individual returns for 1930, was $258,827,491.

INVENTORIES

In the case of a business, the true net income can usually be shown only by the use of an inventory of goods on hand at the beginning and end of the year. Provision is made for such inventories, which may be valued at cost, or at cost or market, whichever is lower.

DEDUCTIONS

The deductions from gross income in arriving at net income have already been noted. Some trouble is experienced in the case of bad debts to determine the time when a debt becomes worthless. A great deal of difficulty is encountered in the case of deductions for depreciation, since the proper depreciation rate is a matter of judgment.

TAXABLE YEAR

The net income of the individual is computed by annual periods, which may be either calendar or fiscal years. A fiscal year must end on the last day of a month other than December. A requirement for returning on a fiscal-year basis is that the individual keep books. Provision is made for change from one basis to the other.

RETURNS

By whom required.—A return must be made by every individual having a gross income for the taxable year of $5,000 or more, regardless of the amount of the net income. Further, every individual having a net income equal to or exceeding the amount of his personal exemption ($1,000 if single; $2,500 if married) must make a return. In case the aggregate gross income of a husband and wife is $5,000 or over, or the aggregate net income is $2,500 or over, a return must be made by each or a joint return by both.

Method of return.—The return must state specifically the items of gross income, deductions, and credits, and must be made under oath.

Time for filing.—Calendar-year returns are due on or before March 15; fiscal-year returns, on or before the 15th day of the third month following the close of the fiscal year. Provision is made for the extension of these dates by the commissioner, the limit of extension, except in the case of taxpayers who are abroad, being six months.

Place for filing.—The return is filed with the collector for the district in which is located the legal residence or principal place of business of the individual.

PAYMENT OF TAX

Payment may be made by single payment or installment. The single payment is due on the 15th day of the third month following the close of the taxable year. The first installment payment is likewise due on that date, subsequent installments (three in number) at intervals of three months. Delinquency in respect of any installment renders the whole amount of unpaid tax due on notice and demand.

INCOME-TAX STATISTICS

The following statistics from the individual returns for 1929 and 1930 are of general interest, the data being taken from Statistics of Income as published by the Bureau of Internal Revenue:

Sources of income and deductions	Amount, 1929	Amount, 1930 [1]
Income:		
Wages and salaries	$11,198,978,868	$9,380,995,395
Business income	3,378,983,610	2,539,289,909
Partnership income	1,853,142,856	1,080,880,137
Profit from sale of assets held less than 2 years	2,337,856,623	775,315,890
Profit from sale of assets held more than 2 years	2,346,703,652	549,746,754
Rents and royalties	1,286,072,413	1,026,015,842
Interest on Government obligations not wholly tax exempt	40,184,478	40,616,758
Dividends on stock of domestic corporations	4,786,027,684	4,089,625,612
Fiduciary income	508,479,409	407,868,575
Interest and miscellaneous income	2,210,522,716	1,775,150,969
Total	29,946,952,209	21,665,505,850
Deductions:		
Net loss from sale of assets held less than 2 years	995,943,850	1,215,055,449
Contributions	528,884,573	405,740,765
All other deductions	3,621,388,222	2,823,956,016
Total deductions	5,146,216,645	4,444,752,230
Net income	24,800,735,564	17,220,753,620
Total tax, before credits	1,029,379,085	508,591,293
Earned income credit	22,062,492	24,938,635
Credit for net losses on sale of assets held over 2 years	5,378,446	9,963,095
Net tax	1,001,938,147	473,689,563
Number of taxable returns	2,458,049	1,946,675
Number of nontaxable returns	1,586,278	1,429,877

[1] Based on preliminary report for 1930.

On the whole, the Federal income tax appears to be a good revenue producer and also to be based on sound economic principles. It is open to one serious defect, namely, it produces more than the expected revenue in boom times, and much less than the expected and needed revenue in times of depression. In this connection, it might be well to consider the establishment of some sort of reserve to equalize the lean and properous years which history has shown must be expected. It is also suggested that the graduated rate scale be standardized as much as possible, so that the tax will be more consistent with the ability-to-pay theory and we will not find ourselves in the situation of applying the highest rates in bad times when the taxpayer is, in fact, the least able to pay.

(B) Income Tax on Corporations

At the present time, corporations are taxed at a flat rate. This was not always the case, for, during the war years 1917 to 1921, there was an excess-profits tax on corporations determined by the ratio between profits and invested capital. This excess-profits tax was imposed at graduated rates.

Under the Revenue Act of 1932, corporations are taxed at a rate of 13¾ per cent upon their net income. Affiliated corporations may elect to file a consolidated return, but if they do they are obliged to pay a rate of 14½ per cent upon their combined net income.

What has been stated in regard to the net income and deductions in respect to individuals applies also to corporations, but there are some special provisions relating solely to corporations which should be described.

EXEMPT CORPORATIONS

The term "corporation," under the revenue law, includes associations, joint-stock companies, and insurance companies. The list of such organizations exempt from the income tax (some under certain conditions) is as follows:

1. Labor, agricultural, or horticultural organizations.
2. Mutual savings banks.
3. Fraternal beneficiary societies.
4. Domestic building and loan associations and cooperative banks.
5. Cemetery companies not operated for profit.
6. Religious, charitable, scientific, literary, educational, or humane organizations.
7. Business leagues, chambers of commerce, real-estate boards, or boards of trade.
8. Civic leagues or social-welfare organizations and local employees' associations.
9. Recreation, pleasure, aud other clubs of nouprofitable purposes.
10. Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephoue companies, or like orgaoizations.
11. Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies.
12. Farmers', fruit growers', or like cooperative organizations.
13. Corporations organized and owned by farmers', fruit growers', or like organizations for the purpose of financing crop operations.
14. Corporations organized for the exclusive purpose of holding title to property, collecting the income therefrom, and turning it over to an organization which is itself exempt.
15. Federal land banks, national farm-loan associations, and Federal intermediate credit banks.
16. Voluntary employees' beneficiary associations.
17. Teachers' retirement fund associations of a purely local character.

A characteristic common to all these exempt organizations is that the purpose of making profits is incidental, if not entirely wanting, and no earnings or profits made may inure to the benefit of any private shareholder or individual.

SPECIFIC EXEMPTIONS

Corporations, of course, have no personal exemption and credit for dependents. Under the revenue act of 1928 each corporation was allowed a specific exemption of $3,000. This was eliminated by the revenue act of 1932.

DIVIDENDS

Corporations are not taxable on dividends received from other domestic corporations. On the other hand, dividends paid out by a corporation are not deductible from their net income. This arrangement is to prevent double taxation.

AFFILIATED CORPORATIONS

Corporations comprising an "affiliated group" have the privilege of filing a consolidated return in lieu of separate returns upon the condition that all that have been members of the group at any time during the taxable year consent to all the regulations governing the making of consolidated returns. These regulations are prescribed by the commissioner with the approval of the Secretary.

As already stated, an additional rate of tax in the amount of three-fourths of 1 per cent is imposed upon the consolidated net income of an affiliated group for the taxable years 1932 and 1933.

An "affiliated group" is defined in the statute to mean—

One or more chains of corporations connected through stock ownership with a common parent corporation if—

(1) At least 95 per cent of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and

(2) The common parent corporation owns directly at least 95 per cent of the stock of at least one of the other corporations.

The term "stock," as used in the definition, does not include non-voting stock which is limited and preferred as to dividends.

The privilege of making consolidated returns is restricted to domestic corporations. Moreover, such corporations must come within the same category for taxation purposes. Thus, life insurance companies may be affiliated only with life insurance companies; and insurance companies other than life or mutual only with companies of like character. Mutual insurance companies (other than life), being taxed as corporations generally, may not be affiliated with insurance companies of another kind.

FOREIGN CORPORATIONS

Foreign corporations are taxed only on their net income from sources within the United States. Deductions from gross income from such sources must be properly apportioned or allocated thereto, as well as a ratable part of other deductions not definitely allocable to gross income from sources within the United States.

INSURANCE CORPORATIONS

Insurance companies while taxed at the same rates as other companies have special rules set up for the determination of their taxable income. It will be unnecessary to describe these rules here, but their effect is to give a relief from taxation justified by the desire to encourage these enterprises.

INCOME-TAX STATISTICS

The following statistics compiled from the returns by the Bureau of Internal Revenue in respect to corporations for the years 1929 and 1930 are of general interest:

	1929	[1] 1930
Corporations showing net income:		
Gross income	$129,633,791,720	$112,789,903,992
Net income	$11,653,886,002	$10,261,307,144
Net loss for prior year	$392,177,216	$358,484,747
Income tax	$1,193,435,832	$1,046,985,837
Number of returns	269,430	263,768
Corporations showing no net income:		
Gross income	$30,987,717,461	$41,144,687,859
Deficit	$2,914,128,235	$4,205,236,907
Number of returns	186,591	231,287

[1] Based on preliminary report for 1930.

The corporate income tax is a good revenue producer but is subject to the same defect as already mentioned in the case of the individual income tax, namely, the receipts are large in good years and extremely low in bad years. The only cure for this seems to be in the establishment of some sort of reserve. The tax is not based on the ability-to-pay theory to the extent that was found to be the case with the income tax on individuals. This is because there are no graduated rates. The excess-profits tax which has been repealed remedied this defect and on a theoretical basis is generally approved. The reason for its abandonment was because it was complicated, uncertain, and extremely difficult of administration.

(C) Estate and Gift Taxes

ESTATE TAX

The first kind of death duty imposed by the Federal Government was a probate duty enacted in 1798. Legacy and succession taxes were levied during the Civil War period. A legacy duty was also imposed during the Spanish-American War. The Federal Government first entered the estate-tax field in 1916 and has remained in that field since that time.

The Federal Government now imposes only one form of death duty. This is an estate tax, levied upon the decedent's net estate, and is to be distinguished from an inheritance tax, which is levied upon the share of each beneficiary. The rates of the Federal tax are graduated according to the amount of the estate and are imposed by brackets and not by totality. In this way an estate which comes within the first two brackets pays no more on that portion falling within the first bracket than an estate the whole of which comes within that bracket. However, upon the portions falling in higher brackets correspondingly increased rates are imposed.

There is no recognition of consanguinity, either by exemptions or otherwise. Thus, the tax is the same upon net estates of equal size whether the property descends to 1 child or 10 children, or even to strangers in blood.

The tax due is determined by a computation involving two schedules with different rates. One schedule consists of the rates imposed by the revenue act of 1926 and the other of the additional tax imposed by the revenue act of 1932.

The value of the net estate under the revenue act of 1932 is determined as provided in the revenue act of 1926, as amended, except that in lieu of the exemption of $100,000 under that act the exemption in the case of the additional tax is only $50,000. This results in the taxation of certain estates under the 1932 act which are not reached under the act of 1926. Moreover, the provision of the 1926 act allowing a credit against the tax up to 80 per cent thereof for death taxes paid to any State or Territory does not apply in respect of the additional tax.

In computing the Federal tax it is first necessary to determine the amount of the decedent's gross estate. The following property or interest therein is included:

(*a*) The decedent's interest in any property at the time of his death.

(*b*) Dower, curtesy, or similar interests of the surviving spouse.

(*c*) Transfers by the decedent in contemplation of death, or intended to take effect in possession or enjoyment at or after his death.

(*d*) Transfers, by trust or otherwise, under which the decedent has retained for his life or for any period not ascertainable without reference to his death, or for any period which does not in fact end before his death, the possession or enjoyment of, or the right to the income from, the property, or the right to designate, either alone or with another, the persons who shall possess or enjoy the property or the income therefrom.

(*e*) Transfers, by trust or otherwise, where the enjoyment of the property was, at the date of the decedent's death, subject to any change through the exercise of a power to alter, amend, or revoke, or where the decedent relinquished such power in contemplation of death.

(*f*) Joint interests held by the decedent with another person, including tenancies by the entirety and joint bank accounts.

(*g*) Property passing under a general power of appointment exercised by the decedent by will, or by deed executed in contemplation of death, or by deed intended to take effect in possession or enjoyment at or after death, or under which the decedent has retained for his life or any period not ascertainable without reference to his death, or any period which does not in fact end before his death, the possession or enjoyment of, or income from, the property, or the right to designate, alone or with another, the persons who shall enjoy the property or the income therefrom.

(*h*) Proceeds of life insurance payable to the estate of the decedent, and the proceeds of life insurance in excess of $40,000 payable to beneficiaries.

The above enumerated property is included in the gross estate at its value at the date of the decedent's death. The Regulations of the Commissioner of Internal Revenue give the following general rule in regard to valuations of property comprising the gross estate:

> The value of all property includable in the gross estate is the fair market value thereof at the time of the decedent's death. The fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell. When property is sold within a reasonable period after decedent's death, and it is shown that the selling price reflects the fair market value thereof as of the date of decedent's death, the selling price will be accepted. Neither depreciation nor appreciation in value subsequent to the date of decedent's death will be considered. All relevant facts and elements of value should be considered in every case.

After the value of the "gross" estate has been determined, certain deductions are allowed in arriving at the "net" estate subject to tax. These allowable deductions may be briefly stated as follows:

(*a*) In the case of a resident—

(1) An arbitrary exemption of $100,000 in the case of the tax under the 1926 act, and $50,000 in the case of the additional tax under the act of 1932.

(2) Funeral and administration expenses, claims against the estate, unpaid mortgages, expenses for support of the decedent's dependents during settlement, and losses from fires, storms, theft, etc.

(3) Property included within decedent's gross estate which was previously taxed in the estate of a prior decedent who died within five years, or property transferred to the decedent by gift within five years prior to his death upon which a gift tax was paid by the donor.

(4) Public, religious, charitable, scientific, literary, or educational bequests, in the amount actually received by such beneficiaries.

(*b*) In the case of a nonresident—

(1) That proportion of the deductions specified in paragraph (2), above, which the value of the nonresident's gross estate in the United States bears to the value of this entire gross estate, wherever situated.

(2) Property specified in paragraph (3), above.

(3) Property specified in paragraph (4), above.

The "net" estate under each act having been computed by subtracting from the net estate the deductions above set forth, the Federal tax may then be determined. The tax imposed by the revenue act of 1926, as amended, is computed by applying a graduated scale of rates to the net estate, running from 1 per cent on amounts not in excess of $50,000 to 20 per cent on amounts in excess of $10,000,000. The scale of rates is shown in Exhibit 2 of the appendix.

From the tax thus computed, there may be deducted the amount of any gift taxes paid on any property included within the gross estate. In addition, there may be deducted the amount of any death taxes paid to any State or Territory in respect of the estate, for which credit must be claimed within four years after the filing of the return. This credit, however, may not exceed 80 per cent of the tax found to be due before the credit is taken.

To the tax thus determined, there is added the additional tax imposed by the revenue act of 1932. This tax is arrived at by first computing a tentative tax at rates set forth in the act, and which start at 1 per cent on the first $10,000 of the net estate and increase by brackets until the rate becomes 45 per cent on the amount of the net estate in excess of $10,000,000. The table showing these estate-tax rates of the 1932 act will be found in Exhibit 3 of the appendix.

While the maximum rate of both Federal estate taxes taken together reach 45 per cent at $10,000,000, the actual rate paid on such an estate is only 30.9 per cent. The actual rate on a $100,000 estate is 1.5 per cent; on a $500,000 estate, 8.5 per cent; and on a $1,000,000 estate, 11.8 per cent. The burden of the tax in case of estates of different size is shown in the following table:

Federal estate tax on certain net estates under existing laws in force July 1, 1932

Net estate before exemption	Taxable estate		Tax under 1926 act		Tax under 1932 act (4)		1926 and 1932 acts total tax (2)+(4)
	1926 act	1932 act	Before credit [1] (1)	After credit [2] (2)	Tentative (3)	Additional (3)−(1)	
$100,000	0	$50,000	0	0	$1,500	$1,500	$1,500
$150,000	$50,000	100,000	$500	$100	5,000	4,500	4,600
$200,000	100,000	150,000	1,500	300	9,500	8,000	8,300
$300,000	200,000	250,000	4,500	900	19,500	15,000	15,900
$400,000	300,000	350,000	8,500	1,700	30,500	22,000	23,700
$500,000	400,000	450,000	12,500	2,500	42,500	30,000	32,500
$600,000	500,000	550,000	17,500	3,500	55,500	38,000	41,500
$800,000	700,000	750,000	28,500	5,700	84,500	56,000	61,700
$1,000,000	900,000	950,000	41,500	8,300	117,500	76,000	84,300
$2,000,000	1,900,000	1,950,000	124,500	24,900	315,500	191,000	215,900
$3,000,000	2,900,000	2,950,000	227,500	45,500	553,500	326,000	371,500
$4,000,000	3,900,000	3,950,000	350,500	70,100	831,500	481,000	551,100
$5,000,000	4,900,000	4,950,000	489,500	97,900	1,149,500	660,000	757,900
$6,000,000	5,900,000	5,950,000	638,500	127,700	1,498,500	860,000	987,700
$8,000,000	7,900,000	7,950,000	966,500	193,300	2,256,500	1,290,000	1,483,300
$10,000,000	9,900,000	9,950,000	1,334,500	266,900	3,094,500	1,760,000	2,026,900
$20,000,000	19,900,000	19,950,000	3,333,500	666,700	7,593,500	4,260,000	4,926,700
$50,000,000	49,900,000	49,950,000	9,333,500	1,866,700	21,093,500	11,760,000	13,626,700
$100,000,000	99,900,000	99,950,000	19,333,500	3,866,700	43,593,500	24,260,000	28,126,700

[1] Credit for death taxes paid to States. May not exceed 80 per cent of Federal tax under act of 1926. No credit allowed against additional tax under 1932 act for State death taxes.

[2] It is assumed in each case that the State tax absorbs the full 80 per cent credit.

The taxes shown in the foregoing table are the minimum amounts which the Federal Government may expect to collect in the form of death taxes from estates of decedents. Where the inheritance and estate taxes levied by the States are not sufficiently high to absorb the full 80 per cent credit which is allowed against the tax imposed under the revenue act of 1926, the amount collected by the Federal Government will be proportionately greater. In Nevada, where no State death duties are imposed, the whole amount of the tax goes to the Federal Government. The same is true in the District of Columbia. In the case of decedents dying after the effective date of the 1926 act and prior to the effective date of the 1932 act, there was no double taxation except where the State tax exceeded 80 per cent of the Federal tax. This was a rare occurrence. With the imposition of the additional tax under the 1932 act, the double taxation situation is not changed. The higher rates of estate tax merely represent the total burden the Congress now believes these estates may properly bear.

The tax is collected pursuant to notices and returns filed by the executor or administrator. The first step is the filing of a preliminary notice of the decedent's death with the Collector of Internal Revenue for the district in which the decedent was last domiciled. This notice advises the Government of the existence of a taxable estate, and should be made in all cases where the gross estate is in excess of $50,000 in value. It should be filed within two months after the decedent's death. The estate tax return, however, may generally be filed within one year after the death of the decedent, but the Commissioner of Internal Revenue may require its filing before that time where it appears that the interests of the Government would be jeopardized by any delay. On the other hand, additional time may be granted, not exceeding six months, where the facts warrant such an extension.

Upon receipt of the return, the commissioner examines the same and determines the amount of the tax. Payment of the tax is due one year after the decedent's death. Where undue hardship would result from early payment of the tax, the commissioner may extend the time not to exceed eight years from the due date. Interest runs at 6 per cent per annum from six months after such date until the tax is paid. In the case of a deficiency in the tax, the commissioner may extend the time for payment thereof for a period not to exceed four years. Interest at 6 per cent also runs against the amount of the deficiency. In either case, a bond may be required by the commissioner in an amount not exceeding double the amount of tax in respect of which the extension is granted.

The tax constitutes a lien upon the gross estate of the decedent, which may extend over a period of years if payment is not made before that time. This lien may be released in whole or in part, however, in the discretion of the commissioner with the approval of the Secretary of the Treasury. In case of disagreement as to the correctness of the tax determined by the commissioner, the law provides for the filing of appeals to the Board of Tax Appeals where a deficiency tax is assessed, and for suits in the Federal district courts where there has been an overpayment of the tax.

It will be sufficient to close this description with the receipts from this tax since its first enactment in 1916 to the present time:

Federal estate tax receipts

Fiscal year ending June 30—	Tax collected	Fiscal year ending June 30—Continued	Tax collected
1917	$6, 077, 000	1925	$101, 422, 000
1918	47, 453, 000	1926	116, 041, 000
1919	82, 030, 000	1927	100, 340, 000
1920	103, 636, 000	1928	60, 087, 000
1921	154, 043, 000	1929	61, 897, 000
1922	139, 419, 000	1930	64, 770, 000
1923	126, 705, 000	1931	48, 078, 000
1924	102, 967, 000	1932	47, 422, 000

GIFT TAX

As a supplement to the estate tax, the Federal Government now imposes, under the revenue act of 1932, a tax upon gifts inter vivos payable by the donor. Gifts of real property had been previously taxed as successions during the Civil War and gifts of personal property as income under the unconstitutional income tax act of 1894. The revenue act of 1924 was the first law to tax all gifts. This latter tax was repealed in 1926. The present tax is applicable both to resident and nonresident individuals, and measurably approaches the estate tax that would have been payable at the donor's death if the gift had not been made in his lifetime and the property instead had constituted a part of his estate. For this reason, the rate of tax is measured by all gifts made after the enactment of the act, although it is computed and payable yearly. A scheme of computation is provided which taxes gifts made over a period of years at the same rate as if they had all been made in a single year.

The rates of the gift tax are approximately equal to three-fourths of the total Federal estate tax levy. The reason for this difference in rates is that the Congress wishes thereby to encourage the making of gifts and the distribution of property in the lifetime of the owner, which, of course, is a worthy purpose. The Government, moreover, can well afford to make this concession, because the tax accrues much sooner than if it were only imposed at the death of the owner.

The tax applies to transfers of property by gift, whether the transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible. In the case of a citizen or resident the tax applies to gifts wherever made, but in the case of a nonresident alien it applies only to gifts made within the United States. It does not apply, however, to transfers in trust where the donor has the power to revest title in himself, either alone or in conjunction with another person. The relinquishment or termination of such a power, on the other hand, constitutes a taxable transfer.

Where property is transferred for less than adequate and full consideration, the amount by which the value of the property exceeds the value of the consideration is considered a taxable gift. If the gift is made in property, the value thereof at the date of the gift constitutes the amount of the gift for purposes of taxation.

In arriving at the taxable net gifts, certain deductions are allowed. In each calendar year, the first $5,000 of gifts to each person is exempt, except where the gift is of a future interest in property. This exemption is made to obviate the necessity of keeping account of numerous small gifts, and at the same time fix the amount sufficiently large to cover wedding and Christmas gifts, and occasional gifts of small amounts. Other exemptions, in the case of resident individuals and citizens, may be summarized as follows:

(a) A specific exemption of $50,000, less the aggregate of the amount claimed and allowed as a specific exemption for preceding years. The exemption may be taken all in one year or spread over a period of several years, at the option of the taxpayer, but when it is used no further exemption is allowed.

(b) Public, religious, charitable, scientific, literary, or educational gifts.

(c) Gifts to lodges for purposes specified in paragraph (b).

(d) Gifts to posts or organizations of war veterans.

(e) Gifts to the fund for vocational rehabilitation authorized by the World War veterans' act of 1924.

The exemptions in the case of nonresident aliens are the same as for residents and citizens, except that the $50,000 specific exemption does not apply. Also, the deduction for charitable and other such gifts applies only when such gifts by the nonresident alien donor are to be used in the United States exclusively.

The rates of tax under the gift tax act of 1932 are approximately 75 per cent of the estate tax rates of that act. The first bracket is $10,000 and the rate is three-fourths of 1 per cent. The rate schedule is graduated until in the case of net gifts in excess of $10,000, the rate reaches a maximum of 33¾ per cent. The complete table of rates will be found in Exhibit 4 of the appendix.

The computation of the tax involves three separate steps, as follows:

(a) A tax is first computed, at the specified rates, on the aggregate sum of the net gifts made after the enactment of the revenue act of 1932, including the net gifts during the current calendar year.

(b) A tax is then computed, at the specified rates, on the aggregate sum of the net gifts made after the enactment of the 1932 act but prior to the current year.

(c) The tax computed under paragraph (b) is then subtracted from that computed under paragraph (a), and the excess is the amount due for the current year.

The foregoing method of computing the tax results in taxing in each calendar year, upon a cumulative basis, all gifts made since the enactment of the revenue act of 1932, with credit for all gift taxes paid in the years prior to the current year.

The determination of the tax may perhaps be more clearly illustrated by the following examples:

(A) GIFT TAX, 1932

Gifts:	
To wife, $50,000 (less $5,000 exempt)	$45,000.00
To son, $50,000 (less $5,000 exempt)	45,000.00
To daughter, $10,000 (less $5,000 exempt)	5,000.00
Total	95,000.00
Deductions: Specific exemption	50,000.00
Taxable net gifts	45,000.00
Gift tax for 1932:	
Tax upon net gifts of $40,000	750.00
Tax on excess ($5,000 at 3¾ per cent)	187.50
Total tax for 1932	937.50

(B) GIFT TAX, 1933

Gifts:	
To charity	$100,000.00
To daughter, $30,000 (less $5,000 exempt)	25,000.00
To niece, $30,000 (less $5,000 exempt)	25,000.00
Total gifts	150,000.00
Deductions[1]: Charitable gifts	100,000.00
Net taxable gifts:	
In 1933	50,000.00
In 1932	45,000.00
Aggregate, 1933 and preceding years	95,000.00
Gift tax on aggregate gifts:	
Tax upon net gifts of $60,000	1,125.00
Tax upon excess ($35,000 at 5 per cent)	1,750.00
Total	2,875.00
Less tax on aggregate gifts of preceding years	937.50
Tax payable for calendar year 1933	1,937.50

A return of all gifts in excess of $5,000 made by any individual during the calendar year must be filed by March 15 thereafter with the collector of internal revenue for the district in which the donor has his legal residence. The tax is payable on or before the due date of the return, although the Commissioner of Internal Revenue may extend the time of payment for a period of not to exceed six months.

The tax constitutes a lien against the gifts made during the calendar year for 10 years from the time the gifts are made. Liability for the tax follows the property in the hands of the donee, in case the tax is not paid by the donor.

After examination of the return, the commissioner may make a correct determination of the tax due, and in the case of a deficiency may proceed to its assessment and collection under administrative provisions corresponding to those of the estate tax and income tax laws. Provision is made for an appeal to the Board of Tax Appeals in the case of deficiencies. Claims for refund of overpayments may be filed within three years from the time the tax was paid.

Rules and regulations for the enforcement of the gift tax law are prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury.

The revenue yield from the gift tax is uncertain. The 1924 gift tax act returned about $10,000,000 in revenue during the nineteen months the act was in effect. It is believed the new gift tax will bring in considerably more directly and much more indirectly through the estate tax. The gift tax should effectually prevent the wholesale evasion of the estate tax by outright gifts and by the creation of irrevocable trusts. It should also prevent some avoidance of the surtax which has been accomplished in the past by the donor splitting up his income through trusts or otherwise.

[1] Specific exemption exhausted in 1932.

(D) Special Sales Taxes on Specific Items

(1) Tangible Item

LIQUOR TAXES

Under this heading of liquor taxes are included taxes on distilled spirits (and articles taxed as such), fermented liquors (beer and ale), and wines. Liquor taxes were an important source of revenue from 1861 up to the effective date of the prohibition amendment. In fact, such taxes were imposed as early as 1791. While these taxes are now largely out of use on account of the eighteenth amendment, nevertheless, they are still on the statute books and would automatically come into effect if any substantial change should be made in our system of prohibition. The following table shows the taxes in force at the present time, together with the rates thereof:

	Rate.
Distilled spirits, per proof gallon or wine gallon when below proof:	
If used for beverage purposes	$6.40
If withdrawn for nonbeverage purposes	1.10
Stamps for distilled spirits intended for export, each	.10
Except when affixed to package containing two or more 5-gallon cans for export	.05
Case stamps for spirits bottled in bond	.10
Perfume imported containing distilled spirits, per wine gallon (to be collected by collector of customs)	1.10
Grape brandy, or wine spirits, used in the fortification of sweet wine, per proof gallon	.60
Rectified spirits or wines (with certain exceptions)	.30
Fermented liquors, per barrel containing not more than 31 gallons (and a proportionate rate for any other quantity or for fractional parts of a barrel authorized by law)	6.00
Still wines, including vermuth, and artificial or imitation wines and compounds sold as wines containing:	
Not more than 14 per cent absolute alcohol, per wine gallon	.04
Over 14 per cent but not over 21 per cent alcohol, per wine gallon	.10
Over 21 per cent but not over 24 per cent alcohol, per wine gallon	.25
Champagne or other sparkling wines, per one-half pint or fraction thereof	.12
Artificially carbonated wine, per one-half pint or fraction thereof	.06
Liquors, cordials, or similar compounds, containing sweet wine, fortified with grape brandy or wine spirits, per one-half pint or fraction thereof	.06
Dealcoholized wines, containing less than ½ of 1 per cent alcohol, per wine gallon	.16

The above liquor taxes have been large revenue producers in the past—for instance, in the fiscal year 1919, a total revenue of $480,000,000 was secured from this source, of which $118,000,000 came from beer and ale, and $362,000,000 from distilled liquor and miscellaneous items. In the fiscal year 1918, there was a revenue of $125,000,000 from beer alone and this was at a rate of $3 per barrel instead of $6 a barrel, as now in force. The $6 rate was enacted too late to have any appreciable effect on the revenue for 1919. In the fiscal year 1932, the total revenue from all liquor and beer taxes was only $8,000,000.

TOBACCO TAXES

The Federal taxes on tobacco, cigars, cigarettes, etc., have been not only large revenue producers but also have maintained their yield in bad years as well as in good years. Taxes of this character have been imposed continuously since 1862, and, in fact, manufactured tobacco was taxed as early as 1794. The various taxes on tobacco in its different forms, now in force, are briefly described below:

Tobacco and snuff.—The revenue act of 1926 imposes a tax at the rate of 18 cents a pound on all tobacco and snuff manufactured in or imported into the United States and sold by the manufacturer or importer, or removed for consumption or sale.

Snuff flour.—Under section 3368 of the Revised Statutes, as amended by the act of August 5, 1909, snuff flour, when sold, or removed for use or consumption, is taxed as snuff.

Cigars.—Upon cigars (made of tobacco or any substitute therefor) manufactured in or imported into the United States, and sold by the manufacturer or importer, or removed for consumption or sale, the revenue act of 1926 lays a flat tax of 75 cents per thousand if their weight is not more than three pounds a thousand, and a graduated tax if their weight is greater. The graduation is according to the price at which the cigars were manufactured or imported to retail, as follows:

Retail price:	Tax per thousand
5 cents or less	$2.00
More than 5 cents, not over 8 cents	3.00
More than 8 cents, not over 15 cents	5.00
More than 15 cents, not over 20 cents	10.50
More than 20 cents	13.50

Cigarettes.—The same act taxes cigarettes (made of tobacco or any substitute therefor), manufactured in or imported into the United States, and sold by the manufacturer or importer, or removed for consumption or sale, at the rate of $3 per thousand if they weigh not more than three pounds per thousand, and $7.20 per thousand if of greater weight.

The tax is laid upon cigars and cigarettes as such, without regard to the amount of tobacco entering into their manufacture.

Cigarette paper.—The revenue act of 1926 also lays a tax on cigarette paper made up into packages, books, sets or tubes, in or imported into the United States and sold by the manufacturer or importer to any person other than a manufacturer of cigarettes.

The tax on tubes is at the rate of 1 cent for each 50 tubes or fraction thereof.

The tax on papers in packages, books, or sets is graduated according to the number of papers contained, as follows:

More than 25, not over 50, one-half cent.
More than 50, not over 100, 1 cent.
More than 100, one-half cent for each 50, or fractional part thereof.

The usual method of collection of the tax on tobacco and its manufactures is by stamps, but provision is made for collection by assessment in case of sale or removal without the use of proper stamps.

As before mentioned, tobacco has been the source of abundant revenue throughout the history of internal-revenue taxation in this country since the early days of the Civil War. Liquor and tobacco were made the principal sources of internal revenue in the act of July 1, 1862, and they remained the backbone of our internal-revenue system until the World War period of high income taxation. The receipts from Federal taxes on tobacco since 1913 are shown below by fiscal years:

1913	$77,000,000	1923	$308,000,000
1914	80,000,000	1924	325,000,000
1915	78,000,000	1925	344,000,000
1916	86,000,000	1926	370,000,000
1917	102,000,000	1927	376,000,000
1918	156,000,000	1928	396,000,000
1919	205,000,000	1929	435,000,000
1920	295,000,000	1930	450,000,000
1921	254,000,000	1931	444,000,000
1922	270,000,000	1932	399,000,000

In respect to the above, it should be noted that the principal revenue is secured from the tax on small cigarettes amounting to 6 cents for the ordinary package of 20, selling for a retail price of from 10 to 20 cents, which price includes the 6-cent tax. In 1932, $317,000,000 out of the total of $399,000,000 secured from all tobacco taxes came from this 6-cent tax on small cigarettes.

TAXES ON AUTOMOBILES, TRUCKS, AND ACCESSORIES

The revenue act of 1932 imposes a tax, effective June 21, 1932, to July 31, 1934, inclusive, on automobiles, trucks, motor cycles, and parts sold by the manufacturer, producer, or importer. Automobiles and trucks were first taxed in 1917 and accessories in 1918.

The tax is a percentage of the manufacturer's sale price in each case, as follows:

		Rate of tax
(*a*) Automobile trucks, chassis, and bodies	per cent	2
(*b*) Other automobiles, chassis, and bodies	do	3
(*c*) Motor cycles	do	3
(*d*) Parts or accessories for any of the above	do	2

Tractors are exempt from tax.

Parts or accessories do not include tires and tubes, which are separately taxed. They do include articles suitable for use in connection with the article—such as spark plugs and batteries—whether or not primarily adapted for such use.

Parts or accessories sold on or in connection with an article, or with the sale thereof, are included with the article; that is, the tax is based on the total sale price. Tires and tubes so sold are likewise included, but a credit is allowed against the tax in the amount of 2 per cent or 3 per cent, as the case may be, of their purchase price.

Provision is made for the tax-free sale by a manufacturer of chassis, bodies, or parts to a manufacturer of automobiles, trucks, or motor cycles. In such cases, the vendee is for tax purposes the manufacturer.

Revenue receipts for the fiscal year 1918 were about $24,000,000 from this source and $49,000,000 for 1919; for the years 1920 to 1926, inclusive, they exceeded $100,000,000, reaching their peak in 1924—$158,000,000. Revenue from the present tax amounted to only $1,555,000 during the month of September, 1932. Of course, this is a month of small sales, March, April, and May being the months of high sales in the automobile business.

TAXES ON ADULTERATED AND PROCESS OR RENOVATED BUTTER

The act of May 9, 1902, imposes a tax of 10 cents a pound on adulterated butter and a tax of one-fourth of 1 cent a pound on process or renovated butter. The levy is upon the manufacture, sale, or removal for consumption or use, and is paid by the manufacturer.

Collection is ordinarily by stamps, but provision is made for collection by assessment in case of sale or removal without the proper stamps.

The revenues from this source are practically negligible, amounting, in combination with those from filled cheese and mixed flour, to less than $9,000 for the fiscal year 1932.

TAX ON CAMERAS, ETC.

Under the revenue act of 1932, a tax equal to 10 per cent of the sale price is laid upon cameras weighing not more than 100 pounds (and lenses therefor) sold by the manufacturer, producer, or importer. Aerial cameras are excepted.

The tax became effective June 21, 1932, and expires by limitation, June 30, 1934.

The revenue acts of 1917, 1918, 1921, and 1924 also taxed the sale of cameras, and the annual revenues have ranged from slightly over $600,000 to nearly $900,000.

Receipts from the new tax were $17,760 for the month of September, 1932, which would indicate annual receipts of about $213,000.

TAX ON CANDY

The revenue act of 1932 taxes candy sold by the manufacturer, producer, or importer at 2 per cent of the sale price. The tax is effective for the period June 21, 1932, to June 30, 1934.

The revenue acts of 1918 and 1921 also taxed the sale of candy, at rates, respectively, of 5 per cent and 3 per cent. Annual receipts under the higher rate averaged about $21,700,000 and about $12,200,000 under the lower rate. These taxes, however, were applied to the retail instead of the manufacturers' price.

The receipts from the new tax on candy and chewing gum together aggregated $306,200 for the month of September, 1932, which would amount, on an annual basis, to about $3,675,000. Chewing gum probably accounted for less than 10 per cent of this total.

TAX ON PLAYING CARDS

The revenue act of 1926 imposes a tax of 10 cents per pack of not more than 54 cards on playing cards manufactured or imported, and sold, or removed for consumption or sale. Payment is by stamps, with provision for assessment in case of the omission of stamps.

The playing-cards tax is one of the old stamp taxes and has been in effect, at varying rates, since August 27, 1894. The annual yield exceeded $5,000,000 in the fiscal years 1928 and 1929, but has since fallen off somewhat, amounting to about $4,400,000 for 1932.

TAX ON FILLED CHEESE

By the act of June 6, 1896, a tax of 1 cent a pound is levied on filled cheese manufactured in the United States and 8 cents a pound on imported filled cheese.

The tax is paid by the manufacturer or importer by means of coupon stamps. Where stamps are omitted, payment is by assessment.

The law is a regulatory, rather than a revenue, measure and the revenue is negligible. As already noted, the aggregate yield from this tax, the tax on adulterated and process or renovated butter, and the tax on mixed flour was less than $9,000 for the fiscal year 1932.

TAX ON SOFT DRINKS

Under this head, the revenue act of 1932 imposes the following taxes, applicable to the manufacturer's, producer's, or importer's sales:

Cereal beverages.—Beverages derived wholly or in part from cereals or substitutes therefor, and containing less than one-half of 1 per cent of alcohol, by volume, 1¼ cents per gallon.

Grape juice.—Unfermented grape juice, in natural or concentrated form, containing 35 per cent of sugars by weight, 5 cents a gallon.

Other fruit juices.—Unfermented fruit juices (except grape juice), in natural or slightly concentrated form, or to which sugar has been added (except fountain sirups), intended for consumption as beverages with the addition of water or water and sugar, 2 cents a gallon.

Carbonated beverages.—Carbonated beverages (except cereal beverages) manufactured, compounded, or mixed by the use of concentrate, essence, or extract instead of fountain sirup, 2 cents a gallon.

Still drinks.—Still drinks (except grape juice) containing less than one-half of 1 per cent of alcohol by volume, intended for consumption as beverages in the form sold (except natural or artificial mineral and table waters and pure apple cider), 2 cents a gallon.

Mineral or table waters.—Natural or artificial mineral waters or table waters, whether or not carbonated, sold in closed containers at over 12½ cents a gallon, 2 cents a gallon.

Fountain sirups.—Fountain sirups of the kinds used in making soft drinks, 6 cents a gallon, or, if for use in the manufacture of carbonated beverages sold in closed containers, 5 cents a gallon. These taxes are also laid on such sirups manufactured and used by a soda fountain or ice cream parlor operator or a manufacturer of carbonated beverages sold in closed containers. If sold for use in the manufacture of articles described in the above paragraphs, however, or of grape concentrate, evaporated grape juice, and grape sirup, such sirups are not taxed.

Carbonic acid gas.—The tax on carbonic acid gas, 4 cents a pound, applies not only to such gas sold by the manufacturer, producer, or importer, but also by a dealer to a manufacturer of carbonated beverages or to an operator of a soda fountain or ice cream parlor. Moreover, it applies not only to such sales, but to the use of such gas by the manufacturer thereof in the preparation of soft drinks.

Taxes on soft drinks of one kind or another were imposed under the revenue acts of 1917, 1918, 1921, and 1926, and the yield of revenue from that source exceeded $58,000,000 in the fiscal year 1921. The only soft drink tax under the 1926 act was on cereal beverages, and the annual yield therefrom averaged about $168,000. The taxes imposed on soft drinks by the revenue act of 1932 are effective from June 21, 1932, to June 30, 1934, and their yield for the month of September, 1932, amounted to about $574,000.

TAXES ON FIREARMS, CARTRIDGES, AND SHELLS

The revenue act of 1932 taxes the sale of firearms, cartridges, and shells by the manufacturer, importer, or producer at 10 per cent of the sale price. The tax is effective from June 21, 1932, to June 30, 1934. Sales for the use of the United States, any State, Territory, or possession of the United States, any political subdivision thereof, or to the District of Columbia, are exempt from the tax.

The revenue act of 1932 does not apply to pistols and revolvers, but the sale of these by the manufacturer, importer, or producer is taxed in the same way and at the same rate under the revenue act of 1926.

For the month of September, 1932, the revenue from the tax on firearms, cartridges, and shells amounted to about $52,400 and that from pistols and revolvers to about $2,600. Articles under this head were first taxed under the revenue act of 1918 and the peak revenue was about $4,640,000, in the fiscal year 1920.

TAX ON MIXED FLOUR

Upon the manufacture and sale of mixed flour, the act of June 13, 1898, lays a tax of 4 cents per barrel or other package containing 196 pounds or more than 98 pounds, to be paid by the manufacturer or packer by means of coupon stamps. Half barrels, quarters, and eighths are proportionately taxed. Imported mixed flour is taxed at the same rate.

The revenue from this source is very small, amounting, with that from adulterated and process or renovated butter, and filled cheese, to less than $9,000 for the fiscal year 1932.

TAX ON FURS

A tax of 10 per cent of the sale price is imposed by the revenue act of 1932 on the sale by the manufacturer, producer, or importer of articles made of fur on the hide or pelt, or of which any such fur is the component material of chief value. The tax is effective from June 21, 1932, to June 30, 1934.

The revenue act of 1918 imposed a like tax and the average annual yield was about $10,300,000. Receipts from the new tax for September, 1932, were nearly $700,000.

GASOLINE TAX

A tax of 1 cent a gallon is imposed by the revenue act of 1932 on gasoline sold by the importer thereof or by a producer of gasoline. Sales to a producer are tax free.

The use of gasoline (otherwise than in the production of gasoline) by a producer or importer is also subject to the tax if the gasoline was sold to him free of tax or was produced or imported by him.

"Producer" includes refiner, compounder, blender, or dealer who sells exclusively to producers of gasoline; and "gasoline" includes any liquid the chief use of which is for motor fuel.

The present law is the first Federal internal revenue law to lay a tax on gasoline. The provision is effective for the period June 21, 1932, to June 30, 1933. The revenue for September, 1932, was about $11,410,000, which, on an annual basis, would be nearly $137,000,000.

It is interesting to note that if a State or political subdivision buys gasoline direct from the producer or importer for governmental purposes the tax does not apply. However, if the purchase is made from a dealer, the Treasury Department holds that the tax must be collected. For a discussion of the principle on which the exemption is based see paragraph on Taxing State Functions in section 1.

TAX ON GRAPE CONCENTRATES, ETC.

The 1932 act taxes grape concentrate, evaporated grape juice, and grape sirup (other than finished or fountain sirup), sold by the manufacturer or producer, or imported, if containing more than 35 per cent of sugars by weight, at 20 cents a gallon. These articles are exempt from this tax, however, if they contain preservative sufficient to prevent fermentation when diluted or if they are sold to a manufacturer or producer of food products or soft drinks for use in such manufacture.

The tax is in effect for the period June 21, 1932, to June 30, 1934, and the yield from it and the taxes on brewer's wort and malt aggregated $815,250 in September, 1932.

TAX ON CHEWING GUM

Under the revenue act of 1932 a tax of 2 per cent of the sale price is imposed on chewing gum or substitutes therefor sold by the manufacturer, producer, or importer. The levy is effective for the period June 21, 1932, to June 30, 1934.

The 3 per cent tax on chewing gum under the revenue act of 1918 yielded, on an average, a little over $1,000,000 annually. As already stated, the receipts from candy and chewing gum together for September, 1932, amounted to $306,200, of which chewing gum probably accounted for not more than 10 per cent.

TAX ON JEWELRY, ETC.

The revenue act of 1932 imposes a tax equivalent to 10 per cent of the manufacturer's, producer's, or importer's sale price on articles commonly or commercially known as jewelry; articles made of, ornamented, mounted, or fitted with precious metals or ivory; watches and clocks (and parts therefor sold for more than 9 cents); and opera, marine, and field glasses, binoculars, and lorgnettes.

Articles (except watch and clock parts) sold for less than $3 and articles used for religious purposes are not taxed.

Similar taxes were imposed on sales by manufacturers by the revenue act of 1917, and on dealers by the revenue acts of 1918, 1921, and 1924. The revenue from the current tax for September, 1932, amounted to about $181,300, indicating an annual revenue of about $2,175,000 a year. The tax is in effect for the period June 21, 1932, to June 30, 1934.

TAX ON MALT, ETC.

The revenue act of 1932 lays a tax, effective from June 21, 1932, to July 1, 1934, of 3 cents a pound on the following articles sold by the manufacturer, producer, or importer: Liquid malt, malt sirup, and malt extract, made wholly or in part from malted cereal grains. Sales to bakers and to manufacturers of malted milk, medicinal products, foods, cereal beverages, or textiles are exempt from the tax.

Liquid malt containing less than 15 per cent of solids by weight is taxable as brewer's wort (15 cents a gallon).

As already noted, revenue from the taxes on malt, grape concentrate, and brewer's wort aggregated about $815,250 for the month of September, 1932.

TAX ON MATCHES

On matches sold by the manufacturer, producer, or importer, the revenue act of 1932 puts a tax of 2 cents a thousand, or, in the case of paper matches sold in books one-half cent a thousand.

Receipts for September, 1932, were about $113,000 from this tax, which would indicate an annual yield of about $1,350,000. The levy will not be in effect after June 30, 1934.

There is another match tax in force—the tax on white phosphorus matches under the act of April 9, 1912—but the purpose and effect of this law, with its rate of 2 cents a hundred, was to discourage the manufacture of such matches rather than to produce substantial revenue.

TAX ON LUBRICATING OILS

The revenue act of 1932 lays a tax of 4 cents a gallon on lubricating oils sold by the manufacturer, producer, or importer. The tax is effective to July 1, 1934.

The yield of revenue from this source was about $1,400,000 for the month of September, 1932, which would indicate $16,800,000 on an annual basis.

Lubricating oils have not been subject to internal revenue taxation under prior revenue acts.

OLEOMARGARINE

By the act of August 2, 1886, as amended, a tax of one-fourth of 1 cent a pound (10 cents a pound on yellow oleomargarine) is put on oleomargarine manufactured and sold, or removed for consumption or use. The tax is paid by the manufacturer by means of coupon stamps, or, if not so paid, by assessment.

The revenue from this tax was about $730,000 for the fiscal year 1932; the average of the six preceding years was over $1,800,000.

TAX ON NARCOTICS

The act of December 17, 1914, as amended by section 703 of the revenue act of 1926 lays a tax of 1 per cent an ounce on opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into the United States, and sold, or removed for consumption or sale. The tax is paid by the manufacturer, producer, importer, or compounder by means of appropriate stamps, or, in case of their omission, by assessment.

Under the act of January 17, 1914, a tax of $300 a pound is levied on opium manufactured in the United States for smoking purposes. This is a prohibitive levy and produces practically no revenue; the importation of smoking opium is prohibited.

The revenue from narcotics and opium (including occupational and special taxes) was about $521,000 for the fiscal year 1932; for the six years preceding it averaged about $711,000.

RADIO RECEIVING SETS

The revenue act of 1932 imposes a tax equivalent to 5 per cent of the sale price on the following articles, sold by the manufacturer, producer, or importer: Chassis, cabinets, tubes, reproducing units, power packs, and phonograph mechanisms, suitable for use in connection with radio receiving sets or combination radio and phonograph sets (including, in each case, parts or accessories therefor), and phonograph records.

The tax went into effect June 21, 1932, for the period ending June 30, 1934. Receipts were about $165,700 for September, 1932, on the basis of which annual receipts would be around $2,000,000.

MECHANICAL REFRIGERATORS

The revenue act of 1932 imposes a tax equivalent to 5 per cent of the sale price on the following articles, sold by the manufacturer, producer, or importer: Household type refrigerators operated with electricity, gas, kerosene, or other means (including parts or accessories therefor), and refrigerator components (cabinets, compressors, condensers, expansion units, absorbers, and controls) suitable for use with such refrigerators. Sales of components to a manufacturer for use in the manufacture of complete refrigerating apparatus are free of the tax.

The effective period of the tax began June 21, 1932, and will end June 30, 1934. September, 1932, receipts of a little over $107,000 indicate an annual yield of about $1,785,000.

SPORTING GOODS

The revenue act of 1932 imposes a tax of 10 per cent of the sale price on sporting goods sold by the manufacturer, producer, or importer. Such goods include equipment for football, baseball, tennis, golf, lacrosse, billiards and pool, chess and checkers, and winter and water sports, fishing rods and reels, dice and games generally, except children's toys and games.

Playing cards and firearms, cartridges and shells are not subject to this tax but are separately taxed, as noted above.

Sporting goods were taxed under the revenue act of 1917 and the annual revenue therefrom averaged about $3,150,000. The current tax went into effect June 21, 1932, to cease June 30, 1934. Receipts from it for September, 1932, were about $185,500, indicating probable annual receipts of around $2,226,000.

TIRES AND TUBES

The revenue act of 1932 imposes a tax of 2¼ cents a pound on tires and 4 cents a pound on inner tubes sold by the manufacturer, producer, or importer. The tax is in force for the period beginning June 21, 1932, and ending July 31, 1934.

The tax applies to these articles whether wholly or in part of rubber and is computed per pound of total weight, exclusive, in the case of tires, of metal rims or rim bases. Where tires and tubes on which the tax has been paid are sold with a motorcycle or an automobile chassis or body, the tax on the latter is credited with 3 per cent of the purchase price of the tires and tubes; if sold with a truck chassis or body, the corresponding credit is at the rate of 2 per cent.

Tires and tubes were subject to the tax on automobiles, parts or accessories under the revenue acts of 1918, 1921, and 1924, but the current revenue act is the first to impose a separate tax upon them. The revenue for September, 1932, amounted to nearly $1,337,000, which would indicate an annual yield of over $16,000,000.

TOILET PREPARATIONS

Toilet preparations sold by the manufacturer, producer, or importer are taxed under the revenue act of 1932 at the rate, generally, of 10 per cent. Tooth and mouth washes, dentifrices, tooth pastes, and toilet soaps are taxed at 5 per cent.

The same articles were likewise subject to a manufacturer's excise tax, all at the rate of 2 per cent, under the revenue act of 1917. The revenue act of 1918 changed the tax from a manufacturer's to a dealer's excise, except that upon toilet soaps and toilet soap powders a manufacturer's excise of 3 per cent was placed. Annual revenues from these taxes averaged nearly $2,000,000.

The present tax is effective for the period June 21, 1932, to June 30, 1934, and September, 1932, receipts of $849,100 indicate an annual yield of approximately $10,189,000.

BREWER'S WORT

Under the revenue act of 1932, a tax of 15 cents a gallon is laid on brewer's wort sold by the manufacturer or producer, or imported. Liquid malt, as stated above, is taxed as brewer's wort if it contains less than 15 per cent of solids by weight.

Brewer's wort has not been specially taxed heretofore. The present tax is operative for the period beginning June 21, 1932, and ending June 30, 1934. The yield from this tax, together with the taxes on malt, grape concentrate, etc., amounted to $815,250 for September, 1932.

(2) Intangible Items

TAX ON ADMISSIONS

The so-called admissions tax includes the tax on admissions to theaters and other places of amusement, the tax on the lease or permanent use of boxes or seats, and the tax on excess ticket charges sold by ticket brokers.

The standard rate of tax on admissions is 1 cent for each 10 cents or fraction thereof of the amount paid, with no tax imposed where the charge is less than 41 cents. This exemption is allowed under the revenue act of 1932, by amendment to the revenue act of 1926, and is effective for the period beginning June 21, 1932, and ending June 30, 1934. Thereafter, the 1926 act exemption of admission charges of $3 or less becomes operative. Admissions to roof gardens, cabarets, and similar places of entertainment, where the admission charge is wholly or partly included in charges for refreshment, service, or merchandise, are taxed at the special rate of 1½ cents for each 10 cents paid for admission, with no tax where the amount paid is 50 cents or less. (The amount paid for admission is deemed to be 20 per cent of the amount paid for refreshment, service, and merchandise.) This exemption is allowed under the revenue act of 1926 and was not changed by the 1932 act.

In lieu of the tax on admissions, a person having the permanent use or lease of a box or seat, pays a tax equivalent to 10 per cent of the amount for which a similar box or seat is sold for each performance or exhibition at which the box or seat is used or reserved by or for him.

In addition to the tax on admissions which attaches to a ticket of admission and is paid by the buyer, there is a tax on any charge for such a ticket in excess of the established price plus the admission tax. This tax is designed especially to cover ticket brokers. The excess-charge tax is paid by the seller of the ticket. If the seller is a proprietor, manager, or employee of the place of admission, the rate of tax is 50 per cent of the excess charge; if the seller is another person, such as a broker, the rate is 10 per cent.

The present "admissions" taxes are imposed under the revenue act of 1926 as amended. Similar taxes, differing in rate and exemption, were in force under all the revenue acts subsequent to that of 1916. The peak yield, nearly $90,000,000, was derived in the fiscal year 1921, in which year no exemption was allowed in respect of the admission price. Receipts for September, 1932, exceeded $1,641,000, which would indicate an annual yield, under the current law, of about $19,700,000. Receipts for the fiscal year 1932 were about $1,858,000.

TAX ON CORPORATE BONDS

Both the issue and the transfer of corporate bonds and other corporate securities of indebtedness are subject to tax—the issue, under the revenue act of 1926 as amended; the transfer, under the revenue act of 1932. The transfer tax is effective for the period June 21, 1932, to June 30, 1934. For the same period, an increased rate of issue tax will be operative.

The tax on security sales was first imposed in 1794. At the time of the Civil War, Congress taxed the par value of all securities sold by brokers at the rate of one-twentieth of 1 per cent, and sales of securities at auction at one-fourth of 1 per cent of the selling price. This rate was reduced in 1866 to one-one hundredth of 1 per cent of the selling price in the case of brokers and to one-tenth of 1 per cent in the case of auctioneers. These early taxes were ordinarily computed on a percentage of the selling price but at the time of the Spanish-American War when such transactions were again taxed, the method of computation was changed and based on the par or face value. Another tax on security sales was enacted in 1914.

The present issue tax applies, in the language of the statute, to "all bonds, debentures, or certificates of indebtedness issued by any corporation, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as corporate securities." A renewal is taxable as a new issue. The rate of tax is 10 cents on each $100 of face value or fraction thereof, effective for the period June 21, 1932, to June 30, 1934, after which the 5-cent rate of the 1926 act again becomes operative.

The present transfer tax applies, again to quote the statute, to "all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to" corporate instruments of the kind the issue of which is taxable, "whether made by any assignment in blank or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manner to the benefit of such instrument or not)." Certain types of transfer do not incur tax liability, such as deposits for collateral security for money loaned, and deliveries to or by brokers in connection with sales or purchases by customers. The rate of tax is 4 cents on $100 of face value or fraction thereof. As already stated, the transfer tax is effective only for the period June 21, 1932, to June 30, 1934.

The revenue act of 1932 is the first of the modern revenue acts to tax the transfer of corporate securities, but their issue has been continuously taxed since the revenue act of 1917. Both are payable by stamp.

Reference to the revenue yield is made below, in connection with the tax on issues and transfers of capital stock.

TAX ON CORPORATE STOCK

The revenue act of 1926, as amended by the revenue act of 1932, imposes stamp taxes on the original issue and the transfer of shares or certificates of stock, or of profits, or of interest in property or accumulations.

The issue tax under the 1926 act, in the case of par value stock, is 5 cents on each $100, or fraction thereof, of the par value. In the case of no par value stock, the tax is 5 cents a share, if the actual value is $100 a share; if the actual value exceeds $100 a share, 5 cents on each $100, or fraction thereof, of such value; if the actual value is less than $100 a share, 1 cent on each $20, or fraction thereof, of such value. The 1932 act increases these rates of 5 cents and 1 cent to 10 cents and 2 cents, respectively, the increase to be in effect from June 21, 1932, to June 30, 1934, inclusive.

The transfer tax is laid on "all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to" any of the shares or certificates subject to the issue tax, "or to rights to subscribe for or to receive such shares or certificates." The 1926 act rate is 2 cents on each $100, or fraction thereof, of par value, or, in the case of shares without par value, 2 cents on each share. Effective for the period June 21, 1932, to June 30, 1934, inclusive, the revenue act of 1932 increases this tax to 4 cents and provides that in the case of shares of which the selling price is $20 or more per share, the tax shall be 5 cents a share.

Similar taxes were imposed under the revenue acts of 1917, 1918, 1921, and 1924. For earlier taxes see discussions of tax on "corporate bonds," in preceding paragraphs. The combined revenue yield from the taxes on conveyances and on issue of bonds and capital stock has averaged about $20,900,000 annually for the past 15 fiscal years. The yield from the tax on capital stock transfers has averaged about $17,139,000 annually for the same period. Tbe corresponding yields for September, 1932, were approximately $1,520,000 and $5,594,000, or about $18,240,000 and $67,128,000, annually.

TAX ON CONVEYANCES

Instruments of conveyance of realty are subject to a stamp tax under tbe revenne act of 1932. The rate is 50 cents where the consideration for, or value of, tbe property conveyed exceeds $100 and does not exceed $500; and for each additional $500 or fraction thereof, 50 cents.

A like tax was imposed under the revenue acts of 1917, 1918, 1921, and 1924, and in fact such a tax has been imposed at various times since the inception of our Government.

The yield of revenue from this source is referred to in connection with the tax on capital stock issues and transfers.

TAX ON CLUB DUES

The dues tax includes the taxes on dues or membership fees, initiation fees, and life memberships.

The tax on dues and memberships fees is equivalent to 10 per cent of the amount paid as such. No tax is imposed unless such dues or fees of an active resident annual memher are in excess of $25 a year.

Initiation fees are also suhject to a 10 per cent tax, if such fees amount to more than $10 or if the dues or membership fees (not including initiation fees) of an active resident annual member exceed $25 a year.

Holders of life memberships pay annually a tax equivalent to 10 per cent of the amount paid by active resident annual members for dues or membership fees other than assessments. No tax is laid on the amount paid for the life memhership.

Dues and fees paid to fraternal societies operating under the lodge system, or to school and college fraternities, are exempt from tax.

The present taxes are imposed under the revenue act of 1926, as amended by the revenue act of 1928. Similar taxes were in force under the revenue acts of 1917, 1918, 1921, and 1924. The revenue yield for the last seven fiscal years shows an annual average of about $10,760,000.

TAX ON ELECTRICAL ENERGY

Electrical energy for domestic or commercial consumption is taxed at tbe rate of 3 per cent of the amount paid therefor, the tax to be paid by the person paying for the energy and collected hy the vendor. The revenue act of 1932 is the first to make this levy, which applies to payments made on or after June 21, 1932, for energy furnished after June 6, 1932, and before July 1, 1934. Electricity furnished to the United States, any State or Territory, or the District of Columbia, is free of tax.

The yield of revenue for September, 1932, approximately $2,040,000, would indicate an annual yield of around $24,500,000.

TAX ON COTTON FUTURES

The cotton futures act of August 11, 1916, lays a tax "upon each contract of sale of any cotton for future delivery made at, on, or in any exchange, board of trade, or similar institution or place of business." The purpose and effect of the statute, however, is not primarily to raise revenue but to regulate future trading. This purely regulatory purpose is accomplished by the imposition of a high rate of tax, with exemptions comprehensive enough to include all kinds of contracts in ordinary use in the conduct of legitimate future trading.

The tax is 2 cents on each pound of cotton involved in the contract, payable by the seller by stamp. It yields little revenue.

Cotton futures are also subject to the general tax on produce and merchandise futures, referred to below under that head.

TAX ON PRODUCE AND MERCHANDISE FUTURES

The revenue act of 1926 lays a tax "upon each sale, agreement of sale, or agreement to sell * * * any products or merchandise at, or under the rules or usages of, any exchange, or board of trade, or other similar place, for future delivery." Cotton futures are also subject to this tax. The tax is payable by the seller by stamp. The 1926 act rate of 1 cent for each $100, or fractional part thereof, of the value of the commodity is increased to 5 cents by the revenue act of 1932, the increase to be effective from June 21, 1932, to June 30, 1934, inclusive.

Similar taxes were imposed under the revenue acts of 1917, 1918, 1921, and 1924, and the revenue yield has shown an annual average of $4,768,000 for the past 15 fiscal years. September receipts of about $459,700 would indicate an annual yield of about $5,516,400 under the present rate.

TAX ON INSURANCE

The revenue act of 1926 lays a stamp tax of 3 cents on each dollar, or fractional part thereof, of the premium charged for insurance made or renewed on property within the United States by a foreign insurer. If the policy or other instrument is signed or countersigned by an officer or agent within a district within the United States where the insurer is authorized to do business, no tax is imposed.

Similar taxes were imposed under the revenue acts of 1918, 1921, and 1924. Little has been derived from this source.

TAX ON SAFE-DEPOSIT BOXES

The revenue act of 1932 is the first act to tax the use of safe-deposit boxes. The rate is 10 per cent of the amount collected after June 21, 1932, for such use after June 6, 1932. The tax is paid by the person paying for the use of the box. Boxes of more than 40 cubic feet capacity are exempt.

Unlike the other excise taxes of the 1932 act, this tax is of a permanent character.

The September, 1932, revenue yield of $203,860 would indicate an annual yield of about $2,446,000.

TAX ON TELEPHONE AND TELEGRAPH MESSAGES

The revenue act of 1932 imposes the following taxes on telegraph, telephone, cable, and radio dispatches, messages, or conversations originating on or after June 21, 1932, and before July 1, 1934:

Subject of tax:	Tax or rate of tax (cents)
Telephone conversations, if the charge is—	
$0.50 or more and less than $1	10
$1 or more and less than $2	15
$2 or more	20
Cable and radio dispatches and messages	10
Telegraph dispatches and messages, 5 per cent of the charge.	

A tax of 5 per cent of the amount paid therefor is also imposed on leased wire or talking circuit special service furnished on or after June 21, 1932, and before July 1, 1934. This tax does not apply to service utilized by the Federal or State Government, a common carrier, telephone or telegraph company, newspapers, or radio or broadcasting station or net work, in the conduct of its business as such.

Similar taxes were imposed under the revenue acts of 1917, 1918, and 1921, and yielded an annual revenue averaging about $25,287,000. The yield under the 1932 act was $1,334,000 for September, 1932, which is at the rate of $16,008,000 annually.

TAX ON PASSAGE TICKETS

The revenue act of 1926, as amended by the revenue act of 1928, lays a stamp tax on tickets, one way or round trip, sold or issued in the United States for passage by any vessel to a place not in the United States, Canada, Mexico, or Cuba. The tax is graduated upon the cost of the ticket, as follows:

Cost of ticket:	Tax
$10 or less	None.
More than $10 and not more than $30	$1
More than $30 and not more than $60	3
More than $60	5

Similar taxes were also imposed by the revenue acts of 1917, 1918, 1921, and 1924. The revenue from this source is included in that from conveyances and issues of stocks and bonds, stated under the head of "Tax on capital stock."

TAX ON TRANSPORTATION OF OIL BY PIPE LINE

Under the revenue act of 1932 the transportation of crude petroleum and liquid products thereof by pipe line is taxed at the rate of 4 per cent of the amount paid for the transportation, or, in certain cases, of a fair charge therefor. The tax is paid by the person furnishing the transportation and applies to transportation originating on or after June 21, 1932, and before July 1, 1934.

Similar taxes were imposed by the revenue acts of 1917 and 1918, upon the shipper, at 8 per cent and 5 per cent, respectively.

The new tax yielded over $442,000 in September, 1932, pointing to an annual yield of over $5,304,000.

(E) Licenses, Permits, and Occupational Taxes

Certain trades and business are subject, under our internal revenue laws, to occupational or "special taxes." Except in the business of manufacturing of stills, the occupations taxed are those involving commodities which are themselves subject to a sales tax.

Occupational taxes are payable on commencing the trade or business and on each July 1 thereafter during the conduct of it. Except in the case of the $1 narcotic tax on practitioners and dispensers, the first payment is prorated. Payment of the tax is by stamp, which must be conspicuously posted in the place of business.

These taxes are listed below, grouped under the items subject to sales tax as outlined above:

Trade or business:	Tax
Liquor—	
Wholesale liquor dealers	$100
Retail liquor dealers	25
Wholesale dealers in malt liquors	50
Retail dealers in malt liquors	20
Brewers—	
Of less than 500 barrels a year	100
Of 500 barrels or more a year	200
Rectifiers—	
Of less than 500 barrels a year	100
Of 500 barrels or more a year	200
Manufacturers of stills	[1] 50
Any of the above carrying on business in violation of State or local law	1,000
Adulterated butter:	
Manufacturers	600
Wholesale dealers	480
Retail dealers	480
Process or renovated butter: Manufacturers	50
Filled cheese:	
Manufacturers (for each factory)	400
Wholesale dealers	250
Retail dealers	12
Mixed flour: Manufacturers and packers	12
Oleomargarine:	
Manufacturers	600
Wholesale dealers—	
Selling yellow oleomargarine	480
Selling no yellow oleomargarine	200
Retail dealers—	
Selling yellow oleomargarine	48
Selling no yellow oleomargarine	6
Opium ("opium or coca leaves, or any compound, manufacture, salt, derivative, or preparation thereof"):	
Importers, manufacturers, or producers	24
Wholesale dealers	12
Retail dealers	3
Practitioners and dispensers	1

The revenue from the above occupational taxes for the fiscal year 1932 was under $2,000,000, of which $1,015,000 was paid by oleomargarine manufacturers and dealers and $505,400 by rectifiers, liquor dealers, and manufacturers of stills.

USE OF BOATS

A hybrid occupational tax is levied on the use of pleasure boats under the revenue act of 1932, effective from July 1, 1932, to July 1, 1934. The tax is computed under the following schedule:

[1] And $20 for each still or worm.

Length	Tax	
	Domestic built	Foreign built
Over 28 feet and not over 50 feet	$10	$20
Over 50 feet and not over 100 feet	40	80
Over 100 feet and not over 150 feet	100	200
Over 150 feet and not over 200 feet	150	300
Over 200 feet	200	400

The yield from this new tax for September, 1932, amounted to nearly $24,000, which would indicate annual receipts of around $288,000.

(F) Other Miscellaneous Taxes

Only two taxes remain which have not been classified under our previous headings, namely, the tax on checks and the tax on circulation. These taxes may be described as follows:

TAX ON CHECKS

Congress enacted a check tax as early as 1862. The tax was at the rate of 2 cents per check over $20. In 1864 checks over $10 were taxes at the same rate. In 1872 all checks were taxed regardless of amount. This tax was repealed in 1883. During the Spanish-American War another check tax was enacted which was continued in force until 1902. All of these early taxes were collected by stamp.

A tax of 2 cents each is imposed by the revenue act of 1932 on checks, drafts, or orders for the payment of money drawn upon any bank, banker, or trust company and presented for payment after June 21, 1932, and before July 1, 1934. This tax is not payable by stamp but is collected by the drawee by an account charge against the maker or drawer. It does not apply to checks payable at the bank if the bank has no authority to charge such checks against the account of the maker or drawer.

Receipts of revenue from the tax were about $3,793,000 for September, 1932, which would indicate an annual yield of about $45,516,000.

TAX ON CIRCULATION

Section 3408 of the Revised Statutes imposes a tax of one-twelfth of 1 per cent a month upon the average amount of outstanding circulation issued by any bank, association, corporation, company, or person, and an additional tax of one-sixth of 1 per cent a month on such circulation in excess of 90 per cent of the capital of the issuer. Section 3417 grants exemption to associations taxed as national banks.

Under the act of February 8, 1875, every person, firm, association other than national bank associations, and every corporation, State bank, or State banking association pays a tax of 10 per cent on the amount of its own notes and the notes of other such issuers used for circulation and paid out by them. National banking associations likewise pay a 10 per cent tax on notes other than national-bank notes so used and paid out by them.

These taxes are for a purely regulatory purpose and have accomplished their intended effect of driving State bank notes out of circulation. No revenue, therefore, is derived.

3. TAXES IMPOSED BY THE STATES OR SUBDIVISIONS THEREOF

As might be expected from the discussion of the power of the States to levy taxes, almost every kind of tax levied by the Federal Government is also levied by the States. The only objects barred from State levies are imports and exports. The State levies will now be discussed according to convenient classifications.

(A) General Property Taxes

All the States either directly or indirectly, through their local subdivisions, levy property taxes. This class of tax is undoubtedly the most important in our present system, because it produces the greatest revenue and is the most burdensome. It is of everyday knowledge that the property tax burden is great, but investigation clearly shows that it is even heavier than is generally suspected. Indeed, the greater part of the general property tax is paid by persons with net incomes of less than $5,000. Property taxes have been levied for centuries in various forms and have always been one of the principal sources of governmental revenue. It would be interesting to trace the development of this tax in Greece and Rome, and to investigate its application during the Middle Ages, but space does not permit of such an historical review. An excellent history and description of this class of tax, however, can be found in Prof. Edwin R. A. Seligman's "Essays on Taxation." Our taxing authorities in this country are still using property as the principal subject of taxation, and in order to meet rising expenditures the rates have been greatly increased and the scope of the tax broadened.

Since the term "property" includes many objects of various descriptions and since, in many cases, the States, either in their constitutions or by legislation, have seen fit to define "property" and to classify it, it is necessary to consider such definitions and classifications. The two main classes of property are "real property" and "personal property."

"Real property" is generally understood to mean land. It also includes buildings, improvements on land, mines in operation, fixtures, minerals in place, crops and timber not severed from the land, bridges, and wharves. Estates for life or of inheritance in "real property" are also regarded as real property. The question of whether franchises are real or personal property depends to a large extent upon the language used in the State constitution or in the taxing statute. Ordinarily, franchises would not be taxed unless they were covered by a specific provision.

"Personal property" consists of all property (except real property) which may be the subject of ownership. It includes estates for years in real property, stocks, bonds, notes, money, goods, chattels and mortgages, and other evidences of indebtedness.

The above two classifications may be further divided into tangible and intangible property. Tangible property consists of property which has an actual physical existence, such as money in specie, furniture, cattle, ships, timber, and minerals or crops when severed from the land. Intangible property consists of property which has no actual physical existence. It generally embraces stocks, bonds, patents, copyrights, franchises, and other choses in action.

It is very important to distinguish between real and personal, and tangible and intangible property. In the first place, real property and tangible personal property are taxable only by the State in which they are located. Intangible property is generally taxable in the State where the owner is domiciled. Moreover, the rates of taxation and the methods of assessment and collection depend, to a large extent, upon the classification in which the property is placed. In former days property consisted mostly of lands and improvements and of tangible property, such as livestock, tools, crops, and household furniture. To-day a large amount of the wealth of our citizens consists of intangible personal property in the form of stocks, bonds, notes, and mortgages. Originally, therefore, our property taxes were mainly on real estate; to-day they have in most cases been broadened to include tangible and intangible personal property.

The "general property tax," as this term is ordinarily used, means a tax levied upon the value of all property, real and personal, tangible and intangible, at a uniform rate. It is true that in some jurisdictions the real-estate tax and the personal-property tax may be levied separately or the intangible personal-property tax may be levied separately. Whether these taxes are levied in one statute or in different statutes, however, makes little difference, as the practical effects are the same.

Everyone is more or less familiar with the general property tax in so far as it affects real estate. Land, houses, factories, and fixtures are exposed to view and the taxing authorities have no difficulty in discovering the property to be taxed. The difficulty in this case lies in determining the value. Some jurisdictions theoretically attempt to assess property at full value, others at 75 per cent, others at 50 per cent, and some as low as 25 per cent. This is not so important, as the lower the ratio between the assessed value and the true value, the higher will be the rate of tax. However, in general, the individual appears to think himself very badly treated if he is assessed more than $10,000 on a house which he would not be willing to sell for less than $15,000. The real difficulty with the property tax as applied to real estate is to arrive at consistent values as between real-estate owners, due to the fact that these values are generally based on opinion which varies greatly even in the case of experts. There is, therefore, always the danger of favoritism and inequality in the determinations of real-estate values for tax purposes.

When we come to tangible personal property, the difficulties greatly increase. Here we begin to have trouble with finding the object of taxation, as well as its value. It will be admitted that if a man wishes to bury some gold and silver coin in his back yard it will be hard, indeed, for the taxing authorities to assess tax thereon if the individual wishes to evade tax. Furniture, diamonds, growing crops, etc., present obvious difficulties either of valuation or of discovery.

Finally, when the taxation of intangible personal property is attempted, it appears that universal evasion occurs. There can be no doubt as to the accuracy of this statement if we consider the following figures derived from the report of the Department of Commerce, entitled "Assessed Valuation and Tax Levies":

Year	Assessed valuation of real property and improvements	Assessed valuation of all other property (personal and intangible)
1860	$6,973,006,000	$5,111,554,000
1880	13,032,106,000	6,107,797,000
1902	26,415,301,000	8,923,016,000
1912	51,854,009,000	17,598,927,000
1922	92,369,378,000	32,247,297,000

It will be noted from the above figures that real property valuations increased about fifteen times from 1860 to 1922, while personal and intangible property values increased but a little over six times in the same period. It is also a matter of common knowledge that the ratio of real property value to personal and intangible property value should have been much less than three to one in 1922. For instance, take all the estate-tax returns filed in 1923 for decedents dying in the preceding year and subject to the estate tax. We find the gross value of these estates to have been $2,494,978,000, of which $615,693,000 was in real property and $1,879,285,000 in personal and intangible property. In other words, the ratio in this case is about one to three, instead of three to one as shown by the assessment figures previously given. When we consider the enormous amount of corporate stocks and bonds, mortgages, notes, and other negotiable instruments, cash, merchandise, and farm and mine products in storage or in transit or held for sale, it seems conservative to estimate that the actual value of personal and intangible property is quite as great as the actual value of real property. If this is the case, then 66⅔ per cent of such personal and intangible property is not being reached by the general property tax.

Professors Bates and Field in their book on "State Government" list the following as being the principal defects in our general property tax system:

First. It assumes that the value of property owned is an accurate measure of a person's ability to pay taxes. Under the present organization of economic life various forms of property having equal value produce widely varying income, and hence represent varying ability to pay taxes.

Second. Taxation based upon property fails to reach those whose income is derived from salaries. The man who saves a portion of his salary and invests it in a home pays a tax on the home. The man who receives, perhaps, a larger salary but who saves nothing has no property when the assessor appears, and escapes taxation. This form of taxation thus imposes a penalty upon thrift and an added burden on the farmer and the home owner.

Third. The property tax results in double taxation. Corporate stock usually represents merely the right to share in the income or proceeds from certain corporate property. Under the general property tax, corporations must pay taxes on property owned by them and, at the same time, the shares of stock of these corporations are taxed as property of the stockholder. Thus the income from the same property is taxed twice.

The same authors also list the following defects in the administration of this tax:

First. The system of assessment has become entirely inadequate. The assessor is ordinarily a person elected by the voters of the locality, having no training or especial qualifications for his task and receiving a compensation too small to attract competent persons. He is wholly unfamiliar with the value of much of the great variety of tangibles which he is called upon to assess, and as a result he must fix an arbitrary valuation or accept the misleading suggestions of the owner. The result is that great inequalities in assessment occur, and it is the more valuable kinds of property usually held by the more well-to-do classes which most completely escape their just share of taxation.

Second. This tax results, too, in still greater inequality through other forms of evasion. Whereas in former days property was chiefly in tangible form, there have come into existence large amounts of intangible property in the form of stocks, bonds, notes, and mortgages which far exceed in total amount the value of tangible property and are easily concealed. The general fact that much of this intangible property is concealed and thus escapes taxation is indicated by what has been found to be true in New York and Ohio, where it is a matter of common knowledge that intangible wealth abounds.

Another serious defect of the general property tax has become evident during the current depression. The press has been full of statements describing the breakdown of this levy. In other words, people have been unable to pay their property taxes because such property has failed to produce income or else income from other sources has also been wanting. Sales of such property for taxes have also met with little success. Either there have been no bidders or the price bid has been too small to be of importance. The failure of the various jurisdictions to collect the usual proportion of their tax assessments has resulted, in many instances, in the failure of our local governments to meet their operating expenses.

A table has been prepared (see Exhibit 5 of the appendix) which shows the total real, personal and intangible property taxes levied in each State and its subdivisions for the year 1931. Included in this total figure are also the franchise taxes levied in lieu of property taxes. There is also shown in the same table an estimate of the taxable wealth in each State and the average percentage tax burden on this wealth resulting from the taxes listed. These percentages indicate, therefore, the approximate rate of tax on property in the various States assuming that the rate is applied to 100 per cent valuations. Some approximations have been made in arriving at the general property tax collections of the various States and the data on taxable wealth is an estimate based upon the best information available.

From the data shown in the exhibit already referred to, it is indicated that the total of the general property tax in the United States, including certain franchise taxes which are levied in lieu of property taxes, amounted to the enormous sum of $5,266,122,977 for the fiscal year 1931. At this time, our estimate of the total taxable wealth subject to this tax at its full value is $240,731,911,778. It results from the two preceding figures that the average rate paid on property in the United States was about 2.19 per cent of its full value. It will be noted from further examination of the exhibit that the estimated tax rates on property vary from 1.44 per cent to 3.04 per cent. In other words, the general property tax rates in some States are more than double those in certain other States. Only a comparatively small amount of the total of the general property tax collections shown consists of franchise taxes levied in lieu of property taxes. According to data which is shown elsewhere in this report, it is believed that the total revenue from this source is about $161,792,728 annually. Out of the total tax collections shown and amounting to over $5,000,000,000, at least $3,600,000,000 results from the property tax as applied to real property. It has been computed that the total tax collections in the States and in their local subdivisions now amount to about $7,108,631,855 annually. If this is the case, 74 per cent of all the taxes collected by the States and their subdivisions is assessed on property and over 50 per cent of the total tax collections is assessed on real estate. If, therefore, our citizens are complaining of the tax burden, it must be evident that little can be done to reduce radically such burden without some revision of the general property tax.

This matter certainly merits the attention of the State legislators. It would seem pertinent to close this very brief statement on general property taxes by two quotations, one from "Constitutional Limitations" by Cooley (Vol. II, p. 1071), and another from "Essays in Taxation" by Seligman (p. 62). The quotation from Cooley is as follows:

> A property tax for the general purposes of the Government either of the State at large or of a county, city, or other district, is regarded as a just and equitable tax. The reason is obvious. It apportions the burden according to the benefit more nearly than any other inflexible rule of general taxation. A rich man derives more benefit from taxation, in the protection and improvement of his property, than a poor man, and ought, therefore, to pay more. But the amount of each man's benefit in general taxation can not be ascertained and estimated with any degree of certainty; and for that reason a property tax is adopted, instead of an estimate of benefits.

The quotation from Seligman is as follows:

> Practically, the general property tax as actually administered is beyond all doubt one of the worst taxes known in the civilized world. Because of its attempt to tax intangible as well as tangible things, it sins against the cardinal rules of uniformity, of equality, and of universality of taxation. It puts a premium on dishonesty and debauches the public conscience; it reduces deception to a system, and makes a science of knavery; it presses hardest on those least able to pay; it imposes double taxation on one man and grants entire immunity to the next. In short, the general property tax is so flagrantly inequitable, that its retention can be explained only through ignorance or inertia. It is the cause of such crying injustice that its alteration or its abolition must become the battle cry of every statesman and reformer.

(B) Privilege or Franchise Taxes in Lieu of Property Taxes

A franchise has been defined in the case of Bank of Augusta *v.* Earle, 13 Pet. (U. S.) 519, 595, as "A special privilege conferred by the Government upon an individual or corporation which does not belong to citizens of the country generally by common right."

A tax on a franchise in lieu of a property tax is the same in principle as a property tax itself in that the principal purpose sought is to tax property. Moreover, this tax has the added purpose of requiring a contribution for the special privilege conferred. In the case of a strictly construed property tax, the rate is uniform and based on value, whereas a franchise applies varying percentage rates based on gross receipts, stock valuation, deposits, etc.

By referring to Exhibit 6 of the appendix, there will be found the particular kind of businesses subject to this form of taxation together with the rate used and the basis subject of the tax. As will be noted, the principal businesses are public utilities, banks, and insurance companies.

The State of California is a good illustration of the application of this principle of taxation. That State imposes a franchise tax at varying rates on the gross income of public utility and related businesses which result in the raising of sufficient revenue so that the State itself is not compelled to resort to the general property tax.

The principal merit of this tax is that it is easier to determine than the general property tax. It is not deemed necessary to further discuss this subject as the collections and other facts relative thereto are included in the immediately preceding section of this report on property taxes.

(C) Privilege or Franchise Taxes Not in Lieu of Property Taxes

Franchise taxes which are not levied in lieu of property taxes are in some cases applied to all corporations and in other cases only to public utilities, common carriers, banks and insurance companies, and other related businesses. The franchise tax levied on all corporations, while coming within the definition of a franchise tax as previously given, is more in the nature of a license tax since its principal purpose is to regulate the conduct of business in the corporate form. This general form of franchise tax does not require special treatment here, as it is obvious that the rates imposed on all corporations in general can not be placed at too high a figure without creating a serious condition from the competitive standpoint between business conducted in the corporate form and in the unincorporated form. It might be noted that examples of this form of taxation may be found in Massachusetts and in New York.

This section of the report, therefore, will deal with those franchise taxes which are in addition to property taxes and which apply only to public utilities, express companies, sleeping and parlor car companies, and other related businesses, together with banks and insurance companies, and which taxes are based on capital, gross income, or other measure not common to property or net income taxes.

From the available data at hand these taxes produced to the several States and their subdivisions a total revenue of about $177,835,673 during the year 1931. In view of the total gross income of the transportation and other public-utility companies of about $17,000,000,000 in 1929 and $12,000,000,000 in 1930, the fairly low collections seem to suggest future possibilities in this form of taxation. Public-utility companies are given a practical monopoly of their business within a State. Due to this fact they are subject to State control in regard to the manner of their conducting business and in regard to the rates which they are allowed to charge for their services. In fixing these rates the principle is generally recognized that such concerns should receive a fair return on their investment and no more.

It is evident that, if the principle of fair return be accepted by the States, the amount of the tax levied upon the gross receipts makes little difference to the companies if they are permitted to consider such tax as an expense and are allowed to receive their fair return after taxes. In other words, if taxes are an expense and the fair return is at a standard rate, then the special franchise taxes levied upon these companies are passed on to the public.

Investigation has shown that a considerable number of States levy a tax on this class of companies and that such taxes have been so productive of revenue as to enable the States either to reduce or to refrain from increasing property taxes for State purposes. A brief description of the different forms these taxes take in the several States may be of interest.

Among the common carriers automobile passenger carriers may pay a rate based on capacity of buses, on passenger capacity per passenger mile, or on gross receipts. Automobile property carriers are taxed variously—upon weight of trucks, upon capacity of trucks, per ton-mile, or upon gross receipts. Steam railroads ordinarily pay upon gross assets, upon gross earnings, upon track mileage, or upon net operating income. Nine States tax street railways upon gross earnings, while two States tax per mile of track, and one upon net earnings. One State taxes ships upon capacity. Express companies are generally taxed upon gross earnings or gross receipts, or on the basis of mileage. Sleeping car companies are assessed upon gross receipts, by car-mile, or by flat rate. Telegraph and telephone companies are largely taxed upon gross receipts, although the tax in some States is measured per pole-mile, per mile of wire, per population, on net earnings, or by flat rate.

At the time of compiling this report, 8 States impose a franchise tax upon utilities of a general nature, 3 tax electric light and power companies, 15 tax gas plants and distributing systems, 11 tax water companies, and 1 imposes a tax on tramways. The tax on these utilities is measured in various ways in the several States—some measure the tax by a percentage of gross receipts ranging from one-tenth of 1 per cent to as high as 5 per cent, others upon net earnings, some by population or by a flat rate ranging from $10 to $7,500 per annum.

Among the financial institutions, the State banks, saving banks, and trust companies are taxed upon capital, or capital and surplus, upon average deposits, upon assets, or by a flat rate. Five States impose a tax upon the shares of national banks based upon cash value, book value, or par value. Building and loan associations are variously taxed in the several States—20 States impose flat rates on domestic building and loan associations in addition to other fees, 3 upon gross assets, and 1 upon book value of capital stock. Foreign building and loan associations in 19 States pay flat rates or other fees, in 2 States they pay upon gross assets, and in 1 State upon gross earnings. Credit unions, finance companies, and small loan companies in 29 States are taxed on gross earnings, on gross assets, on deposits, on capital, or at flat rates.

Insurance company taxation seems to be regarded as a fertile field, as we find 24 States with tax provisions covering domestic life companies, 45 States taxing foreign life companies, 30 taxing domestic fire insurance companies, 46 taxing foreign fire insurance companies, and 22 have a fire marshal's tax on foreign insurance companies. Domestic fraternal benefit societies are taxed in 16 States, and 19 States tax foreign fraternal benefit societies.

In Exhibit 7 of the appendix attached hereto will be found a statement showing the range of rates and measure of tax imposed upon the various groups of corporations subject to privilege or franchise taxes not in lieu of property taxes. The form of franchise tax in most general use and yielding the greatest revenue is the tax upon gross receipts.

A study of the exhibit above referred to is convincing evidence that this form of taxation has become an integral part of our State and local taxing systems and worthy of most thoughtful consideration in order that the proper revenue may be derived from this source, with equitable distribution of the burden. Apparently there are about

607 different franchise taxes covering the type of corporations mentioned in this paragraph. These franchise taxes have a broad base and are productive of considerable revenue when properly designed. They are justified on the theory that payment should be made to the State for the special privileges conferred. Because of the fact that public utilities are or should be regulated for the benefit of the public, it does not seem inequitable when a portion of these taxes is passed on if the fair return permitted the company is not excessive.

(D) Income Taxes on Individuals

While the taxing of income by the States of the Union has been prevalent only in late years, an examination of the statutes shows that the idea of income taxation has been in the mind of the legislators for a considerable period. Virginia seems to have enacted the first income tax law in 1843. This law, of course, has been amended and changed to such an extent that at the present time it is hardly recognizable. The Territory of Hawaii enacted an income tax law in 1896, but as this law was declared unconstitutional a new law was enacted in 1901 and has been amended several times since that date. Oklahoma followed with an income tax law in 1907, and Wisconsin in 1911. The income tax of Wisconsin was undoubtedly the most effective and well considered of these early taxes. Mississippi enacted an income tax law in 1912, but it was not a good revenue producer, since no provision was made for its enforcement. The Mississippi law was not effective until amended in 1924. Massachusetts provided for an income tax in 1916, and in 1917 we find two States, Delaware and Missouri, joining the ranks of those with income tax laws. New York and North Dakota in 1919, North Carolina and South Carolina in 1921, and New Hampshire in 1923 enacted income tax laws. Arkansas, Georgia, and Oregon in 1929, and Idaho, Ohio, Tennessee, Utah, and Vermont followed in 1931 with income tax laws. The last State to enact an income tax law was Illinois in 1932. The State Supreme Court of Illinois, however, has just declared the Illinois statute unconstitutional, declaring that the word "property" in the State constitution includes income and that all property taxes must be levied in proportion to valuation. Pointing to the fact that the income tax provides a graduated scale, the court said graduation was not valuation. This decision may have far-reaching effect in preventing income tax legislation by the States, since it appears that several States have constitutions similar to Illinois. Furthermore, the Supreme Court of Tennessee, in July of this year, declared the Tennessee income tax law unconstitutional for practically the same reasons.

At the present time, there are 19 States and Hawaii with effective income tax laws if we exclude the unconstitutional statutes of Illinois and Tennessee. In addition, the Territory of Alaska taxes the net income on gains realized from the sale of real estate or capital assets at the rate of 1 per cent. Puerto Rico and the Philippines also impose income taxes.

In determining what income is subject to these State income taxes, little uniformity will be found in the treatment of residents and nonresidents in the several States. Delaware, Massachusetts, New Hampshire, Utah, and Vermont apparently make no effort to assess the tax against a nonresident. The other States assess tax against that portion of the income derived from sources within the State. In the case of residents, three States, Hawaii, Oklahoma, and Oregon, tax only that income which is derived from sources within its borders. The other States tax the income regardless of the source from which derived. Mississippi, South Carolina, and Wisconsin make certain allowances for income which is derived from sources without the States.

In 17 States, gross income is taken to have the same meaning as given it by the Federal income tax law; that it includes all compensation for personal services; income from professions, trades, sales, etc.; dealings in property; interest, rents, and dividends; gains from sales of securities; and income from any other source not exempt. Delaware does not consider rents as income. Hawaii includes all money or property acquired by gift, unless a tax has already been paid on such as income. Massachusetts divides income into three classes: First, annuities, salaries, business income, etc.; second, gains from dealings in intangible personal property; and, third, income from interest and dividends. New Hampshire taxes only interest from bonds, notes, money, and debts, and dividends on transferable shares of stock. Ohio taxes only income from interest, rents, dividends, and income from productive investment. Some of the States tax stock dividends as income and this is valid for the reason that they are not bound by the definition of income as defined by the Supreme Court with respect to the Federal income tax, which definition does not include stock dividends.

Following the Federal statute in the matter of deductions from gross income in arriving at net income, the majority of the States allow practically the same deductions as are allowed by the Federal income tax laws—namely, ordinary and necessary business expenses, interest on indebtedness, certain taxes, loss not compensated by insurance, bad debts, depreciation and obsolescence, depletion, gifts to charities, and realized capital losses. There are, of course, some differences between the State provisions and the Federal provisions, but these are not of sufficient importance to be detailed here. However, Massachusetts allows only deductions with respect to income from other than intangible sources. New Hampshire and Ohio do not allow any deductions at all, because the tax is applied to income from intangible sources only. In general deductions are only allowed when attributable to income subject to tax.

All the States which have an income tax law, with the exception of Ohio, allow a personal exemption, and all except New Hampshire allow an additional deduction for each dependent child of the taxpayer. These exemptions are, for the most part, $1,000 or $1,500 in the case of single persons and $2,000 or $2,500 in the case of married persons. However, several States allow $1,500 and $3,500 exemptions for married persons, and one State, New York, allows $2,500 for a single person and $4,000 for a married person. Likewise, there are two States which allow a smaller exemption, such as New Hampshire with a $200 allowance for both married and single persons, and Oklahoma with $750 for a single person and $1,500 for a married person. There is, likewise, no uniformity in the allowance for the deduction for dependents, some States allowing as low as $200 for each dependent and others, as in the case of Oklahoma, $750. Wisconsin is unique in that it allows a credit against the tax instead of a deduction from net income. This credit is apparently based on an \$800 exemption for single persons and \$1,750 for married persons, as the credit is \$8 in the case of single persons and \$17.50 in the case of married persons, with an additional \$6 credit for each dependent. Massachusetts puts a limit of \$1,000 on her allowance as a personal exemption where the income is from intangible property. Oregon is somewhat similar to Massachusetts in this respect, as it likewise limits the personal exemption predicated on the type of income reported, and Vermont follows this same idea. The average personal exemption for all the States is: For single persons, \$1,210; married persons, \$2,335; and for each dependent, \$329.

All but five of the States use a graduated scale in applying their income-tax rates, but there is no uniformity in the brackets of net income to which these rates are applied. Eleven States start their rate with 1 per cent, one State with $1\frac{1}{2}$ per cent, four States with 2 per cent, and one State with $2\frac{1}{2}$ per cent. The lowest maximum rate is 3 per cent, which is applied on incomes in excess of \$5,000 by Virginia and in excess of \$10,000 by Delaware. The highest rate is 7 per cent, which is used by Wisconsin. Wisconsin is the only State which imposes a surtax. This surtax adds, in effect, one-sixth of the tax computed under the normal rates, as a teachers' fund surtax, and in addition the normal rates are doubled for an emergency surtax for unemployment. Thus, the Wisconsin tax at the present time is as much as $15\frac{1}{6}$ cents per dollar of net income in excess of \$12,000.

Of the several States which use a flat rate on all amounts of net incomes, Massachusetts applies a $1\frac{1}{2}$ per cent rate on ordinary income, that is, income from annuities, professions, employment, business, etc., a 3 per cent rate on net gain from dealings in intangible personal property and a 6 per cent rate on income from interest and dividends. New Hampshire's rate is based on the average rate of tax on other property, excluding poll taxes and levies on property specially taxed. Under this system her rate was $2\frac{9}{10}$ per cent for 1931. Ohio applies a 5 per cent rate on all income from productive investments, and does not tax any other type of income. Vermont uses a 2 per cent rate on all income exclusive of income from intangibles, this income heing taxed at 4 per cent. Missouri's rates are applied differently from those of other States by what is known as the totality method; that is, a single person with a net incomo, over exemptions, of \$2,000 would be taxed at a rate of $1\frac{1}{2}$ per cent which would be applied on the entire \$2,000, instead of, as in the case of other States, 1 per cent on the first thousand dollars of net income and $1\frac{1}{2}$ per cent on the second thousand dollars. Against this tax so computed there would he allowed a \$5 credit. Missouri increases this allowance of a credit until a maximum of \$135 is allowed in the case of net incomes in excess of \$9,000.

In attempting to average the highest tax rate for the several States, we find that without considering the States which tax only intangible income and eliminating the Wisconsin surtax, we have an average rate of about $4\frac{5}{8}$ per cent, while if we consider the rate of tax as mentioned above with the Wisconsin surtax, we find an average rate of $5\frac{1}{8}$ per cent. Now, if we assume that all the income is from intangibles, we find the rate without the Wisconsin surtax to he about $4\frac{6}{10}$ per cent, while with the Wisconsin surtax it is $5\frac{1}{4}$ per cent.

Nine States allow certain credits or offsets against the income tax. New York, North Carolina, Oregon, South Carolina and Virginia try to avoid double taxation on the same income by making provisions for crediting a nonresident's income tax with taxes upon income paid to other States which grant a reciprocal privilege. Georgia's and Vermont's credit provision applies to resident taxpayers only. Utah allows an offset of the amount of taxes paid on real and personal property against the income tax up to an amount not exceeding 33⅓ per cent of the income tax.

Most of the States do not require an income tax return to be filed unless the net income is more than the personal exemption. However, a few of the States require returns to be filed if the gross income exceeds a certain amount, as follows: $5,000 in Idaho; $4,000 in Illinois; $5,000 in Mississippi; $5,000 in North Dakota; $2,500 in Oklahoma; and $2,500 in Tennessee. Massachusetts and Ohio require returns if any of the income is from intangible property. Delaware requires a return if the income is in any amount. Information returns are not required by the majority of the States unless the money so paid out exceeds the personal exemption of the person receiving it. This is not the case, however, in Illinois, which requires information returns on amounts paid out of $700 or more; New York, $1,500 or more; Oklahoma, $500 or more; Utah, $400 or more; and Wisconsin, $700 or more.

One State, New York, facilitates the collection of the tax by requiring withholding at the source; that is, any person paying out compensation for personal services is required to withhold the tax and is made personally liable in case of failure to do so. Wisconsin relies upon a system of information at the source for collecting its tax on nonresidents. The failure of the payor to report such payments forfeits the right to deduct same as an expense in computing income.

In Exhibit 8 of the appendix will be found the rates of tax and the exemptions in the case of these State income taxes. The revenues derived therefrom, where available, are shown below:

Individual income tax receipts

State	Amount	Year
Delaware	$1,924,203	1931
New Hampshire	630,682	1930
New York	81,474,929	1930
North Carolina	1,760,307	1930
Tennessee	699,480	1931
Virginia	2,047,943	1931
Massachusetts	22,554,074	1931

(E) Income Tax on Corporations

The first corporate income tax imposed by a State or Territory was contained in a statute enacted by the Territory of Hawaii in 1896. This statute was declared unconstitutional and was replaced in 1901 by a statute applying an income tax to both corporations and individuals. Since that date, many of the States have passed laws subjecting corporations to an income tax. At the present time, there are 20 States and 2 Territories levying income taxes, excluding Washington whose statute was declared unconstitutional. In some of the States, the tax is assessed directly upon the net income, while in others the tax is levied upon the right to do business, measured by the net income. Examples of States falling within this last classification are California, Connecticut, Massachusetts, New York, and Tennessee. The Supreme Court of Tennessee has held that the personal income tax of that State is unconstitutional and dicta in the case on that point cast some doubt upon the validity of the corporate tax, although this last tax was not before the court for decision.

In determining gross income, deductions, and net income, the States in general follow the Federal income tax law with slight modifications. However, it should be pointed out that some States do not exempt stock dividends from tax. Unlike most State statutes, the Connecticut statute contains a provision denying the allowance of losses sustained in prior years. The reason for such a provision appears to be the same as that which prompted the Federal Government in the revenue act of 1932 to prohibit net losses for 1930 from offsetting net income for 1932 and subsequent years—namely, to prevent the revenues from being materially reduced by such losses.

Exhibit 9 of the appendix contains a comparative statement of income taxes on corporations as of July 1, 1932. It will be noted from this exhibit that four States (Arkansas, Connecticut, Mississippi, and Montana) allow a specific credit against net income, which corresponds in principle to the personal exemption allowed individuals. The purpose of this credit is apparently to relieve the corporation with very small earnings from tax. The Federal Government formerly allowed such a credit but abandoned it under the revenue act of 1932 because of the need for additional revenue. The specific credit allowed by Arkansas is $1,500 for domestic corporations, and a proportionate credit for foreign corporations based upon the ratio of gross income earned within the State to the entire gross income. Connecticut allows the same credit which the Federal Government allowed to corporations under the revenue act of 1928, namely, $3,000 if the net income is $25,000 or less, with a proportionate reduction where the net income exceeds that amount. Mississippi allows a credit of $750 to domestic corporations and a proportionate credit to foreign corporations. Montana provides for a credit of $2,500 in the case of both domestic and foreign corporations.

There are only four States which apply progressive rates to the net income of corporations. These are Idaho, Mississippi, Oklahoma, and Wisconsin. The following table shows how the rates vary in each of these States:

Exemption	Idaho	Mississippi	Oklahoma	Wisconsin
	Per cent	*Per cent*	*Per cent*	*Per cent*
First $1,000	1	2½	2	2
Second $1,000	1	2½	2	2½
Third $1,000	2	3½	2	3
Fourth $1,000	2	3½	2	3½
Fifth $1,000	3	3½	2	4
Sixth $1,000	3	5	2	5
Seventh $1,000	4	5	2	6
Eighth $1,000	4	5	2	6
Ninth $1,000	4	5	2	6
Tenth $1,000	4	5	2	6
Next $5,000	4	5	3	6
Next $5,000	4	6	3	6
Next $80,000	4	6	4	6
Balance	4	6	5	6

It will be noted from the above table that the rates on the first $1,000 of net income vary from 1 per cent in the case of Idaho to 2½ per cent in the case of Mississippi. The maximum rates are 6 per cent in Mississippi and Wisconsin, 5 per cent in Oklahoma, and 4 per cent in Idaho. While Wisconsin and Mississippi both have the same maximum rate, this rate starts in Wisconsin with net incomes in excess of $6,000 but it does not apply in Mississippi until the net income exceeds $15,000. Oklahoma does not apply its maximum rate until the net income exceeds $100,000. It has been seriously contended that progressive rates should not be applied to the income of corporations. In this connection, we quote from State Income Taxes (Vol. II, p. 86), published by the National Industrial Conference Board (Inc.), in 1930:

> It is not possible, however, to justify the application of a progressive rate to the income of corporations on any theoretical grounds. The absolute amount of net income which a corporation earns bears no relationship to the ability of the corporation to pay, for it may very well happen that a large income is spread on a small margin of profit. The use of a progressive rate for a business can not be reconciled with either the "cost of service" or "value of service" theories. To illustrate, a Wisconsin corporation receiving a net income of $100,000 per year would pay approximately thirteen times as much income tax as a corporation receiving $10,000 net income. While the "cost of service" or "value of service" may be greater for the business earning the larger net income, it can not be established that these increase more rapidly than income. It is true that efficiency in production enters into the concept of progressive taxation as well as consumption or sacrifice. The original Wisconsin income tax law of 1911 recognized this principle by graduating the rates on the basis of investment to taxable net income. The experiment was abandoned in 1912 owing to administrative difficulties. This principle was again recognized in 1917 when the Federal Government introduced the excess-profits tax based upon the theory that profits in excess of those normally earned should be taxed at a higher rate. The excess-profits tax proved very difficult to administer because of the complications arising out of the determination of what is a normal rate of return and the amount to be allowed as invested capital, since the rate of return depended upon this item. Leaving aside the question of theoretical justification of taxing the higher business incomes at a higher rate, it may be stated that considerable advance in the technique of tax administration must be made before success with this method of taxing business income can be expected.

The balance of the States apply only flat rates to the net income of corporations. These rates vary from 1 per cent in the case of Montana to 8 per cent in the case of Oregon. Georgia is unique in that its law provides for a tax rate of one-third the Federal corporation income tax rate, so that any change in the Federal rate will necessarily affect the Georgia rates. Massachusetts divides corporate income into three classes: (1) Business income; (2) income from intangible property sales; and (3) dividends. The rates applied to these different classes of income are 1½ per cent, 3 per cent, and 6 per cent, respectively. From a study of these flat rates contained in Exhibit 9 of the appendix, it will be seen that with the exception of Oregon and Massachusetts, all of these States adopt a flat rate of less than 6 per cent.

There are some States which allow property taxes to be credited against the corporate income tax. For instance, California allows a tax credit of 10 per cent of the real-estate tax paid in the State and 100 per cent of the personal-property tax, provided the total does not exceed 75 per cent of the corporate income tax. Massachusetts allows a credit for all property taxes paid and, in the case of a foreign corporation, allows an exemption of the dividends paid to residents of Massachusetts. Oregon allows a tax credit for personal taxes paid up to 90 per cent of the corporate tax. The reason for allowing such an offset was explained by the Oregon tax commission as follows:

(1) Inasmuch as banks do not pay personal-property taxes, it is necessary to relieve other corporations of the tax in order to equalize the burden between them, and

(2) A business heavily burdened with a personal-property tax will be relieved, to a large extent, of the franchise tax.

Utah allows property taxes as a credit against its corporate tax up to one-third of the corporate tax.

There are a few States which allow taxes other than property taxes as a credit against their corporate income tax. For instance, Georgia allows as a credit the income tax paid to other States or countries, with the limitation that in no case shall the credit exceed the amount of tax which would be paid to Georgia on a like amount of income. Also, Tennessee allows as a credit the franchise taxes paid on the basis of net earnings and taxes paid on income from stocks and bonds.

Some of the State laws contain provisions requiring the payment by corporations of a minimum corporate tax. For instance, California requires payment of a minimum tax of $25, and Connecticut and Oregon a minimum tax of $10. New York has a minimum tax of $25, with the further limitation that the tax shall not be less than 1 mill per $1 of the face value of the issued capital stock. Utah has a minimum tax of $1 and a limitation that the tax shall not be less than one-twentieth of the fair value of tangible property. In Massachusetts, the tax on business and manufacturing corporations must not be less than one-twentieth of 1 per cent of the fair cash value of corporate stock, or one-twentieth of 1 per cent of the gross receipts from intangible personal property. In the case of security corporations, the minimum tax provided by Massachusetts must not be less than the tax on financial corporations or less than one-half of 1 per cent of the fair value of the corporate stock. The charging of a minimum tax, to a large extent, provides for the cost of administration in a year in which the income tax returns are small and has a tendency to prevent extreme fluctuations in revenue receipts between lean and prosperous years.

There has been considerable controversy over the advisability of permitting corporations to file consolidated returns for Federal income tax purposes. It is interesting to observe what the State laws provide in this connection. Some State statutes either do not provide for the filing of consolidated returns or expressly forbid them. The following States fall within this category: Arkansas, Georgia, Missouri, North Carolina, South Carolina, Tennessee, Vermont, and Wisconsin. Other States expressly authorize in their tax law for the filing of consolidated returns. New York and Massachusetts even go so far as to provide for a formula to be used in the computation of the income due upon consolidated returns. However, the method adopted by Massachusetts has been overthrown by the courts.

The administration of the corporate income tax, like that of the individual income tax, is under the control of a State tax commission or a tax commissioner. The tendency has been towards centralization, although in some of the States, such as New York, the administration has been somewhat localized in order to get closer contact with the taxpayer; but even in such cases, the power of administration still rests in the central authority. To secure a check upon corporate income, some States require corporations filing Federal returns to file a copy of such return with the State tax commissioner. A few States even require a duplicate copy of the Federal income tax return to be attached to the State income tax return. While this requirement undoubtedly has its advantages, it may be open to constitutional objections on the ground that it is an indirect interference with the power of the Federal Government to levy taxes. For instance, in the case of Flaherty *v.* Hanson (215 U. S. 515), the Supreme Court held invalid a State statute requiring the holder of a Federal internal revenue receipt to register and publish the same.

One of the chief problems which the States have encountered in imposing income taxes is to determine what income is earned within their borders. In the case of a foreign corporation doing business within and without the State, this problem must necessarily arise, as a State has no power to tax a foreign corporation on income outisde of its borders. In the case of domestic corporations, some States have avoided this difficulty by taxing their entire net income whether earned within or without the State. Other States tax both domestic and foreign corporations only upon income earned within their borders. The methods applied by the different States for ascertaining what portion of the income is earned within the State are not uniform. Some base their computation upon the ratio of gross receipts within the State to gross receipts elsewhere. Others apply a ratio of the business done and property owned without the State to the business done and property owned within the State. Still others adopt a complicated formula to determine the ratio and, in a few cases, the question of ascertaining the income earned within the State is left to the ingenuity of the taxpayer. Most methods of allocation have met with the approval of the Supreme Court. However, if the method as applied to a particular case results in the part of the income attributed to the State being out of all proportion to the business there transacted by the coproration, it will not be upheld by the Supreme Court. (Hans Rees' Sons *v.* North Carolina, 283 U. S. 123.)

In closing this discussion of the corporate income tax, some mention ought to be made of the revenues derived from that source. In Exhibit 9 of the appendix will be found the revenues derived from State taxes for the years 1930 or 1931 as available. The revenues from corporate income taxes taken from this table are shown below:

Connecticut	$3, 534, 787
Montana	437, 908
North Carolina	5, 692, 708
Oregon	673, 377
Tennessee	522, 632
Virginia	2, 065, 454

(F) Estate and Inheritance Taxes

It appears that death taxes were levied during the colonial period, but Pennsylvania became the first State to enact a true inheritance tax by imposing, in 1826, a levy of 2½ per cent on property passing to collateral heirs. By 1892, 14 States had enacted some form of death duty, although at that time only 9 States still retained their tax. These levies were all confined to either collateral heirs or nonresidents.

Economic conditions, the necessity for additional State revenues, and the concentration of wealth, undoubtedly resulted, beginning with 1892, in renewed activity in the death-tax field. In that year, New York enacted an inheritance tax which initiated the principle of applying the levy to direct, as well as collateral, heirs. Between 1892 and 1916, when the present Federal estate tax was originally imposed, 30 additional States enacted death taxes. Ten of these States imposed an inheritance tax applicable to collateral heirs only; 19, following New York's example, included both direct and collateral heirs within the scope of their tax; and 1 State (Utah) imposed an estate duty. Moreover, 4 of the States which previously had taxed inheritances resumed such taxation. The most important principle developed in this period was that of progressive rates, initiated by Ohio in 1894, which went hand in hand with the classification of heirs into groups according to their relationship to the decedent.

At the time of the enactment of the Federal estate tax in 1916, 43 States had a death duty of some kind. Of these States, 31 imposed an inheritance tax on both direct and collateral heirs, 11 had an inheritance tax applicable to collaterals only, and 1 had an estate tax. The principle of progressive rates was recognized, to some extent, at least, in 28 of the States, while all of the 42 inheritance tax statutes gave effect to the principle of consanguinity. The average rate of tax at that time was from 1 per cent to a maximum of 3 per cent on direct heirs, and from 5 per cent to a maximum of 11 per cent on distant relatives and strangers.

War and post-war conditions and the enactment of the Federal estate tax had a profound effect upon State death-tax legislation subsequent to 1916. The necessity for added revenue brought about increased rates, and the credit allowed by the Federal tax for State death taxes paid resulted in the enactment of additional estate taxes by many of the States to take advantage of this provision. While prior to the enactment of the Federal tax only 5 States had no death duty in any form, these 5 States enacted death taxes in subsequent years. At the present time, only 1 State (Nevada), has no death tax, it having repealed its inheritance tax in 1925. The District of Columbia also has no such tax.

Of the 47 States now imposing death taxes, 13 levy an inheritance tax only; 28 levy both an inheritance tax and an additional estate tax; and 6 impose an estate tax only. The forms of death taxes used in the respective States are as follows:

Inheritance tax only: Arizona, Arkansas, Idaho, Illinois, Kentucky, New Jersey, New Mexico, Oklahoma, South Carolina, South Dakota, Texas, West Virginia, and Wyoming.

Inheritance and estate taxes: California, Colorado, Connecticut, Delaware, Georgia, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Vermont, Virginia, Washington, and Wisconsin.

Estate tax only: Alabama, Florida, Mississippi, New York, North Dakota, and Utah.

The above list discloses that the inheritance tax is at present used in 41 States. Of these States, 37 levy the tax on both direct and collateral heirs, 3 apply it to collaterals only, and 1 State (Georgia) imposes it only on nonresidents. In the 28 States levying additional estate taxes, the rates are, with one exception (Oregon), prima facie based upon the Federal law of 1926, being enacted for the purpose of absorbing the 80 per cent credit allowed by that act for State death taxes paid. Even in the case of the six States levying only an estate tax, the rates of four of these are clearly based upon the Federal law. These estate taxes would generally become void or of no effect upon the repeal of the Federal estate tax or the credit provision thereof.

A composite of the rates and exemptions in the 37 States imposing an inheritance tax on both direct and collateral heirs has been computed, and is as follows:

Beneficiary	Composite rates	Composite exemptions
Widow	1¼ per cent graduated to 6¼ per cent	$16,310
Widower	1¼ per cent graduated to 7 per cent	10,600
Child	1¼ per cent graduated to 6¾ per cent	8,120
Brother or sister	3¼ per cent graduated to 10¾ per cent	2,850
Uncle or aunt	4¾ per cent graduated to 13½ per cent	510
Stranger in blood	6 per cent graduated to 16¼ per cent	290

It may be observed from the foregoing table that consanguinity is recognized in two ways, namely, by graduation of rates and by exemptions. The widow is plainly preferred over the husband and issue by the granting to her of a larger exemption, although the rates on these beneficiaries average about the same. It may also be observed that the rates on brothers and sisters, uncles and aunts, and more remote relatives, are substantially in excess of the rates on the surviving spouse and direct descendants. The exemptions to the collateral relatives, moreover, are much less than to direct heirs, which results in further increasing the tax on their shares.

The variations in the rates in the 37 States imposing an inheritance tax on both direct and collateral heirs may be shown by the following table:

Class of beneficiary	Maximum rate	Number of States
Widow and direct descendants	5 per cent or less	18
Do	Over 5 per cent, not over 8 per cent	8
Do	Over 8 per cent, not over 10 per cent	7
Do	Over 10 per cent, not over 16 per cent	4
Remote relatives and strangers	5 per cent or less	2
Do	Over 5 per cent, not over 8 per cent	5
Do	Over 8 per cent, not over 10 per cent	5
Do	Over 10 per cent, not over 16 per cent	13
Do	Over 16 per cent, not over 25 per cent	8
Do	Over 25 per cent, not over 40 per cent	4

It is obvious from the above table that the majority of these States tax the widow and children very lightly, while in the case of strangers in blood a fairly heavy tax is imposed. In view of the fact that at least three-fourths of the property of decedents passes to the widow and children, it can readily be seen that the low rates imposed on this class of beneficiaries materially lower the revenue derived from inheritance taxes.

The variations in the exemptions in the foregoing States are illustrated by the following table:

Class of beneficiary:	Variation in exemption
Widow	$5,000 to $75,000
Adult child	2,000 to 25,000
Brother or sister	0 to 25,000
Uncle or aunt	0 to 2,000
Stranger in blood	0 to 1,000

The larger exemptions in the case of direct heirs affects the revenue from inheritance taxes in the same way as the lower rates applicable to this group.

Ordinarily, the property of both resident and nonresident decedents is subject to the State inheritance taxes, although the jurisdiction of the States over the property of nonresidents is somewhat limited. In the case of resident decedents, all property within the State or subject to its jurisdiction, both tangible and intangible, is taxed. Nonresidents, however, are generally taxed only upon the real property and tangible personalty within the State. A number of States formerly taxed certain intangible property of nonresidents, basing their jurisdiction over the property upon various grounds. Most of this property now escapes the duplicate taxation resulting from this practice, either through reciprocity agreements between some of the States or by virtue of certain recent decisions of the United States Supreme Court which greatly limit the power of the States over the intangible property of nonresidents.

In eight of the States there is in force what is known as the community-property system, under which all property acquired during marriage by the industry and labor of either the husband or wife, or both, together with the income therefrom, belongs one-half to the husband and one-half to the wife. The States using this system are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington. In these States, the community-property portion of the surviving spouse is free from death taxes, but the one-half interest belonging to the deceased spouse is subject to the inheritance tax except in two of the States. Nevada imposes no death tax at all, and New Mexico imposes no tax on the death of the wife, since in that State her interest is considered to be an expectancy only.

The State inheritance taxes fall on the transfer of property whether by will or intestate succession. Nearly all of the States include in the taxable estate of the decedent transfers made in contemplation of death. Most of these States provide an arbitrary period before death within which transfers will be presumed to have been made in contemplation of death, but the presumption may be rebutted in all cases, since the Supreme Court has held conclusive presumptions to be invalid.

Dower and curtesy interests, or rights granted in lieu thereof, are taxable under many of the statutes, while joint estates and estates by the entirety are generally reached to the extent of the decedent's interest therein.

Under the great majority of the statutes, the property of the decedent is valued for the purpose of the tax as of the date of his death. In Arizona and Indiana, however, the value at the time of the transfer is used, while in New Mexico the date of appraisal is controlling. Vermont uses the value of the property one year after death, which is the date when the property is distributed. The value sought in all cases is the fair market value of the property.

The standard deductions allowable appear to be the funeral and administration expenses, debts, and legal claims against the estate. Transfers to the State, or to religious, charitable, or educational institutions are usually exempt from the tax.

It would be interesting to describe in detail the death-tax system of each State, but space does not permit of such a description. It is important, however, to gain a more concrete idea of State death taxes than has been given. Therefore, the death-tax systems of several States will be described, namely, those of Massachusetts, California, and New York. These States are selected more for the purpose of showing the marked variations in type rather than for the fact that they might be typical of other States.

MASSACHUSETTS

The basic death tax of Massachusetts is an inheritance tax, levied on both direct and collateral heirs. An additional estate tax is also imposed, being levied for the purpose of taking advantage of the 80 per cent credit allowed by the Federal law of 1926 for State death taxes paid. The inheritance-tax statute exemplifies the progressive principle of taxation as well as the principle of increasing the rates as the degree of relationship of the beneficiary to the decedent becomes more remote.

For the purpose of applying the rates and exemptions under the inheritance tax, the beneficiaries are divided into four groups. In Group A are the surviving spouse, the father and mother, and the children and their issue. Class B is composed of the more remote lineal ascendents and descendents; class C includes brothers and sisters and nephews and nieces; and class D covers all others. The rates of tax are applied by brackets, eight in number, the graduation ceasing with that portion of the net share in excess of $1,000,000. The heirs of Group A are taxed at rates graduated from 1 per cent to a maximum of 7 per cent, while the graduation in the rates applicable to beneficiaries of Group D ranges from 5 per cent to a maximum of 12 per cent. The rates applicable to Groups B and C are graduated, respectively, from 1 per cent to 9 per cent and from 3 per cent to 12 per cent.

The Massachusetts inheritance tax is not imposed on property or interests passing to beneficiaries of class A unless the value thereof exceeds $10,000. There is one exception to this rule, namely, that a grandchild of the deceased is taxable when the value of his share exceeds $1,000. Beneficiaries of classes B, C, and D are not taxable unless the value of their shares exceed $1,000. These amounts of $10,000 and $1,000 are not exemptions in the usual sense, because where the share exceeds these amounts the tax is computed on the entire amount and not on the excess above the exemption. Thus, a widow receiving $11,000 from her husband's estate would pay 1 per cent on $11,000, or $110; not 1 per cent of $1,000, or $10, as would generally be the case in most States. It is provided, however, that no tax shall be exacted which reduces the value of the share below the amount not taxable. Therefore if a widow received $10,100 from her husband's estate, no tax would be imposed because 1 per cent of $10,100 would be $101, an amount which would reduce the value of her share below $10,000.

It appears that real estate owned by a husband and wife as tenants by the entirety is not subject to tax, but in cases of joint tenancy the tax will be imposed if the deceased contributed to the acquisition of the property. It also appears that dower and curtesy interests are not taxable. Property passing from the decedent to charitable, educational, or religious organizations is exempt from the inheritance tax if the property of such organizations is exempt from taxation under the laws of the Commonwealth, or if the property passing is for charitable purposes to be carried on within the Commonwealth. Otherwise, all property of resident decedents, corporeal and incorporeal, is subject to tax. In the case of nonresidents, real estate and tangible personal property located within the State is taxable. The Massachusetts statute contains no provision exempting property previously taxed, but it does provide for the nontaxability of intangible personal property of nonresidents.

The inheritance tax falls on transfers whether by will or intestate succession, and also on gifts inter vivos if made in contemplation of death. With respect to transfers inter vivos, the rule is as follows:

> Any deed, grant, or gift completed inter vivos, except in cases of bona fide purchase for full consideration in money or money's worth, made not more than six months prior to the death of the grantor or donor, shall, prima facie, be deemed to have been made in contemplation of the death of the grantor or donor. Notwithstanding any provisions of section 1, no tax shall be payable thereunder on account of any deed, grant, or gift in contemplation of death made more than two years prior to the death of the grantor or donor, unless made or intended tn take effect in possession and enjoyment after such death.

The Massachusetts inheritance tax is assessed upon the value of the property at the time of the death of the decedent. In the case of life estates, and future expectancies after the termination of a life interest, the respective values are determined by the use of the American Experience Tables of mortality, at 4 per cent compound interest. The tax is due one year from the date of giving bond by the executors, administrators, or trustees first appointed. Interest becomes chargeable at 6 per cent from the due date.

Massachusetts also imposes an additional estate tax to take advantage of the credit provision of the Federal law of 1926. The important features of this tax may be shown by the following quotation from the statute (acts of 1927, c. 178, as amended):

> SECTION 1. *Estate tax upon transfer of resident estates.*—A tax is hereby imposed upon the transfer of the estate of every person dying after February twenty-sixth nineteen hundred and twenty-six, who at the time of his death was a resident of this Commonwealth, the amount of which shall be the amount by which eighty per cent of the estate tax payable to the United States under the provisions of the Federal revenue act of nineteen hundred and twenty-six shall exceed the aggregate amount of all estate, inheritance, legacy, and succession taxes actually paid to the several States of the United States in respect to any property owned by such decedent or subject to such taxes as part of or in connection with his estate.
>
> A tax is hereby imposed upon the transfer of real property or tangible personal property in the Commonwealth of every person who at the time of death was not a resident of the Commonwealth, the amount of which shall be a sum equal to such proportion of the amount by which the credit allowable under the applicable Federal revenue act for estate, inheritance, legacy, and succession taxes actually paid to the several States exceeds the amount actually so paid for such taxes, exclusive of estate taxes based upon the difference between such credit and other estate taxes and inheritance, legacy, and succession taxes, as the value of the property taxable in the Commonwealth bears to the value of the entire estate.

The statute specifically provides that the additional estate tax shall become void and of no effect upon the repeal of the Federal estate tax law of 1926 or the 80 per cent credit provision thereof.

CALIFORNIA

The State of California imposes an inheritance tax on both direct and collateral heirs, which is supplemented by an additional estate tax to take advantage of the 80 per cent credit clause of the Federal law of 1926. The inheritance-tax rates are progressive, increasing with the amount of the share and as the degree of relationship of the beneficiary to the decedent becomes more remote. The exemptions allowed favor direct heirs over more distant relatives.

Under the California inheritance tax the beneficiaries are grouped into four classes the same as under the Massachusetts statute, but the classification is not identical. In California, while direct heirs compose class A, brothers and sisters are placed in class B, uncles and aunts and nephews and nieces make up class C, and all other beneficiaries fall in class D. The rates of the tax are applied by brackets, seven in number. The graduation ceases with different brackets in the case of each class, however. In the case of class A beneficiaries, the maximum rate applies to that portion of the net share in excess of $500,000, but in the case of beneficiaries of class D it applies to the excess of the net share over $50,000. There are two sets of rates applicable to class A beneficiaries, one applying to the wife and the other to the remainder of that class. The graduation in the case of the wife begins with 4 per cent, due to the fact that her exemption eliminates the first two brackets, and reaches a maximum of 8 per cent. The rates applicable to the other class A beneficiaries are graduated from 1 per cent to a maximum of 10 per cent. On class D beneficiaries the rates correspond to those of the Massachusetts statute, ranging from 5 per cent to a maximum of 12 per cent.

The California statute allows the following exemptions, which are deductible from the first brackets in the case of all beneficiaries except the wife, in which case, as has been pointed out, the exemption eliminates the first two brackets:

Widow	$50,000
Minor child	24,000
All others in class A	10,000
Class B beneficiaries	5,000
Class C beneficiaries	1,000
Class D beneficiaries	500

Transfers for charitable, benevolent, educational, or public purposes, either to a domestic corporation or for use within the State, are entirely exempt from the tax, as are transfers to such institutions without the State which are exempt from a death tax of any character.

The rates applicable to the various brackets are determined by the size of the distributive share before the deduction of the exemption. Thus, an estate of $51,000 left to the wife, is taxable at 4 per cent on $1,000, or $40. In the case, however, of a minor child receiving a like sum, the tax would be 1 per cent of $1,000 ($25,000 − $24,000), plus 2 per cent of $25,000, plus 4 per cent of $1,000, or a total of $550.

California being, a community-property State, only taxes one-half the community property on the death of either spouse. Personal property, wherever situated, even if acquired while the husband and wife were domiciled elsewhere, is considered community property if when the property was acquired it would not have been considered separate property if they had been domiciled in California. In the case of the transfer of community property from one spouse to another, one-half of the property so transferred is not taxable. In 1927, an amendment was added to the Civil Code whereby it is provided that the interests of husband and wife in the community property are present, existing, and equal.

The inheritance tax is imposed upon the transfer of all the property of a resident decedent, whether real, personal, or mixed, or any interest therein or income therefrom, in trust or otherwise, except real property and tangible personal property having its actual situs outside the State. Transfers inter vivos are taxable when made in contemplation of death or intended to take effect in possession or enjoyment at or after the death of the transferor. The words "contemplation of death" are taken to include that expectancy of death which actuates the mind in the execution of a will. The statute also provides that all transfers made more than 4 years prior to the decedent's death shall be presumed not to have been made in contemplation of death. This latter provision is unique, being found only in the California statute.

Effective as of July 29, 1927, a reciprocal provision was adopted by California which provided that the State would not tax the intangible personal property of decedents who were residents of States which impose no death taxes on intangible property of California decedents, or the laws of which contain similar provisions for reciprocal exemption. In 1929, this provision was amended to include any foreign State or country, and limited to all jurisdictions imposing a legacy, succession or death tax on residents.

The California estate tax is based upon the Federal law of 1926, and is determined in each case by subtracting from 80 per cent of the tax imposed by that statute the amount of inheritance tax imposed by the State law. Since the inheritance tax upon estates of less than $1,000,000 is greater than the Federal estate tax under the 1926 law, the additional revenue derived from the imposition of the California estate tax comes entirely from estates in excess of that amount. It appears that the estate tax would cease to operate with the repeal of the Federal estate tax law of 1926.

NEW YORK

After having had a transfer tax for many years, New York abandoned this levy in September, 1930, and imposed in lieu thereof an estate tax at rates sufficient to absorb the full 80 per cent credit of the Federal law of 1926. The New York estate tax reaches all estates of over $5,000, whereas the Federal tax under the 1926 act is only imposed on estates in excess of $100,000. New York is one of the few States exemplifying the use of an estate tax only. The tax is applied by brackets, the graduation ceasing with that portion of the net estate in excess of $10,100,000. The rates are graduated from four-fifths of 1 per cent to a maximum of 16 per cent. It will be observed that these rates are 80 per cent of the Federal rates under the 1926 act, which are graduated from 1 per cent to 20 per cent.

The following exemptions are allowed under the New York estate tax, which may be deducted from the first bracket only:

(1) The amount of the net estate not exceeding $20,000 transferred to the husband or wife of the decedent.

(2) The amount of the net estate not exceeding $5,000 in each instance, transferred to a lineal ancestor or descendent, adopted child, stepchild, or lineal descendent of an adopted child, or to a brother or sister, or to the wife or widow of a son, or to the husband or widower of a daughter, or to any child acknowledged as such by the decedent not less than 10 years prior to the transfer.

(3) Life insurance payable to named beneficiaries up to $100,000, less the exemptions allowed in paragraphs (1) and (2).

The deductions allowable against the gross estate include expenses and legal claims against the estate of the decedent. The value of property previously taxed in the estate of a prior decedent who died within 5 years, which property has been subject to a Federal estate tax, is deductible. There may also be deducted from the gross estate the value of property transferred to the United States or to any political subdivision thereof for exclusively public purposes, and the value of any property transferred to any institution organized and operated for exclusively religious, charitable, scientific, literary, patriotic, historical, bar association, or educational purposes.

The following example illustrates the method of computing the New York estate tax:

Value of gross estate		$600,000
Deductions:		
Expenses; debts	$40,000	
Charitable bequests	20,000	
Property previously taxed	10,000	
		70,000
Net estate subject to tax		530,000
Computation of tax:		
First $150,000 taxable at four fifths of 1 per cent (deduct $20,000 exemption to widow and $5,000 each to two children, leaving taxable balance of $120,000)		960
Next $50,000 taxable at 1⅗ per cent		800
Next $100,000 taxable at 2⅖ per cent		2,400
Next $200,000 taxable at 3⅕ per cent		6,400
Next $200,000 taxable at 4 per cent (balance, $30,000)		1,200
Total New York estate tax		11,760

In the above illustration, the tax at Federal rates under the act of 1926 would be $14,000, and the 80 per cent credit allowed the estate for State death taxes would be $11,200. The New York tax, therefore, exceeds the Federal credit by $560. This is due to the fact that while the rates of the State tax are equal to 80 per cent of the Federal rates, the exemption is not as large as that of the Federal law.

All property of resident decedents is subject to the New York estate tax whether passing by will or intestate succession, with the exception of real property and tangible personalty having their actual situs outside the State. Nonresidents are taxed in conformance with this rule; that is, on tangible property having an actua situs within the State.

The details of the New York law follow closely the Federal statute of 1926, so that in most cases the net estate will be the same for the purpose of both the State and Federal tax. Joint estates, tenancies by the entirety, dower and curtesy interests, and property passing under a general power of appointment are all subject to tax under the New York statute. Transfers made in contemplation of death are likewise taxable, and there is a rebuttable presumption that transfers made within 2 years of death are made in contemplation of death.

The tax is assessed on the fair market value of the decedent's property as of the date of his death. It is not required to be paid until 18 months after that date, but if not paid at that time interest attaches at the rate of 6 per cent if permission for the delay in payment is granted; otherwise, the rate is 10 per cent. New York gives a discount of 5 per cent for payment of the tax within 6 months from the date of the decedent's death.

The New York statute would remain in force regardless of the repeal of the Federal law or the 80 per cent credit provision.

Space will not permit of a further description of the death tax systems of the various States. However, there has been included in Exhibit 10 of the appendix a table showing the form of tax imposed in the respective States and the rates and exemptions as applied to the several groups of beneficiaries.

The total State death-tax burden is gradually coming to be more and more uniform, due to the influence of the provision of the Federal estate tax law of 1926 which permits a credit against the tax imposed thereby of all death taxes paid to the States, not to exceed 80 per cent of the amount computed at Federal rates. As a result of this provision, some of the States which had inheritance taxes in force increased their rates to equal the amount of the Federal credit. Others imposed additional estate taxes for this purpose, while in a few instances estate taxes equal to 80 per cent of the Federal levy were imposed by States which previously had no death taxes.

It will be interesting to note the average State tax on estates of several different sizes. For this purpose, two different amounts will be shown in each case, one being the tax when the estate is distributed to the widow and four children, the other the tax when the entire estate passes to a stranger in blood. The average is computed for the 48 States, 47 of which have some form of death duty.

Size of estate	Average State tax on distribution of estate	
	To widow and 4 children	To stranger
$50,000	$190	$3,259
200,000	2,386	18,320
1,000,000	31,746	118,001
10,000,000	817,980	1,457,821

In the case of estates of $50,000 or less, to which the Federal tax does not apply, there is little, if any, uniformity in the amount of tax payable in the different States. As the size of the estate increases, however, the equality of the total burden becomes more marked. Where an estate of $50,000 is distributed entirely to the widow, the average State tax is $446, but it varies from nothing to as high as $1,700. In the case of estates of $200,000, the variation is still very noticeable. However, when the size of the estate reaches $1,000,000, the tax in each State, with two exceptions aside from the community-property States, is at least equal to 80 per cent of the Federal tax under the act of 1926. The uniformity in the burden in the case of estates of $10,000,000 is very plain, for in 26 States the tax on a distribution of the entire estate to the widow is exactly equal to 80 per cent of the Federal tax under the above act, or $1,067,600. The average tax on such a distribution is $846,026, but it should be pointed out that this average, as well as all the other averages, is considerably lowered by the fact that in eight States in which the community-property system is in force the tax is applied to but half the community estate. Under the progressive rate schedules, the tax is thus more than cut in half in these instances. Also, it should be pointed out that Nevada is included in computing the averages, and that State has no death tax.

Prior to the enactment of the Federal estate tax in 1916, the States did not realize much revenue from death taxes, collections in 1915 amounting to only $28,784,000. This was due both to the low rates then imposed and to the fact that a great many States did not tax direct heirs, to whom passes most of the property of decedents.

Increased rates and the extension of the inheritance taxes to direct heirs resulted in a continued increase in receipts, year by year, until in 1924, when the credit provision of the Federal law was first enacted, they had grown to over $80,000,000. This credit provision, which was first limited to 25 per cent of the Federal tax, naturally increased the State receipts still further, since many of the States either increased their rates or imposed new taxes to take advantage of the credit. In 1926, this credit was increased to 80 per cent of the Federal tax, and in 1930, with the credit provision fully operative, State receipts amounted to $180,794,000. What the recent decline in property values will have on death-tax receipts is unknown. It is certain, however, that the imposition of the additional Federal estate tax under the act of 1932, against which no credit is allowed for State death taxes paid, will not affect the State revenues since the credit provision applying to the tax imposed under the 1926 act has not been changed.

It is interesting to note that while in 1915, State death-tax receipts accounted for 7.9 per cent of all State revenues from taxes, in 1930, with receipts six times as great as those for 1915, they made up but 10.1 per cent of the total tax burden of the States. In other words, while revenues from death taxes have been constantly increasing, they have merely kept pace with the increase in other taxes.

(G) General Sales Taxes

The failure of the general property tax to provide sufficient revenue for the support of State and local governments has forced many States to seek other sources of revenue. While there has been some movement in the States toward a general sales tax, it appears that the majority of the States are still opposed to incorporating such a tax in their fiscal system. Most of them seem to favor either the income tax or sales taxes on specific objects. Arkansas and California rejected a general sales tax at the 1932 November election. In Kentucky, the House of Representatives passed a general sales tax bill of a very wide scope in 1932, but it met with such opposition from tradesmen and other business interests that it was finally killed in the

Senate. Florida and Texas both rejected a general sales tax in 1931. In Iowa, South Carolina, and Virginia, a general sales tax movement is under way but is meeting stubborn opposition. Georgia adopted a general sales tax in 1929 but later abandoned it for an income tax. New York has steadily refused to adopt such a tax. In Alabama and Illinois, general sales taxes are now being advocated. In Illinois, the chairman of the State Tax Commission has announced that he will recommend a sales tax similar to the one in Mississippi. The tax situation in Illinois is especially acute, due to the fact that the Illinois income tax has been declared unconstitutional by the supreme court of that State. The Illinois legislature has recently passed a law giving the counties authority to levy a 1 per cent tax upon all sales of tangible personal property and it is now before the governor for signature.

At the present time there are nine States which impose what might be termed "general sales taxes." These are Connecticut, Delaware, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Pennsylvania, and West Virginia. In addition to these States, general sales taxes are also imposed by Puerto Rico and the Philippine Islands. Before considering these taxes, it might be well to state the ordinary understanding of what is meant by a general sales tax. Perhaps the best explanation of this term is found in the "Report on Taxation in West Virginia," by Dr. Roy G. Blakey, which is as follows:

> The characteristic of a general sales or turnover tax is that it attaches, directly or indirectly, to all commodity and property sales in a prescribed general class or classes, such as sales at retail, sales at wholesale, manufacturers' sales, and so forth. Consequently, except for special exemptions and discriminations, it extends uniformly to all commodities and property entering into sales transactions. It will be seen from this description that it is, in reality, not one tax but a series of taxes. The general sales or turnover tax is not a distinct and single form; it is a classification under which several individual and differentiated taxes have been drawn together and grouped on the basis of certain common features and similarities. They may be divided into two classes: (1) Multiple turnover taxes and (2) single turnover taxes. If the tax is levied on several or all transfers or stages in the economic process—that is, on each stage from the raw materials that are used in the manufacture of the article through each transfer till it reaches the consumer—it is a multiple turnover tax. A single turnover tax is levied on only one of the stages through which the commodity travels, as in the case of a manufacturers' tax or retail sales tax. A multiple turnover tax, therefore, may include a severance tax, a manufacturers' tax, a tax on sales at wholesale, on retail sales, and many others, depending on the number of economic stages through which the commodity passes in reaching the consumer.

Adopting this definition as a base, we find that some States impose single turnover sales taxes and others multiple turnover sales taxes. There are, at the present time, seven States which impose a tax upon retail sales. These are Connecticut, Kentucky, Mississippi, Missouri, North Carolina, Pennsylvania, and West Virginia. Puerto Rico and the Philippine Islands also tax retail sales. These taxes are, in some cases, single turnover taxes and, in other cases, multiple turnover taxes. Kentucky and Pennsylvania appear to be the only States which have singled out retail sales as a special object of taxation. Delaware is perhaps the only State which taxes manufacturers alone, although in Mississippi, Missouri, and West Virginia, both manufacturers and producers are taxed as a part of their general sales-tax system. A complete description of the general sales taxes in these nine States, the Philippine Islands, and Puerto Rico follows:

CONNECTICUT

Tax on unincorporated businesses.—Connecticut levies an income tax upon corporations but not upon individuals, fiduciaries, partnerships, or associations. To secure revenue from the latter source, a license tax has been imposed since 1921 upon the privilege of carrying on business in an unincorporated form.

For the purpose of the tax, business is divided into three classes: (1) Manufacturing, (2) wholesale mercantile, and (3) retail mercantile. Each is defined nnder the statute, manufacturing being construed to include laundries, printing, publishing houses, plumbing, painting, decorating concerns, and restaurants.

The tax is assessed against the entire gross income for each calendar year or fiscal year, as the case may be. Gross income, in general, embraces all receipts from business within the tax year, without any deduction for labor, materials, or other expenses. It also includes receipts from goods sold in previous years but carried on an open account.

The rates of tax depend upon the classification in which the business falls and are as follows:

Manufacturing, $1 on each $1,000, or fraction thereof, of gross income.

Wholesale mercantile, 25 cents on each $1,000, or fraction thereof, of gross income.

Retail mercantile, $1 on each $1,000, or fraction thereof, of gross income.

The minimum tax payable is $5, but this may be abated in case the taxpayer is financially unable to make payment. A manufacturer is taxed at the manufacturing rate, whether his sales are made at wholesale or retail. In the case of wholesale dealers, if the wholesale business can be segregated from the retail business it will be taxed at the wholesale rate, otherwise the retail rate will apply. Annual returns showing the gross income are required to be filed on or before March 15, unless the tax commissioner extends the time for filing or unless the taxpayer is reporting on a fiscal year basis. When the tax year is changed a separate return is required immediately. This is also true in case the business is discontinued before the close of the tax year. The tax is payable within 75 days after the close of the tax year. In case the business is carried on for a part of a year, only that portion is subject to the tax. However, if the business is conducted for a period of less than 30 days the tax commissioner has authority to waive payment on any tax. The bulletin of the State tax commissioner, dated January 2, 1930, discloses that the receipts of the tax on unincorporated businesses in 1928 were $562,374 and that the cost of tax administration was $22,328, or about 4 per cent of the receipts. In that year there were 31,427 taxpayers.

The Connecticut tax is properly a gross-receipts tax rather than a sales tax. This is due to the fact that the gross income upon which the tax is imposed embraces the receipts from all activities of the business, whether derived from sales or not. It appears that the tax can be pyramided.

DELAWARE

Delaware has, since 1906, levied a license tax based upon the privilege of carrying on the business of manufacturing within the State. This tax is assessed upon the entire gross receipts received from manufacturing during the tax year June 1 to May 31. It is payable by all manufacturers, with few exceptions, engaged at any one place in the production, manufacture, or finishing by hand or machinery of goods, wares, and merchandise. Distillers, brewers, and producers of steam, gas, or electricity for heat, light, or power, as well as growers of farm products for home consumption are exempt from the tax. The law does not allow any deductions for those liable to the tax. If a manufacturer is in business for only a fractional part of a year, he is required to pay a tax based upon the gross receipts for such fractional period.

The rate of tax is very low, being one-fiftieth of 1 per cent (0.0002) of the gross receipts for the tax year. In addition, there is a flat charge of $5 and a filing fee of 50 cents for applying for a license.

The returns are required to be filed on or before June 1 and must show the gross receipts for the preceding tax year ending May 31. Payment of the tax, based upon the gross receipts, is required at the same time the return is filed. The flat charge of $5 is required to be paid at the beginning of each tax year. The tax is collected by the clerks of the peace in the counties, and information for the fiscal year ending June 30, 1930, discloses the collections to be less than $100,000.

This tax, like the Connecticut tax, is not strictly a sales tax, for the reason that it is based upon gross receipts from all sources instead of from the sale of manufactured goods. In general it can not be pyramided.

It might be mentioned that Delaware also has a law imposing an annual tax upon retail or wholesale merchants. However, such a tax can not be classed as a sales tax, for it is graduated according to purchases instead of according to sales. Under the Delaware statute, retail and wholesale merchants pay an annual flat tax of $5 plus $1 if the aggregate cost of goods, wares, or merchandise purchased by them during the year does not exceed $1,000. If the purchases do exceed $1,000, the rate is $5 flat plus 10 cents on each $100 of the aggregate cost value of all purchases. Wholesalers of grain, fruits, and vegetables pay a license tax of $5 plus 20 cents for each $1,000 of cost value of commodities purchased. Out-of-State concerns having branch stores in Delaware pay a license tax of $10 plus 10 cents per $100 of aggregate cost value of goods purchased in excess of $5,000.

KENTUCKY

Retail (gross sales) tax.—The Kentucky House of Representatives in 1932 passed a bill imposing a 1 per cent general sales tax. This bill met with strong opposition from merchants and other taxpayers, and was finally killed in the senate over the protest of the governor.

The only sales tax at present in force in Kentucky is an annual license tax for the privilege of opening, establishing, operating, or maintaining any store or stores for the purpose of selling goods, wares, or merchandise at retail. This tax was enacted in 1930 but did not become effective until March 17, 1931.

The Kentucky statute is admittedly directed at chain stores, but, unlike most chain-store taxes, the rates are not graduated according to the number of stores but according to the amount of gross sales. The term "stores" is defined in the statute to include "any store or stores or any mercantile establishment or establishments in this State which are owned, operated, maintained, or controlled by the same retail merchant, as defined herein, either domestic or foreign * * *." Thus, a chain-store organization operating more than one retail store in the State is required to add the gross sales from all such stores together, as they are taxed as a single unit. This, of course, makes the tax much greater than if each store were taxed separately, due to the progressive scale of rates employed.

The Kentucky statute exempts from the tax "those actually engaged in gardening or farming and selling garden or farm products raised by them in this State."

The rates of tax are briefly as follows:

Amount of gross retail sales	Rates
Up to and including $400,000	5 cents for each $100.
Over $400,000 to and including $500,000	$200 plus 10 cents for each $100.
Over $500,000 to and including $600,000	$300 plus 25 cents for each $100.
Over $600,000 to and including $700,000	$550 plus 40 cents for each $100.
Over $700,000 to and including $800,000	$950 plus 55 cents for each $100.
Over $800,000 to and including $900,000	$1,500 plus 70 cents for each $100.
Over $900,000 to and including $1,000,000	$2,200 plus 85 cents for each $100.
Over $1,000,000	$3,050 plus $1 for each $100.

For example, a store reporting gross sales of $400,000 for the tax year is liable to a tax of $200. Furthermore, 10 neighborhood stores under separate owners, doing an annual business of $100,000 each, must pay a tax of $50 each, or a total of $500. On the other hand, 10 chain stores under one ownership, each doing the same amount of business, must pay a tax of $3,050.

The payment of the retail gross sales tax does not exempt the taxpayer from the payment of any special state license, excise, or corporation license taxes. However, the taxpayer is entitled to credit these special taxes against his retail gross sales tax in an amount not in excess of such tax.

The administration of the law is in the hands of the State tax commission. Each retail merchant is required to file an annual return for the preceding calendar year, or on or before February 1, with the State tax commission. From this return and other information obtained from the taxpayer, the State tax commission ascertains the amount of tax due. The amount of such tax is then certified to the auditor of public accounts and to the retail merchant. The retail merchant is required to pay the tax within 30 days after such certification. Appropriate penalties are provided in the statute for the failure to make returns, furnish information, and pay the taxes certified within the required time. The Kentucky tax is the only one of its kind levied in the United States. It is a true sales tax, for the reason that no other item of income other than receipts from the sale of merchandise is included in the measure of the tax.

LOUISIANA

Louisiana imposes a graded license tax upon manufacturers, wholesalers, retailers, financial institutions, and practically all occupations. This tax is levied pursuant to the provision of the State constitution which since 1921 has required an annual license tax on various businesses and professional enterprises. The measure of the tax is the amount of gross receipts, both cash and credit, earned within or without the State, without any deduction for discounts, losses, freight charges, costs of goods, or expenses of any kind. Manufacturers selling to persons for resale, and dealers in bread, milk, and ice are exempt. Under the statute, each business subject to the tax is classified and varying flat rates are imposed according to the brackets within which the taxpayer's gross receipts fall. The flat rates may vary for the same class of taxpayer on the same amount of gross income in accordance with the population of the community. No attempt will be made here to list all the classes of business or the rates specified, but a few illustrations are given below:

Class of business	Rates	Measure
Wholesalers (23 brackets)	$25 to $6,000	Gross sales $25,000 to $10,000,000.
Retailers (28 brackets)	$10 to $6,000	Gross sales $5,000 to $5,000,000.
Manufacturers (34 brackets)	$5 to $4,000	Gross receipts $750 to $1,000,000.
Factors (22 brackets)	$30 to $4,000	Gross commissions $5,000 to $500,000.
Future brokers (200 brackets)	$50 to $10,000	Do.
Banks, trust companies (92 brackets)	$50 to $76,000	Capital, surplus, and undivided profits, $25,000 to $75,000,000.
Private banks (22 brackets)	$30 to $4,000	Capital, surplus, and undivided profits, $5,000 to $50,000.
Loan companies (7 brackets)	$350 to $5,000	$25,000 to $250,000.
Railroads	0.45 per cent	Gross receipts.
Other public utilities	$25 to $7,500	Do.
Professional business	$5 to $2,000	Gross receipts $750 to $1,000,000.

The tax for the current year is based upon the gross proceeds for the preceding year. In the case of a new business the tax is computed by taking the amount of business for the first two months multiplied by six, except that if the business is started after July 1, the rates of tax applicable to such business are cut in half. When two or more kinds of businesses are combined, or when two establishments of the same kind of business are owned by the same merchant, separate licenses are required. The licenses expire on December 31, and payments must be made between January 2 and March 1.

The sheriffs are empowered to make assessments after an examination of the taxpayer's books and to collect the tax. Taxpayers are required to keep a reasonable record of their gross sales. Payment of the annual tax must be made as a condition precedent to carrying on business within the State.

Municipalities and parishes are authorized to impose a like tax not to exceed that imposed by the State. However, those who pay a municipal license tax equal to that imposed by the parochial authorities are exempt from the parochial tax.

MISSISSIPPI

Mississippi first enacted a sales tax as early as 1815. It consisted of a tax of 25 cents per $100, on the amount of sales of merchandise within the year immediately preceding the 1st day of January in each and every year. This tax, with various changes in rates, was continued until 1870, when the general property tax was adopted. In 1930, Mississippi adopted a gross sales tax, which was replaced by the present sales tax enacted on April 30, 1932. This act was subsequently amended on May 18, 1932.

The Mississippi sales tax law now in force is an emergency measure, and expires on June 30, 1934. It taxes not only the business of extracting natural resources, including timber, but also the business of manufacturing, wholesaling, and retailing. Not even the receipts of doctors, lawyers, dentists, barbers, and other professional or personal service occupations escape. In fact, every occupation or calling subject to a special privilege tax imposed by the State is also subject to this tax. However, there are certain persons exempt from the tax. In brief, these are as follows:

1. Teachers, nurses, laborers, and all other persons not subject to a special privilege tax.
2. Electric or water plants owned or operated by municipalities.
3. Insurance companies paying a tax on their gross premiums.
4. Persons paying taxes under the seafoods act or the amusement tax law.
5. State and national banks.
6. Building and loan associations.
7. Mutual savings banks not having a capital stock represented by shares and which are operated exclusively for the benefit of depositors.
8. Labor, agricultural, and horticultural societies and organizations not operated for profit.
9. Business leagues, chambers of commerce, boards of trade, civic leagues, and organizations operated for the benefit of the community and for the promotion of social welfare.
10. Hospitals, infirmaries, or sanitaria.
11. Religious, charitable, scientific, and educational societies and organizations not operated for profit.
12. Cemetery associations and companies organized and operated exclusively for the benefit of their members.
13. Fraternal benefit societies, orders, or associations operating under the lodge system.

In addition to the above, the following are also exempt:

1. Proceeds from sales of stocks, bonds, or other evidences of indebtedness.
2. Amounts received under life insurance policies and contracts by reason of the death of the insured.
3. Amounts received other than amounts paid by reason of the death of the insured under life-insurance endowment or annuity contracts either during the term or the surrender value thereof, except the excess over the premiums paid on such policies.
4. Amounts received from the sale of school books where the price is fixed by contract.
5. Proceeds from sales made by persons who produce livestock, poultry, and other agricultural products, in the original state or condition of preparation for sale.
6. Proceeds from sales of fertilizers and seeds.
7. Proceeds from sales of boxes or crates used in preparing agricultural products for market.
8. Proceeds from sales of cotton or cottonseed in its raw state.
9. Proceeds from contracts to transport school children for counties or school districts.
10. Sale price of goods taken in exchange either for new goods or goods returned by customers where the selling price is refunded either in cash or by credit.
11. Proceeds from sales to the Federal Government or to the State of Mississippi or its departments, except to counties or municipalities.
12. Cash discounts allowed and taken on sales.
13. Sale price of any article accepted as part payment on any new article sold if and when the full sales price of the new article is in-

cluded in gross income or gross proceeds of sales as the case may be.

14. Proceeds from interstate or foreign commerce which can not be taxed under the Constitution.

The tax is measured generally by the gross income or gross proceeds from sales, depending upon the classification in which the business activity falls. In a few instances, value is used as a measure of the tax. Thus, if a producer or manufacturer ships his products outside of the State without selling them, the tax is assessed upon the value of such products at the time they were transported outside of the State and before they entered interstate commerce. Furthermore, if the articles produced by a manufacturer or producer, whose business is taxed, are not sold but are used by him in his own business, their use is deemed to constitute a sale and a tax is imposed upon their value. For example, street railways generating their own electric power in their own plants are taxed upon the value of such power. In all cases where value is made the measure of the tax, it is determined by rules prescribed by the tax commissioner. If the commissioner finds that gross proceeds from the sale do not reflect the true value because of the relationship between the buyer or seller, as in the case of sales between affiliated corporations, he is required to prescribe uniform and equitable rules for determining such value. An exemption of $1,200 is authorized to be deducted from the gross income, gross receipts or value as the case may be. This exemption is allowed for the full tax year of 12 months, or a proportionate amount is allowed for a less period of time. A deduction is also allowed for taxes collected on sales of tobacco, gasoline, or oil. For instance, if a package of cigarettes is sold at 18 cents the tobacco tax of 3 cents should be deducted from the gross sale and the actual price of 15 cents reported for the tax. The law also permits a deduction from the gross proceeds of mineral or manufactured products of the actual freight charges to the place of delivery. No deductions are allowed for cost of the property sold, expenses of any kind, or losses.

The following table shows the classifications applying to the different types of businesses and the rates of tax applicable to each class:

Class of business	Rate	Measure
Extractive industries:	*Per cent*	
Oil	2	Gross proceeds of sales.
Natural gas	2½	Do.
Timber	2	Do.
Limestone, sand, gravel	2	Do.
Other minerals	2	Do.
Manufacturing:		
General	¼	Do.
Cement and clay products	1	Do.
Bottled soft drinks	1	Do.
Retailers	2	Do.
Auto dealers	1	Do.
Wholesalers, jobbers	⅛	Do.
Public utilities (except electric or water systems municipally owned):		
Water and sewerage systems	2	Gross income.
Steam railroads, street railways	2	Do.
Sleeping and palace car companies	2	Do.
Telegraph and telephone companies	2	Do.
Express companies	2	Do.
Pipe-line companies	2	Do.
Motor-vehicle carriers	2	Do.
Electric, gas, light, and power—		
Industrial purposes	1	Do.
All other purposes	2	Do.
Contracting	1	Do.
All other businesses and professions	2	Do.

It should be noted that producers of natural gas are taxed at the highest rate (2½ per cent), whereas wholesale dealers are taxed at the lowest rate (one-eighth of 1 per cent). To prevent any undue advantage in case the producer or manufacturer sells direct to the consumer, the law requires such manufacturer or producer to pay an additional tax of 2 per cent of the gross proceeds of the retail sales. However, no additional tax is required of the manufacturer or producer, if he sells his products at wholesale. If a manufacturer sells his products for delivery outside the State, he is not required to pay the 2 per cent tax imposed upon retail sales, but he is required to include the gross income derived from such sales in the measure of his manufacturers' tax. Manufacturers are not required to include the mining or production value of natural resources in their gross proceeds of sales if their product is manufactured for sale in mills or plants located in the State and a manufacturers' tax is paid upon such products. The gross proceeds of sales of timber and minerals transported outside of the State are taxed at the rate of 2 per cent except natural gas, which is taxed at 2½ per cent. Producers of natural resources (except oil and gas) are not taxed on sales made to manufacturers subject to a manufacturers' tax, but they are required to report the gross proceeds from such sales in their returns. In practice, many retail dealers absorb the tax where the sales are very small but in most cases the tax is collected from the consumer at the time the sale is made. It appears that the tax can be pyramided.

The tax year is the calendar year except that if the taxpayer keeps his books upon a fiscal year basis, he may with the approval of the tax commissioner report for tax purposes upon such fiscal year basis. In order to secure prompt payment of the tax, every taxpayer is required to file on or before the 15th day of each month a monthly return which is not sworn to, showing the gross sales or gross income for the preceding month with the following exceptions:

1. If the tax for any one month does not exceed $10, a quarterly instead of a monthly return is required; and
2. If the tax for any one quarter does not exceed $10, no monthly or quarterly returns are required.

Payment of the tax shown on the quarterly or monthly return must be made at the time such returns are filed. Within 30 days after the close of the tax year, the taxpayer is required to file an annual return under oath and pay the amount of tax due thereon less the taxes already paid on the monthly or quarterly returns. However, if the taxpayer retires from business, he is required to file his final return and make payment of his tax within 30 days after the date of retirement. Under rules prescribed by the tax commissioner, cash and credit sales may be reported separately, and the tax on credit sales paid when the cash is actually received. If a person is engaged in both the wholesale and retail business, he is required to keep his wholesale accounts separate from his retail to avoid paying the retail rate on his sales at wholesale. If a person is engaged in two or more businesses subject to the tax, a consolidated return is required. This prevents avoidance of the tax, for it precludes one person engaged in several businesses from taking more than one exemption of $1,200.

The administration of the tax is under the control of the chairman of the State tax commission. The law requires taxpayers to keep appropriate records and imposes penalties for failure to comply with its requirements.

The law is of too recent date to reach any conclusions as to its effectiveness or the amount of revenue it will produce. The following information taken from statements made by Mr. Dewey Hilton Waits in an article on sales taxes, appearing in the November, 1932, Tax Magazine, and an article by Walter Davenport appearing in the November 19, 1932, issue of Collier's, may be of interest: The Mississippi sales tax, in effect for the period from June 1, 1930, to April 30, 1932, produced a revenue of $319,387.70, with a cost of collection of 8 per cent, The present tax has only been in effect since May. During the month of May it yielded $7,386, for June the receipts were $134,884, and for July the tax collections amounted to $183,825.

In a recent speech delivered by the Governor of Mississippi, he stated that the receipts from June to September 1, 1932, were in excess of $500,000, indicating an annual tax of $2,000,000.

MISSOURI

By an act passed in 1909 Missouri permits its municipalities to levy turnover taxes. Both St. Louis and Kansas City have taken advantage of this law and impose turnover taxes upon both manufacturers and merchants at the rate of 0.1 per cent. Manufacturers are taxed upon their total output, regardless of destination, and merchants upon their domestic sales. Kansas City has a somewhat similar tax.

NORTH CAROLINA

A gross sales tax was passed by the legislature of North Carolina in 1931. It is a license tax imposed upon merchants for the privilege of opening, establishing, operating, and/or maintaining any store, stores, mercantile establishment, place, or places of business for the purpose of selling goods, wares, or merchandise at wholesale or retail in that State. It is in addition to all other privilege or license taxes imposed upon merchants in that State. The amount of tax payable is measured by the volume of gross sales made by the merchant.

Gross sales are reckoned at the price at which sales were made, whether for cash or on time, and if on time, at the price charged on the books for such sales, without any allowance for cash discount, and must be reported as sales with reference to the time of delivery to the purchaser.

Accounts found to be worthless and actually charged off for income-tax purposes may at corresponding periods be deducted from gross sales in so far as they represent taxable sales made after June, 1931, and added to gross sales if afterwards collected.

When in the sale of a new article a secondhand or used article is taken in part payment, the sale of the new article must be reported at the full gross sale price. The resale of the secondhand or used articles taken in part payment of the new articles or the sale of articles repossessed by the vendor may be excluded from sales taxable under this act if separate record is kept of all such transactions.

Receipts from the sale of guano or fertilizer, as well as from sales by farmers of their own farm and garden products, are exempt from tax.

Rates of tax, gross sales for six months

Wholesalers:	
Not more than $50,000	$12.50
More than $50,000 and not more than $125,000	25.00
More than $125,000 and not more than $250,000	50.00
More than $250,000 and not more than $375,000	150.00
More than $375,000 and not more than $500,000	200.00
More than $500,000 and not more than $625,000	250.00
More than $625,000 and not more than $750,000	300.00
More than $750,000 and not more than $875,000	350.00
More than $875, 000 and not more than $1,000,000	400.00
Retailers:	
Not more than $5,000	5.00
More than $5,000 and not more than $12,500	12.50
More than $12,500 and not more than $25,000	25.00
More than $25,000 and not more than $50,000	50.00
More than $50,000 and not more than $125,000	125.00
More than $125,000 and not more than $250,000	250.00
More than $250,000 and not more than $375,000	375.00
More than $375,000 and not more than $500,000	500.00
More than $500,000	[1] 250.00

It will be observed that the tax on wholesalers is graded according to the volume of semi-annual gross sales. It ranges from $12.50 on sales not exceeding $50,000 to $400 on sales between $875,000 and $1,000,000. The tax on retailers is also graded upon the same basis. It ranges from $5 on sales of not more than $5,000 to $500 on sales of $500,000, with a tax of $250 for each additional $250,000 or fraction thereof.

Each place of business, although owned by the same merchant, is a separate unit for purpose of computing the tax and pays on the basis of sales made in that particular store.

Every merchant must, within the first 10 days of the months of June and December, make report to the commissioner of revenue of such merchant's gross sales for the preceding six calendar months and the tax is then due and payable.

The North Carolina tax is not a true sales tax, although it is measured by the volume of gross sales. It is technically a license tax graded by the amount of gross receipts from sales. Prof. Alfred D. Buehler in his book, "General Sales Taxation", makes the following observation in his discussion of the tax:

> It should be noted that graded license taxes, with a flat amount of tax for all taxpayers within a class, are relatively heavier on members of the group with the smallest sales. If these taxes are figured as a percentage of gross sales, the smallest enterprises in each class pay the highest rate of tax. To illustrate, a tax of $12.50 imposed on two wholesalers, the first with gross sales of $25,000 and the second with gross sales of $50,000 amounts to 0.05 per cent of the gross sales of the former and 0.025 per cent of the gross sales of the latter.

PENNSYLVANIA

Pennsylvania at the present time imposes two kinds of taxes which may be classed as general sales taxes. There are (1) the mercantile license tax and (2) the emergency retail sales tax. Each will be discussed in order.

Mercantile license tax.—The mercantile license tax has been in force in Pennsylvania since 1821. This is an annual license tax imposed upon retail dealers, wholesale dealers, and dealers at any exchange or board of trade in goods, wares, and merchandise. The tax

[1] For each additional $250,000 or major fraction thereof.

does not seem to apply to dealers acting as brokers, as there is a specific license tax upon brokers which is in lieu of all other license taxes. It is measured by the gross receipts from each place of business for the annual period commencing May 1 and ending April 30. In the case of retail and wholesale dealers, there is also a flat annual charge of $2 and $3, respectively. The rates of tax may be briefly summarized as follows:

Retail dealers	$2 plus 0.10 per cent of gross receipts.
Wholesale dealers	$3 plus 0.05 per cent of gross receipts.
Dealers on exchange	0.025 per cent of gross receipts.

The tax is due on or before August 1 of each year. It is collected by the State department of revenue. To prevent avoidance, all dealers liable thereto are required to place permanent signs at the entrance to their place of business describing the nature of the business and the dealer's name. This is similar in principle to the requirement of the Federal Government that all persons liable to a special tax must place and keep conspicuously in his establishment or place of business all stamps denoting the payment of said special tax. According to a report of the National Industrial Conference Board, the cost of collecting the tax in recent years has averaged about 7.8 per cent of the receipts from this source. The yield for the fiscal year 1931 appears to be about $4,000,000.

Emergency retail sales tax.—The emergency retail sales tax is, as its name implies, a temporary tax and was enacted for the purpose of providing funds for unemployment relief. It was passed on August 19, 1932, to be effective for the 6-month period from September 1, 1932, to February 28, 1933.

To use the technical wording of the statute, the tax applies to "sales of tangible personal property for any purpose other than for resale." In other words, it is limited to sales to consumers. It applies not only to sales by retail dealers but also to sales by manufacturers or wholesale dealers if such sales are made direct to consumers. There are certain classes of sales which are exempt from the tax. These include (1) sales by farmers of their own farm products; and (2) sales to Federal, State, or political subdivisions. To prevent pyramiding sales of raw materials and parts to be used as material in the making of property subject to tax are also exempt. For instance, sales of containers, cans, and crates in which goods are to be sold at retail are nontaxable. On the other hand, sales of machinery to be installed for the manufacture of goods to be sold at retail, as well as sales of materials to painters, paperhangers, plumbers, and electricians for use in their trade are taxable. The test of taxability in such cases seems to depend upon whether the materials are to become component parts of the goods manufactured or whether they are merely to be "consumed" in the process. In the second case, their sale is taxable; in the first, it is not. The tax is measured by the gross income from sales during the 6-month period the law is in effect. Gross income is defined as the value accruing from the sale of any tangible personal property, including receipts, cash, or credit. Securities and stocks and bonds are not regarded as tangible personal property within the meaning of the act. There is no deduction allowed for overhead expenses or for the cost of goods sold.

The rate of tax is very moderate, being only 1 per cent upon the gross income for the 6-month period. This rate is considerably less than that in the manufacturer's sales tax proposed in the Federal revenue bill of 1932, the rate under that bill being 2¼ per cent.

This tax is clearly a consumer's tax and the burden of paying it appears to fall on the buying public. Its enactment is of a too recent date to gather any figures or information as to whether it will operate equitably or as to the amount of revenue it will produce.

WEST VIRGINIA

West Virginia first enacted a sales tax law in 1921. This was replaced by the present statute, which became effective on July 1, 1925.

Under the West Virginia statute, a tax is levied upon all business enterprises conducted within the State. However, the statute does not tax receipts from professions, or from sales of farms and homes by the owners not made in the regular course of business. There are certain persons who are specifically exempt from the tax. In brief, these are as follows:

1. Insurance companies paying the tax on their gross premiums.
2. Mutual savings banks not having a capital represented by shares and which are operated exclusively for the benefit of their depositors.
3. Labor, agricultural, and horticultural societies and organizations not operated for profit.
4. Cemetery companies which are organized and operated exclusively for the benefit of their members.
5. Fraternal benefit societies, orders, or associations operating under the lodge system.
6. Mutual building and loan associations operated exclusively for the benefit of their members.
7. Religious, charitable, scientific, and educational societies and organizations not operated for profit.
8. Business leagues, chambers of commerce, boards of trade, civic leagues, and organizations operated for the benefit of the community and for the promotion of social welfare.

In addition to the above, the following also are exempt:

1. Proceeds from sales of stocks, bonds, or other evidences of indebtedness.
2. Proceeds from interstate or foreign commerce.

The tax is measured generally by the gross income or gross proceeds from sales, depending upon the classification in which the business actually falls. In a few instances, value is used as a measure of the tax. Thus, if a producer or manufacturer ships his products outside the State without selling them, the tax is assessed upon the value of such products at the time they were transported outside of the State and before they entered interstate commerce. In all cases where value is made the measure of the tax, it is determined by rules prescribed by the tax commissioner. Furthermore, if the articles produced by a manufacturer or producer, whose business is taxed, are not sold but are used by him in his own business, their use is deemed to constitute a sale, and a tax is imposed upon their value. If the tax commissioner finds that gross proceeds from the sale do not reflect the true value because of the relationship between the buyer or seller, as in the case of sales between affiliated corporations, he is required to prescribe uniform and equitable rules for determining such value. An exemption of $10,000 is authorized to be deducted from the gross income, gross receipts, or value, as the case may be. This exemption is allowed for the full tax year of 12 months, or a proportionate amount is allowed for a less period of time. No deductions are allowed for cost of property sold, or losses. The following table shows the classifications applicable to different types of businesses and the rates of tax applicable to each class:

Class of business	Rate	Measure
Extractive industries:	*Per cent*	
Coal mining	0.42	Gross proceeds of sales.
Oil production	1.00	Do.
Natural gas production	1.85	Do.
Other minerals and lumber	.45	Do.
Manufacturing	.21	Do.
Merchandising:		
Retailing	.20	Gross income.
Wholesaling	.05	Do.
Banks and public utilities:		
Banks	.30	Do.
Pipe lines and steam railroads	1.00	Do.
Telephone and telegraph, express, light, power	.60	Do.
Other utilities	.40	Do.
Contractors	.30	Do.
Amusements	1.00	Do.
Other business enterprises	.30	Do.

It should be noted that producers of natural gas are taxed at the highest rate (1.85 per cent), whereas wholesalers are taxed at the lowest rate (0.05 per cent). Mining and extractive industries are taxed on their gross sales with no deductions. The rates are higher upon the extractive industries so as to reimburse the State for the exhaustion of its natural resources. In this respect, they amount, in effect, to a severance, or depletion tax. In the case of manufacturing, retailing, wholesaling, banks, and utilities, the tax is levied upon gross income with deductions for freight charges, trade discounts, and cash discounts.

West Virginia allows a specific exemption of $10,000 for each class of business, whether operated by the same person or not. However, when two or more businesses operated by the same person fall under the same classifications, the exemption is prorated among the several businesses. The following example taken from the rules and regulations of the State tax commissioner shows how this rule is applied:

A coal company's return shows the following:

Gross value of coal produced	$100,000
Gross proceeds from sale of manufactured coke	75,000
Gross sales of merchandise at wholesale	50,000
Gross sales of merchandise at retail	50,000
Gross income from rentals and other sources	25,000

The company may claim the $10,000 exemption as follows:

Production of coal	Full exemption of $10,000.
Sale of manufactured coke	Full exemption.
Selling at wholesale and retail	$5,000 for wholesale business. $5,000 for retail business.
Gross income from rentals and other sources	Full exemption.

The tax year is the calendar year, except that if the taxpayer keeps his books upon a fiscal year basis, he may, with the approval of the tax commissioner, report for tax purposes upon such fiscal year basis. The taxes levied under the statute are payable in quarterly installments. Within 30 days after the expiration of each quarter, the taxpayer is required to estimate the tax for which he is liable for such quarter, verify the same under oath, and mail it, together with a remittance, to the office of the State tax commissioner. In estimating the amount of the tax due for each quarter, the taxpayer may deduct one-fourth of the total exemption for the year. If, however, the total tax does not exceed the sum of $100 in any one year, payment is not required until the end of the month following the close of the tax year. Within 30 days after the close of the tax year, the taxpayer is required to make an annual return under oath and pay the amount of the tax due thereon less the taxes already paid on the quarterly returns. If an error is made by the taxpayer in computing his tax, the tax commissioner is authorized to correct such error and assess the deficiency against the taxpayer. Any additional tax for which the taxpayer is liable must be paid within 10 days after the receipts of notice of such assessment. The administration of the law is under the control of the State tax commissioner. The law requires the taxpayer to keep appropriate records and imposes penalties for failure to comply with its requirements.

The following data contained in the Report on "Taxation in West Virginia", submitted by Dr. Roy G. Blakey to the Governor of West Virginia on December 27, 1930, may be of interest:

The total amounts collected by the State under the gross sales tax law since 1921, including the year which closed June 30, 1930, aggregate $28,179,558.37, the annual yield since 1925 being between $3,500,000 and $4,000,000. The different types of businesses and enterprises have contributed the following per cent of the total:

	Per cent
Coal	30.07
Oil and gas	11.77
Clay, sand, etc	.83
Timber	.44
Total extractive production	43.11
Manufacturing	23.64
Sales exclusive of wholesale	16.53
Sales—wholesale	2.16
Banks and public utilities	7.87
Other businesses	6.69
Total	100.00

Using 1927, the most productive year of the tax, as a basis of comparison, the State collected $4,076,143.19 from the gross sales tax, which represented 23.8 per cent of the total collected in taxes for State purposes and 6.3 per cent of the combined State and local revenue.

The following table compiled by the National Industrial Conference Board from data gathered by Doctor Blakey shows the receipts from the West Virginia sales tax, the cost of collection, and the ratio of collections from this tax to the total State collections:

Year	Net collections	Cost of collection	Ratio of collection cost to net collections	Ratio of net collections to— Total State tax collections	Ratio of net collections to— Total State and local tax collections
			Per cent	Per cent	Per cent
1922	$1,462,379.28	$56,720.81	3.88	15.2	3.4
1923	2,708,366.73	55,398.97	2.05		
1924	3,065,976.16	44,157.23	1.45	23.5	5.4
1925	2,551,099.12	43,072.32	1.69	18.4	4.4
1926	3,159,152.82	45,096.23	1.43	20.3	5.1
1927	4,076,143.19	44,859.36	1.10	23.8	6.3
1928	3,805,078.02	43,001.51	1.13	20.3	5.6
1929	3,656,632.31	43,781.22	1.20	18.5	5.2
1930	3,704,730.75	43,574.03	1.18	18.0	5.2

In a letter from W. B. Calder, chief of the Gross Sales and Gas Tax Bureau of the State of West Virginia, dated November 10, 1930, the following comment is made as to the cost of collection:

> There is no difference in the cost of collection as between different businesses. There is, however, a difference in the cost of collection as between a large taxpayer and a small one; also between a voluntary taxpayer and a delinquent taxpayer. It is impossible, however, to reduce these differences in costs to figures, as there is only a small part of our costs which is direct, most of it consisting of auditing, clerical, and other indirect costs.

The Supreme Court has upheld the constitutionality of the West Virginia statute upon the ground that it does not violate the equality and uniformity clause of the State constitution. It appears that the West Virginia sales tax may be pyramided.

PHILIPPINES AND PUERTO RICO

The Philippine Islands levy a tax of 1.5 per cent upon the "gross value of all goods, wares, and merchandise sold, bartered, or exchanged for domestic consumption." The tax also applies to services of telephone and telegraph companies, light, heat, and power plants. Sales of commodities taxed under the liquor, tobacco, and other special tax laws are exempt.

Doctor Buehler in his book on "General Sales Taxation" points out that the law also allows the following exemptions:

> The present law exempts from taxation persons selling food products at retail in the public markets, and other small merchants whose gross quarterly sales do not exceed 200 pesos, peddlers and sellers of farm produce operating fixed stands whose total daily sales do not exceed 3 pesos and who do not renew their stock more than once daily, and producers of commodities who work in their own homes as one family when the value of each day's production by each person capable of working does not exceed 1 peso. The commodities exempted from the sales tax include articles imported and later exported, goods subject to special taxation and agricultural products and salt when sold by the producer or the owner of the land or by any person not a merchant or a commission merchant.

The tax is payable quarterly and is based upon quarterly returns. The taxpayer is required to keep appropriate records and penalties are provided for failure to comply with the law.

Puerto Rico imposes a tax at the rate of 2 per cent upon the sale of all commodities not subject to excise taxes. The tax applies to the first taxable sale or use of an article and is not collected thereafter. It is payable by stamp and monthly sales not over $100 are not taxed. Sales by farmers, and sales of foodstuffs, fuels, fertilizers, electricity, newspapers, and books are exempt.

From this general description of the sales taxes in the various States, the following conclusions may be drawn:

1. In all the States imposing general sales taxes, the tax is computed upon the basis of gross sales or gross income during a fixed period. In the case of Mississippi and West Virginia, the value of the property as determined by the State tax commission is sometimes used as a measure of the tax.

2. In no case does any State attempt to tax each sale when made. However, as a practical matter, the tax in many cases is collected from the purchaser at the time of sale. In the case of very small sales, the tax is often absorbed by the vendor.

3. The most effective State general sales taxes from a revenue standpoint exist in West Virginia, Mississippi, and possibly Penn-

sylvania. From 1924 to 1930, inclusive, the West Virginia tax has produced about 5 per cent of the total State and local tax collections, and on the average about 20 per cent of the tax collections for State purposes. In Mississippi, the tax collections from its general sales tax up to September, 1932, exceeded $500,000, according to a statement of the governor of that State, although the sales tax law was not enacted until May of that year. It is predicted that this tax will yield at least $2,000,000 for the full tax year. No figures are available on the Pennsylvania tax, but as it consists of a flat tax at the rate of 1 per cent upon the gross income from sales to all consumers, with few exemptions, its yield will undoubtedly be large.

4. The classification of the various types of businesses and occupations taxed under the various State general sales tax laws, is not uniform. This is shown by the following table:

Connecticut	Manufacturing, wholesale mercantile, retail mercantile.
Delaware	Manufacturing.
Kentucky	Retail stores.
Louisiana	Practically all types of business enterprises.
Mississippi	Practically all business enterprises, including receipts from professions and other occupations subject to a special privilege tax.
Missouri	Manufacturers and merchants.
North Carolina	Retailing and wholesaling.
Pennsylvania	Retail dealers, wholesale dealers, dealers on exchanges or boards of trade.
	Sales to consumers.
West Virginia	Practically all business enterprises.

All States exempt sales of farm products from the tax. In addition, Delaware exempts distillers, brewers, and producers of steam, gas, or electricity for heat, light, or power. North Carolina exempts receipts from guano or fertilizer. Most States exempt sales to Federal, State or political subdivisions and proceeds from interstate or foreign commerce which can not be taxed under the Constitution. Stocks and bonds and other evidences of indebtedness are also exempt from the general sales taxes in the States. Both Mississippi and West Virginia contain a long list of exemptions from their general sales taxes. These exemptions are set forth in full under the description of those State taxes. In no case are deductions allowed for cost of property sold, expenses of any kind, or losses. Except in the case of Louisiana, freight charges, cash discounts and trade discounts are allowed as deductions.

5. The rates of tax imposed upon the different businesses vary considerably in the various States. For a comparison of these rates in the case of manufacturers, wholesale dealers, and retail dealers, see Exhibit 11 of the appendix. To prevent a manufacturer or producer from gaining any undue advantage by selling directly at retail, the Mississippi law provides that the retail tax of 2 per cent shall apply to sales by manufacturers or producers at retail, in addition to the manufacturers' or producers' tax.

6. Both Mississippi and West Virginia seek to avoid constitutional restrictions upon interstate commerce in the case of the extractive and manufacturing industries by taxing the act of producing or the act of manufacturing, and measuring the tax by the sales value of the commodities produced or manufactured. This rule can not be applied to wholesale or retail sales, for the reason that such sales are generally not complete until delivery of the goods to the consumer.

7. The consolidated return has found its way into the sales tax system. However, it can not, as in the case of the income tax, be used as a device for reducing the tax, because under sales tax laws, losses are not allowed as deductions. Moreover, in Mississippi the consolidated return prevents reduction of sales taxes by allowing only one exemption to businesses owned by the same person. While West Virginia allows an exemption of $10,000 for each class of business, when two or more businesses fall under the same classification, the exemption is prorated among them.

8. Both Mississippi and West Virginia tax articles produced by a manufacturer or producer which are not sold by him but are used in his own business. In such cases the use is deemed to constitute a sale and a tax is imposed upon the value of such articles as determined by the tax commission. For example, street railways generating their own electric power in their own plants are taxed upon the value of such power. This prevents discrimination against the smaller companies who purchase their electric power instead of generating it.

9. Some States provide for a minimum tax. For instance, Connecticut imposes a minimum tax of $5. Other States, like Mississippi and West Virginia, provide exemptions of $1,200 and $10,000, respectively. By such a means many of the administrative difficulties which would be encountered in checking up the small-tax payers, who keep inadequate records, are avoided.

10. Mississippi requires monthly returns and monthly tax payments which are supplemented by annual returns filed at the close of the tax year. By this system the State is enabled to secure revenue from the sales tax promptly without waiting until after the close of the tax year. Reports from Mississippi indicate that such a system is not encountering any administrative difficulties.

11. The cost of collection of the general sales taxes imposed in both Mississippi and West Virginia appears to be low. From statements taken from the newspapers and other sources it appears that the cost of collection in Mississippi during the period from June 1, 1930, to April 30, 1932, was only 8 per cent and that the cost of collection under the new law enacted in May, 1932, will amount to only about 4 per cent. In West Virginia the cost of collection has been steadily decreasing from 3.88 per cent in 1922 to 1.18 per cent in 1930.

Before leaving this discussion of State general sales taxes it might be well to give a brief summary, without regard to the merits, of some of the principal arguments advanced for and against the gross sales tax, and collected from various sources:

ARGUMENTS FOR THE GROSS SALES TAX

1. It is a good revenue producer.

2. It is more stable than the income tax, for the reason that it is not dependent upon profits but upon sales which must take place in times of depression as well as in times of prosperity.

3. It is easily and cheaply computed by the taxpayer. The only record required is a record of sales and the taxpayer does not have to maintain a complicated bookkeeping system, as is the case for the income tax.

4. The rates of the tax may be so adjusted as to impose, in effect, a severance or depletion tax so as to reimburse the State for the extraction and exhaustion of natural resources.

5. It has wide application and, therefore, does not discriminate between different industries like the selective sales taxes.

6. It requires concerns having net losses to bear their fair share of the tax burden and in this respect has a great advantage over the income tax. This is due to the fact that a tax is required on sales, whether the taxpayer is making profits or not. The successful dividend earning business, therefore, can not complain that the careless, unsuccessful, unprofitable business does not pay for the protection of the State.

7. It requires a fewer number of reports than an income tax, for, in most cases, reports would only be made by business concerns.

8. The motive for evading a general sales tax by business concerns immediately responsible for payment to the Government is not so great as in the case of an income tax, since business concerns that pay the sales tax do not ordinarily bear the total burden, while under an income tax those who pay also bear the burden.

9. A State gross sales tax is not shifted upon consumers to the same extent as a national tax, because producers and distributors must meet outside competition.

10. The products of business and industry on which the gross sales tax is levied are largely sold outside the State and the ultimate consumer, therefore, contributes something to the payment of the tax.

11. Where a sales tax is shifted to consumers, it does not burden producers and is little felt by consumers, who pay it in convenient driblets as they purchase commodities.

12. It requires practically all persons to contribute something toward the support of the State.

ARGUMENTS AGAINST THE GROSS SALES TAX

1. It violates the fundamental principle of ability to pay, because it requires a taxpayer to pay a tax regardless of whether he has any income or property.

2. It lays heavier burdens upon the necessities than upon the luxuries of life, and upon the poor more than upon the rich.

3. It discourages the development of new and promising industries by taxing them while getting on their feet, even though they are making no net profit. A net income tax would be much more favorable to them and later would secure revenue when they are able to pay.

4. A gross sales tax, if heavy enough to yield substantial revenues, is particularly injurious to industries and businesses with large turnovers sold at narrow profit margins. That is, if the tax can not be passed on it is especially antagonistic to the economies of mass production with specialized and expensive machinery, in other words, to the type of industry that has put America in the forefront of the world.

5. Its administration brings the problem of trying to fix equitable and proportional rates of taxation between different classes of business and professions in the same class. For instance, a general rate is usually fixed on several classes of public utilities, but within those classes are often corporations or persons doing business in such a way that the general tax rate is actually a penalty. Rates are therefore

fixed arbitrarily and necessarily allow some properties to escape their just proportion of taxation.

6. It penalizes a home business man by subjecting his sales to a tax while an out-of-state company, such as a mail-order house, would not be taxed.

7. A person with a small income will under a sales tax pay more proportionally than a person with a large income. For instance, a person who receives $2,500 a year spends most of what he makes, while the man who receives $1,000,000 a year spends a comparatively small part. It seems more equitable to tax a man on what he receives than on what he spends.

8. When applied to retail sales, it is distinctly a nuisance tax.

9. Methods adopted to prevent the pyramiding of a general sales tax complicate the administration and since a net income tax does not pyramid, it is superior in this respect.

10. Greater difficulty is likely to arise in distinguishing taxable and nontaxable transactions under a general sales tax than under a general income tax.

11. If a general sales tax is enacted by some States and not by others, the practice of bootlegging commodities within the State would become very widespread. This is shown by the present practice of bootlegging motor fuels, although only a single product is sold.

12. The interstate commerce clause and the import clause of the Federal Constitution seriously interferes with the operation of a general sales tax.

(H) Special Sales Taxes on Specific Items

In addition to, or in lieu of, the foregoing sales taxes of a general nature, all of the States impose one or more special sales taxes on specific items. These taxes may be divided into two groups, according to whether they are imposed upon tangibles or intangibles. Among the taxes levied upon tangibles may be mentioned those on automobiles, candy, ammunition, gasoline, mechanical refrigerators, oleomargarine, playing cards, soft drinks, tobacco, brewers' wort, and malt. Of these, the tax on gasoline is perhaps the most outstanding, not only because of its universal imposition but from the standpoint of revenue as well. Taxes levied upon intangible items include those on admissions to places of amusement, issues and transfers of corporate bonds and capital stocks, deeds of conveyance, electrical energy, and the transportation of oil by pipe line. Many of these items are included within the scope of the general sales taxes imposed by certain States, but in this discussion of special sales taxes no account is taken of these general sales taxes. The special levies which are most important will be briefly discussed.

AUTOMOBILES

A special tax upon automobiles, aside from license taxes, is imposed in only one State, South Dakota. The levy takes the form of a registration tax amounting to 3 per cent of the value of the automobile, based upon the original factory f. o. b. retail list price. On cars registered within one year of manufacture and delivery, the rate is applied to the full factory price, but the valuation is reduced where the registration is made after that time, reaching a minimum of

25 per cent where it occurs more than three years after manufacture. Though not strictly a tax on the sale of automobiles, it does, in a way, relate back to the original purchase price, and hence has the practical effect of a sales tax.

CANDY

South Carolina is the only State which levies a special tax upon candy. The tax applies only to that retailing for 50 cents or more per pound, the rate being 1 cent for each 10 cents or fraction of the selling price. Individual factory-wrapped packages retailing for 10 cents or less are exempt.

AMMUNITION

South Carolina, also, is the only State levying a tax on ammunition. Shotgun or other shells, and all cartridges of .23 caliber or greater, are taxed at the rate of $4 per thousand rounds.

GASOLINE

A tax on gasoline is levied by all of the States, and also by the District of Columbia and the Territory of Hawaii. The first tax on this commodity was levied by the State of Oregon in 1919. Beginning with 1921, the States rapidly began to adopt this levy as a source of revenue. New York was the last State to impose a tax on gasoline, its levy dating from May 1, 1929.

The first gasoline taxes were imposed at comparatively low rates, ranging from one-fourth cent to 2 cents per gallon. There has been a marked tendency, however, to gradually increase the rates, and they now range from a minimum of 2 cents to a maximum of 7 cents. As of June 1, 1932, the 2-cent rate was imposed in 3 States and the District of Columbia; the 3-cent rate in 12 States and the Territory of Hawaii; the 4-cent rate in 17 States; the 5-cent rate in 9 States; the 6-cent rate in 5 States; and the 7-cent rate in 2 States. The jurisdictions in which these respective rates are imposed are as follows:

Two cents: Connecticut, Missouri, Rhode Island, and the District of Columbia.

Three cents: California, Delaware, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Pennsylvania, and the Territory of Hawaii.

Four cents: Colorado, Indiana, Maine, Maryland, Nebraska, Nevada, New Hampshire, Ohio, Oklahoma, Oregon, South Dakota, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming.

Five cents: Alabama,[1] Arizona, Idaho, Kentucky, Louisiana, Montana, New Mexico, Virginia, and Washington.

Six cents: Arkansas, Georgia, Mississippi, North Carolina, and South Carolina.

Seven cents: Florida and Tennessee.

It appears that the State of North Carolina, in addition to its tax of 6 cents per gallon, also imposes a tax on retailers of gasoline equal to 5 per cent of the gross sales over $5,000.

But even this does not represent the entire burden. Many of the counties and cities also impose additional gasoline taxes. While the information on county and city gasoline taxes is not complete, it appears that county gasoline taxes are levied in Alabama, Louisiana, and Mississippi, as follows:

In Alabama, Mobile County levies a tax of 1.5 cents per gallon and Montgomery County, 1 cent. No information is available as to the other counties.

[1] Increased to 6 cents on Nov. 5, 1932.

In Louisiana, 47 of the 64 parishes levy a gasoline tax of 1 cent per gallon.

In Mississippi, Hancock and Jackson Counties impose a 2-cent gasoline tax and Harrison County, a 3-cent gasoline tax.

The cities of five States, namely, Alabama, Florida, Louisiana, Missouri, and New Mexico, also impose gasoline taxes.

In Alabama, the cities of Mobile and Montgomery impose a gasoline tax of 1 cent per gallon. In addition, 20 towns and cities levy a tax of 2 cents per gallon; 2 towns and cities, 1½ cents per gallon; 109 towns and cities, 1 cent per gallon; 1 town, ¼ cent per gallon; and 1 town, ⅛ cent per gallon.

In Florida, a 1-cent gasoline tax is imposed by 14 cities, namely, Bay Harbor, Bronson, Chipley, De Funiak Springs, Lynn Haven, Marianna, Milleville, Palatka, Panama City, Pensacola, St. Andrews, St. Augustine, Wewahitchka, and Williston.

In Louisiana, New Orleans levies a city gasoline tax of 1 cent per gallon.

In Missouri, 53 cities levy gasoline taxes ranging in rates from one-fourth cent per gallon to 1 cent per gallon. Twenty-nine of these cities levy a tax of 1 cent a gallon, including Kansas City and St. Joseph. Twenty-three levy a tax at the rate of one-half cent a gallon, including St. Louis. One, Caruthersville, taxes gasoline at one-fourth cent a gallon.

In New Mexico there are six cities levying a gasoline tax. These cities are Belen, Clovis, Gallup, Magdalena, Santa Fe, and Socorro. The tax rate in all the cities is 1 cent per gallon, except in Clovis, which imposes a tax of one-fourth cent per gallon.

In most States the tax is imposed on the distributor of the gasoline, and it is passed on by him to the retailer and by the latter to the consumer. A large majority of the States allow refunds where the gasoline is used for other purposes than as motor-vehicle fuel. Receipts from gasoline taxes are used principally for road construction and maintenance, although in a number of States they are sometimes diverted to other uses. Thus, in Florida, for example, nearly half the collections go into the State general fund. In 1931 the net earnings from State motor-vehicle fuel taxes were over $500,000,000.

LUBRICATING OIL

In Alabama there is a tax of 2 cents per gallon on lubricating oil sold by dealers. This is the only State having such a levy. In addition, several towns and cities in Alabama tax this commodity.

MECHANICAL REFRIGERATORS

North Carolina imposes a tax on mechanical refrigerators, and is the only State having a special levy on this item. The tax is imposed on dealers at a rate of 1 per cent on the retail sales.

MALT AND WORT

Malt is taxed in seven States, namely, Arkansas, Georgia, Michigan, Mississippi, South Carolina, South Dakota, and Tennessee. In four States, the tax is based on weight, varying from a minimum rate of 2 cents per pound to a maximum of 5 cents per pound. The other three States base the tax on the selling price. Thus, in Arkansas the rate is 1 cent for each 10 cents of fraction of the retail price, while

South Dakota imposes an equivalent rate of 10 per cent of the gross retail price. Georgia imposes the lowest rate, which is one-half of 1 per cent of the gross receipts of manufacturers or dealers.

Michigan is the only State levying a tax on brewers' wort. Its rate is 5 cents per gallon.

OLEOMARGARINE

A special tax on oleomargarine is imposed in 13 States, all of which are butter producers. This tax is imposed less for revenue purposes, perhaps, than to regulate the manufacture and sale of butter substitutes and to discourage their use. The rates of tax vary from 5 to 15 cents per pound. Two States, Idaho and Utah, have a higher rate on yellow oleomargarine than on that which is uncolored. The States imposing this tax, together with the respective rates levied, are as follows:

Five cents: Idaho (not yellow), Iowa, Tennessee, and Utah (not artificially colored).

Six cents: Wisconsin.

Ten cents: Idaho (if yellow), North Dakota, Oklahoma, Oregon, South Dakota, Utah (if artificially colored), and Wyoming.

Fifteen cents: Colorado, Nebraska, and Washington.

PLAYING CARDS

Only one State, South Carolina, imposes a special tax on playing cards. The rate is 5 cents for each 50 cents or fraction of the retail price.

SOFT DRINKS

Special taxes on soft drinks are levied in five States, namely, Alabama, Georgia, Missouri, South Carolina, and Tennessee. In Alabama, Georgia, and Tennessee the tax takes the form of a levy on the carbonic-acid gas used by soft-drink dealers, the rates varying from 2 cents to 5 cents per pound. Georgia also has a tax on manufacturers and distributors of fountain sirups of one-half of 1 per cent of the gross receipts. Missouri levies a tax of 5 cents per gallon on fountain sirup and three-fifths of 1 cent per gallon on soft drinks. In South Carolina there is a tax of 76 cents per gallon on fountain sirups and a tax on bottled soft drinks of 1 cent for each 5 cents or fraction of the retail price.

TOBACCO TAXES

Taxes on the sale of cigarettes are levied in 13 States, while 6 States impose a tax on cigars, 5 tax cigarette papers, and 3 tax manufactured tobacco.

The States taxing cigars are Alabama, Arkansas, Georgia, Mississippi, South Carolina, and Tennessee. The South Carolina tax ranges from 1 cent for each 10 cigars weighing less than 3 pounds per thousand to $10 per thousand on those retailing for more than 3 cents each. In the other States, the tax on is an ad valorem basis, ranging from 10 per cent of the retail price in Arkansas, Georgia, and Tennessee, and 15 per cent of the wholesale price in Alabama, to 20 per cent of the retail price in Mississippi.

Cigarette taxes are levied in Alabama, Arkansas, Georgia, Iowa, Kansas, Mississippi, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Texas, and Utah. The rates of tax are usually expressed in terms of so many mills per cigarette, or, at what amounts to the same thing, at so much per thousand, or 10 or 20 cigarettes. In the States using this basis, of which there are nine, the rates on ordinary cigarettes range from 1 mill (one-tenth of 1 cent) per cigarette to the equivalent of 2½ mills per cigarette. Thus, on a package of 20 cigarettes, the tax in these States would range from 2 cents to 5 cents. In three States of this group, a higher rate is imposed on cigarettes weighing more than 3 pounds per thousand than on those weighing less than that amount, reaching a maximum of 3.6 mills per cigarette in Texas, and in the case of cigarettes retailing for more than 1 cent each Tennessee imposes a rate of 20 per cent of retail price in lieu of its 2-mill tax.

Three States base their rate on the retail price, Georgia imposing a tax of 20 per cent, and Mississippi and South Carolina levying a rate of 1 cent for each 5 cents of the selling price. In Alabama, the rate is 15 per cent of the wholesale price.

Cigarette papers are taxed in Iowa, Kansas, North Dakota, South Dakota, and Utah, the rate in each State except Kansas being one-half cent for each 50 papers or fraction. In Kansas, the rate is 1 cent for each 50 papers.

Manufactured tobacco is taxed in Tennessee at the rate of 10 per cent of the retail price, while in South Carolina smoking tobacco is taxed at the rate of 1 cent for each 5 cents of the retail price and snuff at the rate of 1 cent for each 3 ounces or fraction. For table comparing rates in the several States see statement on tobacco taxes under Double Taxation, section 4 (d) (2).

State receipts from tobacco taxes amounted to approximately $13,825,000 in 1931. For table of revenue receipts from tobacco for 1930 and 1931 see statement on tobacco taxes under Double Taxation. In Alabama, Arkansas, and Tennessee, the revenues from this source are used exclusively for school purposes, while in Texas one-half the collections go into the school fund.

ADMISSIONS

Taxes on admissions to places of amusement are levied in 23 States and in the Territory of Alaska. In Mississippi, South Carolina, and West Virginia, the tax applies to admissions in general. In the first two of these States, the rate is 1 cent for each 10 cents or fraction of the admission price, while in West Virginia it is $1 for each $100 of gross receipts, with an exemption of $10,000. In the other jurisdictions, the tax is confined to boxing and wrestling exhibitions, although Illinois also has a special tax of 20 cents per person on admissions to horse races.

The jurisdictions in which the tax applies to boxing and wrestling are Alaska, Colorado, Connecticut, Idaho, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, Pennsylvania, South Dakota, Wisconsin, and Wyoming. Of this group, New Hampshire imposes the lowest rate, 3 per cent of the gross receipts, while 12 jurisdictions impose a rate of 5 per cent and 8 a rate of 10 per cent of the gross receipts.

A number of other States, including Connecticut, have various taxes on places of amusement, but these levies are more in the nature of license taxes and are therefore out of place in the present discussion. The Connecticut tax, for example, is based on seating capacity, and ranges from 50 cents to $12 per day.

BONDS, ISSUE AND TRANSFER

Four States, Alabama, Florida, Indiana, and South Carolina, tax the original issue of corporate bonds. In Florida and South Caroline, the rate is 10 cents per $100 of face value, while in Alabama it is 50 cents per $1,000 of such value. Indiana imposes a rate of one-fourth of 1 per cent on the face value of public-utility bonds and one-twentieth of 1 per cent on other corporate bonds.

Only the State of Florida imposes a tax on the transfer of bonds, its rate being 10 cents per $100 of face value.

STOCKS, ISSUE AND TRANSFER

The same States which tax the original issue of bonds also tax the original issue of capital stock of corporations. The rates are the same as on bonds, except that in South Carolina a distinction is made between stock having a par value and that which has no par value. The former is taxed at the rate of 10 cents per $100 of par value, the latter at the rate of 10 cents per share.

Stock transfers are taxed in five States, namely, Florida, Massachusetts, New York, Pennsylvania, and South Carolina. Because of the presence of the New York Stock Exchange in that State, the New York tax is by far the most important of these levies. In Massachusetts and Pennsylvania, the rate of tax is 2 cents per $100 of par or face value; in New York and South Carolina, 4 cents; and in Florida, 10 cents. In New York, Pennsylvania, and South Carolina, stock having no par value is taxed at the same rate per share as is stock having a par value of $100.

DEEDS OF CONVEYANCE

Deeds of conveyance are taxed in three States, namely, Alabama, Florida, and South Carolina. The rates in Alabama and Florida are, respectively, 50 cents for each $500, or fraction thereof, of value, and 10 cents for each $100 of value. In South Carolina, the rate is $1 for each $500 of value, or fraction thereof.

ELECTRICAL ENERGY

Seventeen States and the Territory of Alaska impose a tax on producers of electrical energy which is in addition to property taxes in those jurisdictions. On the other hand, three States, and the District of Columbia and Territory of Hawaii, have similar taxes which are in lieu of property taxes. There may be some question whether these levies may properly be considered as special sales taxes, but inasmuch as the tax is generally based on either the gross income or output of the company it is doubtless considered in rate making and is thus passed on to the consumer. Since those levies which are in lieu of property taxes have been discussed under "Privilege or Franchise taxes," only those which are in addition to property taxes will be referred to in this description of State sales taxes on specific items.

Those States levying such a tax, in addition to the Territory of Alaska, are Alabama, Connecticut, Delaware, Idaho, Maryland, Mississippi, Nevada, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Vermont, Virginia, and West Virginia. The Nevada tax is 2 per cent of the net income of the producing company, while in Oregon the tax varies from $1 to $3,000 according to the gross volume of business. Idaho, South Carolina, and Vermont levy a tax of one-half mill per kilowatt-hour of output, and Alabama a tax of two-fifths mill per kilowatt-hour. In all the other jurisdictions, the rate is based upon the gross receipts, and Alabama and South Carolina also have a separate tax levied on this basis. In this group of States, the rates range from a minimum of 0.1 per cent in Delaware to a maximum of 5 per cent in North Carolina. In Alabama, there is also a city tax of 2 per cent of the gross sales in addition to the State tax. For table comparing rates in the several States, see statement on electrical energy under "Double Taxation," 4 (d) 3.

TRANSPORTATION OF OIL BY PIPE LINE

Nine States impose a tax on the transfer of oil by pipe line. These States are Delaware, Maryland, Mississippi, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, and West Virginia. In each State, the tax is based upon the gross receipts of the operating company from intrastate business, the rates varying from a minimum of one-tenth of 1 per cent in New Mexico to a maximum of 4 per cent in Ohio. For table comparing rates in the several States, see statement on transportation of oil by pipe line under "Double Taxation," 4 (d) 6.

FOREIGN INSURANCE POLICIES

There are at least 10 States which levy a tax upon foreign insurance companies. The tax is based upon the gross premiums and the rates range from 1 per cent in the case of Louisiana to 4 per cent in the case of Kansas. For table comparing the rates in the several States, see statement on foreign insurance policies under "Double Taxation," 4 (d) 6.

MISCELLANEOUS SALES TAXES ON SPECIFIC ITEMS

In addition to the foregoing special sales taxes, there are at least 30 other items which are subjected to special taxes in one or more States. A list of these taxes will be found in Exhibit 12 of the appendix. Without attempting to describe all of these taxes, those imposed by more than one State, together with the range of rates, appear in the following table:

Object of tax	States imposing tax	Range of rates
Carbon black	Louisiana, Montana	½ cent a pound; ¼ cent a pound.
Cement	Montana, Texas	4 cents a barrel; 1¼ cents per hundredweight.
Feed (commercial)	Delaware, Kansas, New Jersey, Oklahoma, South Carolina, Texas.	8 to 25 cents per ton.
Fertilizer	Delaware, Kansas, Massachusetts, New Jersey, New Mexico, Oklahoma, South Carolina, Texas.	6 to 85 cents per ton.
Fish	Alaska, Washington	2½ to 54 cents per hundredweight.
Salmon	Washington	¾ to 11 cents each.
Fuel oil	Alabama, Tennessee	½ per cent gross sales; 1 cent per gallon.
Kerosene	Georgia, Louisiana, North Carolina, Tennessee.	1 cent per gallon; Tennessee, 5 per cent gross sales over $5,000.
Lime	Delaware, Florida	5 cents per ton; 1 cent per ton.
Milk powder	Georgia, Indiana	5 cents per pound; 5 per cent wholesale sales.
Trading stamps	Alabama, New Hampshire	3 per cent gross sales; 10 per cent on dealers, 3 per cent on users.

No attempt has been made to list the State liquor and beer taxes still in effect, on account of the fact that these taxes have not been productive of revenue since the adoption of the eighteenth amendment.

(I) Poll Taxes

Poll taxes properly include "all per capita taxes, uniform or graded, whether such taxes are levied as specific amounts against the persons subject thereto or as ad valorem taxes based upon an arbitrary valuation of polls or occupations."

Practically every State imposes the poll tax in one form or another, but collections and benefits received from this tax are largely granted by the States in whole or in part to the counties, municipalities, or other civil divisions. (See also Exhibit 13 of the Appendix.)

The total revenue received by the States and their subdivisions from the poll tax is in excess of $20,000,000 for the year 1930, and of this amount the States received approximately $4,000,000.

(J) Licenses, Permits, and Occupational Taxes

All of the States and local governments impose license or occupational taxes in various forms. By actual count, it is believed that there are not less than 3,974 of such taxes, as shown by the following table:

Amusement licenses	427
Chain store licenses	12
Merchants' and retail dealers' licenses	577
Wholesale dealers' licenses	85
Manufacturers' licenses	177
Peddlers' licenses	272
Miscellaneous business licenses	467
Agencies (occupational tax)	92
Agents (occupational tax)	142
Brokers (occupational tax)	191
Professions (occupational tax)	449
Miscellaneous occupations	262
Fish and game licenses	266
Auto, truck, etc. (private), licenses	156
Public carrier licenses	134
Motor cycle licenses	62
Miscellaneous vehicle licenses	25
Vehicle dealer licenses	59
Miscellaneous licenses	119
Grand total	3,974

It is, of course, impracticable to describe these taxes in detail. In Exhibit 14 of the appendix there will be found a list showing the object taxed, the number of States imposing the tax, the range of rates, and the measure of tax. An examination of this list is the best way to visualize the great number and variety of these taxes.

The 427 license taxes found under the heading of amusements reach such objects of taxation as amusement parks, billiard and pool tables, bowling alleys, dance halls, merry-go-rounds, moving-picture theaters, gambling devices, slot machines, vaudeville theaters, boxing exhibitions, circuses, etc. The measure of the tax is usually a flat rate, or a rate fixed according to population. For theaters and other exhibitions, the basis of seating capacity is also used. The rates of tax vary widely; for instance, the tax on circuses in some States is as low as $5 per day, and in others as high as $1,000 per day.

Twelve States have special business licenses on chain stores. The basis of these taxes is the number of stores, gross sales, gross purchases, or invested capital.

There are about 577 provisions in the various States requiring license fees from merchants and retail dealers. Such objects of taxation include, besides merchants in general, persons dealing in the following articles: Near beer, candy, coffee, drugs, eggs, fish, fruit, ice cream, meats, soft drinks, adding machines, bicycles, playing cards, bull frogs, cash registers, cigars and cigarettes, coal, coffins, explosives, fertilizers, fireworks, guns, furs, horses, jewelry, junk, livestock, nursery stock, oils and kerosene, pistols, trading stamps, etc., etc. The ordinary measures of tax in these cases are flat rates, or rates according to population. The actual rates can be seen from an examination of Exhibit 14 in the appendix already referred to.

There are 85 different provisions taxing wholesale dealers in the various States and 177 provisions taxing manufacturers. These provisions reach about the same objects as the licenses already named above in regard to retail dealers.

Peddlers are required to secure licenses in 272 instances. Twenty-five States tax foot peddlers, 28 States tax peddlers by vehicle, and besides this, counties also require separate license taxes. Book peddlers, fish peddlers, horse traders, patent-medicine peddlers, etc., are all taxed in one or more States.

Then we have a large number of miscellaneous concerns subject to license taxes in the various States. The number of such taxes is about 467, and includes taxes on the following businesses: Abstract companies, advertising, apartment houses, aquariums, barber shops, beauty parlors, brickyards, check rooms, construction companies, cotton gins, dairies, disposal plants, private hospitals, hotels, laundries, livery stables, machine shops, public baths, restaurants, tanneries, warehouses, etc. Various measures of tax are employed, as can be seen from the list in the appendix.

Coming to agencies, agents, brokers, professions, and other miscellaneous occupations, we find all kinds of occupational taxes imposed, numbering about 1,136. These taxes are demanded from such occupations as collection agencies, insurance agents, lobbyists, commission merchants, real-estate agents, architects, barbers, engineers, manicurists, auctioneers, bankers, chauffeurs, fortune tellers, photographers, plumbers, doctors, accountants, attorneys, pilots, stenographers, tailors, etc. The usual measure of these taxes is a flat rate or a rate based on population.

In 266 cases, we find license taxes having to do with fish and game. The scope of these licenses is more or less obvious and a matter of common knowledge. This is also the case with the 156 automobile license taxes, the 134 public-carrier license taxes, the 62 motor-cycle license taxes, and the 25 miscellaneous vehicle license taxes. Besides the license tax on these vehicles, there are 59 additional taxes on dealers in such vehicles.

Finally, we find taxes on 119 miscellaneous businesses or things not otherwise classified, such as dogs, boat houses, peanut carts, game and fish breeders, auction sales, etc.

In all the above cases, the most usual measure of the tax is a flat rate or a rate based on population. However, we also frequently find the following additional measures: Gross receipts, cost of goods sold, weight, per number sold, horsepower, capacity.

While many of these licenses, permits, and occupational taxes are of a mere regulatory character, others are substantial revenue producers. Although no recent information is available, it appears that in 1922 not less than $305,362,000 was secured from this source by the States and the subdivisions thereof.

(K) Special Assessments

Cooley, in his book on taxation, has given us the following definition of special assessments:

> A special assessment is in the nature of a tax upon property levied according to benefits conferred on the property. The whole theory of a special assessment is based on the doctrine that the property against which it is levied derives some special benefit from the improvement. The justice of demanding the special contribution is supposed to be evident in the fact that the persons who are to make it, while they are made to bear the cost of a public work, are at the same time to suffer no pecuniary loss thereby; their property being increased in value by the expenditure to an amount at least equal to the sum they are required to pay.
>
> While the word "tax," in its broad meaning, includes both general taxes and special assessments, and in a general sense a tax is an assessment, and an assessment is a tax, yet there is a recognized distinction between them in that assessment is confined to local impositions upon property for the payment of the cost of public improvements in its immediate vicinity and levied with reference to special benefits to the property assessed. * * *

It can be seen from the above definition that some doubt may arise as to the propriety of including revenues from special assessments with other tax revenues; however, we have done so from certain practical considerations. Under the classification of special assessments, those taxes have been included which are apportioned according to the assumed benefits to property affected by the improvements. It might be well to point out that while these taxes are assessed against property, they are not usually subject to the uniformity rules applying to general property taxes levied in the States. Many street, drainage, sewerage, water, and irrigation projects are paid for by these special assessment levies.

The total receipts from this source for 1931 [1] as far as can be readily ascertained amounted to approximately $215,268,462.

[1] 1930 figures used where 1931 figures not available.

(L) Other Miscellaneous Taxes

Severance taxes are the only levies which we have been obliged to classify under miscellaneous for the purposes of this report.

Various States impose a severance tax upon coal, iron ore, manganese, various minerals, marble, salt, sand, gravel, sulphur, timber, water power, water, natural gas, oil, and petroleum.

The severance tax is generally considered as sound in principle, since it rests upon the theory of payment to the State for the depletion of its natural resources. It is easy to collect, and authorities upon taxation have recommended it where sufficient natural resources exist to produce substantial revenue.

In Exhibit 15 of the appendix of this report will be found a schedule of the severance taxes, the range of rates, and the measures of tax. The usual measure for oil is per barrel, and for minerals, per ton.

4. DOUBLE TAXATION

The power to tax is a recognized privilege of government and one which must be exercised in order that any government may exist and function. Due to our dual system of government, Federal and State, two sovereigns must levy taxes in the same territory and on the same people. So long as this power to tax is exercised with wisdom and discretion, and with due regard to the tax system of each other, hardships and inequalities will be minimized. However, in many cases, the two Governments, urged by the necessity for additional revenue, do tax the same objects. This results in double or duplicate taxation. Such double taxation may or may not be unjust, but as a general rule at least it interferes with the equitable distribution of the tax burden as a whole. Moreover, the taxpayer generally feels himself treated unjustly in these cases, whether or not duplication of taxes can be justified on a theoretical basis. In order to minimize double taxation, duplication and overlapping there must of necessity be cooperation between the several goverments. It would appear proper for each to study the tax structure of the other. This is especially true at present when all taxing authorities are seeking new sources of revenue.

This section of the report deals with the question of double taxation and duplication resulting from the exercise of the power to tax by the Federal Government and by the State governments or the subdivisions thereof. Investigation into the entire field of taxation has disclosed, that in the majority of instances where the Federal Government has a tax on a tangible or intangible object some one or more of the States or their political subdivisions also tax such object. The fact that this condition exists is not necessarily a reason to become unduly alarmed, as double taxation is not of itself dangerous in character when levied according to "ability to pay." However, in many instances there has been complete disregard of this cardinal principle. There can be no doubt that unjust taxes retard business. In fact, "the power to tax is the power to destroy," and too much double taxation will, if carried to the extreme, amount to confiscation.

The subject matter which follows in this section of the report will show the important instances of double taxation or duplication and their effect.

(A) Income Tax on Individuals

The Federal income tax on individuals and the State income taxes on individuals have already been described in preceding sections of this report. It has been shown that 17 States impose a tax similar in application to the Federal tax and that 5 States have a tax that is similar but restricted in application.

It was found upon investigation that the laws of the several States covering this form of tax were imposed as follows:

	Period
Virginia	Prior to 1862.
Hawaii, Oklahoma, Wisconsin and Mississippi	1862–1913.
Massachusetts, Delaware, Missouri, New York and North Dakota	1913–1920.
North Carolina, South Carolina, New Hampshire, Arkansas, Georgia, Oregon, Idaho, Ohio, Tennessee, Utah, Vermont and Illinois	1921–1932.

Inasmuch as the first Federal law based on net income was enacted in 1862, it would appear from the above that, with the possible exception of Virginia, the remaining 21 States enacted their laws subsequent to the time the Federal Government entered the field. At the present time the Federal Government, 19 States, and Hawaii levy individual income taxes, excluding the unconstitutional statutes of Illinois and Tennessee. It may be of interest to show the additional burden that the taxpayer must bear from such taxes. For illustration, assume that three individuals having a net income of $100,000 earned such net income in their respective States of New York, Wisconsin, and Maryland. By referring to Exhibit 8 of the appendix it will be seen that New York and Wisconsin tax individual incomes, whereas Maryland does not. The individual residing in New York must pay to that State an income tax of approximately $2,750 and to the Federal Government an income tax of $29,350, making a total tax of $32,100. The individual residing in Wisconsin must pay to that State an income tax of approximately $11,100 and to the Federal Government an income tax of $26,900, making a total tax of $38,000. The individual residing in Maryland is only required to pay a tax to the Federal Government, and his income tax burden is, therefore, much less, amounting to $30,100.

From these facts it appears that, due to the State and Federal Governments both taxing the net income of individuals residing in New York and Wisconsin, an additional burden is placed on such individuals of approximately $2,000 and $7,900, respectively, as compared with the burden on individuals residing in Maryland. In other words, the individuals earning their income in New York or Wisconsin are required to pay, respectively, 6⅔ per cent and 26 per cent more than the individuals earning their income in Maryland. It is true that an average tax of 38 per cent on a net income of $100,000, like that in Wisconsin, is not confiscatory, although it must be conceded that it is a heavy burden.

Moreover, if an individual received a net income of $1,000,000 in Wisconsin, the situation is further aggravated. The Wisconsin income tax in such a case is approximately $70,000 and the Federal income tax $532,500, making a total of approximately $602,500. The two taxes will approximate 60 per cent of the net income. It is obvious from this illustration that the possibility of confiscatory taxes is not remote if further increases in rates are made.

It is true that at present the Federal Government and the States give some regard to the income tax laws of the other by allowing taxes paid to such other jurisdiction as a deduction from net income. This does not prevent double taxation but reduces its effect. For instance the maximum combined rate on incomes in excess of $1,000,000 in Wisconsin is approximately 66 cents on the dollar of such excess. A man with a $15,000 net income (before deducting income taxes allowed) would pay a tax of about $880 to the Federal Government and $1,165 to Wisconsin, a total tax of $2,045.

The double-taxation burden indicated above may be substantially increased since the same income may be taxed by two or more States. For instance, if a resident of Wisconsin derives income from a business in Wisconsin and from another business in North Carolina, he will be taxed on his North Carolina income by both Wisconsin and North Carolina. This situation may be found in at least 10 States which tax the income of nonresidents earned within the State and the income of residents regardless of where earned.

The effect of these high rates deserves the careful consideration of our legislators. How far we can go without driving capital out of the country or State is a matter for much study along economic lines.

The question of which division of our Government should occupy the income-tax field or how it should be divided between our two sovereign governments is an issue of great importance, for double taxation on this subject already occurs in 22 cases and indications are that the number of these instances will soon be increased.

(B) Income Tax on Corporations

As shown in Exhibit 9 of the appendix, there are 20 States and 2 Territories that impose a tax on income of corporations in addition to the Federal levy. Of the 20 States and 2 Territories, 1 State (Massachusetts) and 1 Territory (Alaska) have laws that are so restricted in application as to warrant their omission from further discussion.

The remaining 19 States and 1 Territory have laws that are the same in principle as the Federal statute. Some, however, exempt certain corporations that pay a tax on gross income while others allow certain exemptions before the tax applies or allow credits against the tax which for the purpose of this section does not affect the principle but only the tax burden.

Omitting the States of California, Georgia, Oregon, and Utah, which allow property taxes in whole or in part as a credit from the corporation tax, the rates of the remaining 15 States range from 1 per cent (Montana) to 6 per cent plus surtax (Wisconsin). The Federal statute imposes a tax rate of 13¾ per cent on separate corporations and 14½ per cent on consolidated corporations.

In order to show the effect of income taxes levied by both the Federal and State Governments on corporations, the States of Montana, Mississippi, New York, South Carolina, and Wisconsin will be used as illustrations. In arriving at the tax it must be understood that both the Federal and State Governments allow the tax paid by each to be deducted from the respective incomes before applying the rates.

On a net income of $100,000, the tax on corporations on these five States would be as follows:

State	Rate	State tax	Federal tax	Total tax	Percentage of income
	Per cent				
Montana	1	$839	$13,635	$14,474	14½
Mississippi	1–6	4,925	13,073	17,998	18
New York	4½	3,905	13,213	17,118	17⅛
South Carolina	4½	3,905	13,213	17,118	17⅛
Wisconsin	[1] 1–6	5,894	12,940	18,834	18⅚

[1] Plus surtax.

The facts show that with few exceptions the States enacted laws on this subject subsequent to the Federal statute. The last session of the Congress raised the corporate rate on separate corporations from 12 to 13¾ per cent, and on consolidated corporations from 12 to 14½ per cent, and several States in their last legislative sessions also raised the rates.

The same general remarks which have already been made in discussing double taxation resulting from the various income taxes on individuals also apply to double taxation resulting from the income taxes on corporations. The division of the corporate income-tax field between the Federal Government and the States is an important matter for consideration.

(C) Estate and Inheritance Taxes

Double taxation in connection with Federal estate and inheritance taxes was never much of an issue in the United States prior to the enactment of the present estate tax in 1916. Although the Federal Government had previously levied several different forms of death duties, they were only in effect for short periods and the rates were sufficiently low as not to conflict with any State death taxes then imposed.

At the time of the original enactment of the present Federal estate tax, which has, with numerous changes, been continuously in effect since 1916, only five States had no death duty of any kind, and the entry of the National Government into the death-tax field therefore meant that estates in practically every State must pay a tax on the same property to both the Federal and State Governments. The Federal Government, of course, has concurrent power with the States to tax estates of decedents under its general constitutional authority to lay and collect taxes. While the Congress realized, in imposing the Federal levy, that it meant duplication of taxes, it was felt that the tax could be abundantly justified on the ground that the States were not taking full advantage of this field of taxation, and that therefore estates of decedents should well be able to bear the added burden.

The weakness of the State death taxes lay in the fact that in only 12 of the States did the levy extend to lineal heirs, who generally inherit most of a decedent's property, and even then the tax was only a nominal one. It was shown that while in 1915 the States realized only $28,000,000 from death taxes, Great Britain, with a population and national wealth much less than that of this country, in 1914 collected over $132,000,000 from this source. The Congress determined that a moderate Federal estate tax levied on the whole estate would, together with the collateral taxes imposed by the States, form a somewhat logical inheritance-tax structure. For such a system of death duties there were many precedents, particularly in Europe, where most of the national governments levy both estate and share taxes. The Federal estate tax, when enacted in 1916, was calculated to add approximately $50,000,000 to the total death-tax burden in this country.

Double taxation of estates really began to be noticed in this country during the period of the World War, when the State and Federal taxes were from time to timo increased due to the necessity for additional revenues. Many of the States felt that the Federal tax was gradually driving them from the field of death taxes by the imposition of such high rates as made it impossible for them to levy a substantial tax without imposing an unreasonable burden on estates. The States generally felt, also, that the Federal tax was an encroachment on their powers of taxation, contending that by virtue of their exclusive control over the devolution of property they should have the sole right to tax its transfer at the death of its owner.

In 1924, with rates then imposed which reached a maximum of 25 per cent on that portion of a net estate in excess of $10,000,000, Congress increased the rates still further to a maximum of 40 per cent. It so happened that in 1923 the State and Federal revenues from death taxes had been a little over $200,000,000, and the argument was made in Congress that estates could stand a still greater burden since Great Britain was then collecting more than that amount of revenue from this source with only one-third to one-fifth our national wealth. It was stated that with the same rates and exemptions as the British tax, the Federal and State Governments could obtain from $600,000,000 to $1,000,000,000 from death taxes in the United States.

In order to prevent the high Federal rates enacted in 1924 from imposing an undue burden in those States which had fairly high death taxes, it was provided that the Federal tax should be credited with any death taxes paid to the States, not to exceed 25 per cent of the amount computed at Federal rates. Mention was made of the fact that in some of the States the rates were quite high, notably in Arkansas, where a maximum rate of 40 per cent was applied to property passing to strangers in blood, and that with a Federal tax reaching a maximum of 40 per cent imposed in addition to the State taxes, the total burden would be unreasonable and confiscatory. The credit provision seemed a happy solution of the problem of insuring a minimum tax being collected from all estates, and at the same time it allowed the States to participate in the levy of death taxes to the extent of 25 per cent of the Federal tax without imposing a double burden. In other words, in so far as the State death tax did not exceed 25 per cent of the Federal levy, there was no double taxation in any sense of the word. Consequently, the total burden on an estate of a decedent domiciled in a State imposing a death tax equal to or less than the amount of the Federal credit was no greater than on the estate of a decedent domiciled in a State which imposed no death tax of any kind. Of course, there was no limitation on the power of the States to impose a tax greater than the amount of the

Federal credit if they chose to do so. The excess merely could not be credited against the Federal tax, and in these cases some double taxation would result.

In 1926 the rates of the 1924 Federal estate tax law were retroactively reduced to a maximum of 25 per cent, and a maximum rate of 20 per cent was imposed on estates of decedents dying after the enactment of the revenue act of 1926. Under the provisions of this same act, the credit provision of the Federal law was increased to 80 per cent. This latter change was brought about largely as a compromise with those who sought the absolute repeal of the Federal levy. Great pressure was brought to bear upon Congress in 1925 and 1926 for the withdrawal of the Federal Government from the death-tax field. Even the Treasury Department took the position that such taxes were more properly levied by the States than by the Federal Government, since the States alone control the inheritance of property. On the other hand, the proponents of the Federal tax argued that without the National Government in the field, the States which desired to impose substantial inheritance taxes would be unable to do so because of interstate competition for the residence of wealthy persons. The argument that the Federal estate tax had encroached upon the rights of the States was met by showing that State revenues from death taxes had increased yearly since its imposition. This increase resulted principally from the fact that most of the State taxes amounted to less than the Federal credit, and the large majority of these States either increased their rates or imposed additional taxes to take full advantage of the credit provision.

With the $100,000 exemption provided by the Federal estate tax of 1926, and under the operation of the 80 per cent credit provision of that act, the entire field of death taxation with respect to net estates of $100,000 or less was given over to the States, not to mention the major portion of the tax levied upon the larger estates. The increase of the credit from 25 per cent to 80 per cent made it possible for the States to secure a maximum of revenue from death taxes without imposing an unreasonable or double burden upon estates. With almost no exceptions did the State taxes, in any case, exceed 80 per cent of the Federal tax under the 1926 act. Thus, while both the States and the Federal Government impose death taxes, there is little double taxation.

When the additional Federal estate tax was imposed under the revenue act of 1932, with no credit allowed against it for State death taxes paid, the total burden on estates was increased, but as the estate tax law of 1926 and the credit provision thereof were not changed, the position of the States was the same as before the enactment of this additional tax. As long as they do not increase their levies beyond 80 per cent of the Federal tax under the 1926 act, there will still be no double taxation. Under the combined operation of the State death taxes, the Federal tax of 1926, and the additional Federal tax of 1932, the maximum rate of tax applicable to estates, in nearly all cases, is 45 per cent. This rate applies to that portion of the net estate in excess of $10,000,000. In practical operation, the division of the revenue from the combined taxes, so far as the larger estates are concerned, will be approximately 67 per cent to the Federal Government and 33 per cent to the States.

Before concluding this section of the report, mention might be made of the fact that until recently there has existed, as between the States themselves, such a condition of double and even of multiple taxation in connection with intangible personalty of nonresident decedents as to force corrective measures to be taken to lessen this evil. An example of this condition may serve to illustrate the duplication of taxation which occurred. A decedent domiciled in New York might have owned stock in a corporation organized under the laws of New Jersey which carried on its business in Ohio, and the stock might have been kept in a bank in Pennsylvania. On the death of the owner and the transfer of the stock to his heirs or legatees, each of these States might have sought to, and in most cases did, levy a death tax. Thus, the transfer of the stock was taxed in the State of the decedent's domicile, the State where the corporation was organized, the State where the physical property of the corporation had its situs, and the State where the certificate of ownership was kept. To avoid this multiple taxation, many of the States entered into reciprocity agreements not to tax the intangible property of decedents of those States which did not tax the intangibles of their own decedents. Other States repealed their taxes on the intangible personal property of nonresidents. Lately, the Supreme Court of the United States, in a series of decisions, has greatly limited the power of States other than that of the decedent's domicile to tax his intangible personalty.

In conclusion, it may be said that in so far as estate and inheritance taxes are concerned, the evil of double taxation has largely been done away with, but that many questions still are at issue concerning the proper maximum estate tax burden and the division of the revenue derived therefrom. The 80 per cent credit clause of the Federal law is a unique device also deserving serious thought. It seems to have many advantages in this case, but if this principle is extended to other taxes it might become objectionable.

(D) Special Sales Taxes on Specific Items

There are many cases of duplicate taxation in the field of special sales taxes on specific items. The most important of these duplications will be briefly discussed.

(1) Gasoline

Prior to 1932, every State in the Union, the Territory of Hawaii, and the District of Columbia imposed a tax upon gasoline. On June 21, 1932, the Federal Government entered the field with a 1-cent tax upon gasoline sold by producers or importers during the period June 21, 1932, to June 30, 1933. While the Federal tax is a temporary measure, there is a possibility that it may be extended into 1934 or later years.

In order to show the effect of the Federal tax upon the automobile user, the following table is submitted showing the rates imposed by the several States, the Territory of Hawaii, and the District of Columbia.

	Cents per gallon		Cents per gallon
Alabama	6	Montana	5
Arizona	5	Nebraska	4
Arkansas	6	Nevada	4
California	3	New Hampshire	4
Colorado	4	New Jersey	3
Connecticut	2	New Mexico	5
Delaware	3	New York	3
District of Columbia	2	North Carolina	6
Florida	7	North Dakota	3
Georgia	6	Ohio	4
Hawaii	3	Oklahoma	4
Idaho	5	Oregon	4
Illinois	3	Pennsylvania	3
Indiana	4	Rhode Island	2
Iowa	3	South Carolina	6
Kansas	3	South Dakota	4
Kentucky	5	Tennessee	7
Louisiana	5	Texas	4
Maine	4	Utah	4
Maryland	4	Vermont	4
Massachusetts	3	Virginia	5
Michigan	3	Washington	5
Minnesota	3	West Virginia	4
Mississippi	6	Wisconsin	4
Missouri	2	Wyoming	4

From the above table, it will be seen that the rates range from 2 to 7 cents per gallon. Two States impose a 7-cent rate; 5, a 6-cent rate; 9, a 5-cent rate; 17, a 4-cent rate; 12 and Hawaii, a 3-cent rate; and 3 and the District of Columbia, a 2-cent rate. With the Federal tax added, it will be seen that the rates range from 3 to 8 cents per gallon. But even this does not represent the entire burden. Many of the counties and cities also impose additional gasoline taxes. While the information on county and city gasoline taxes is not complete, it appears that county gasoline taxes are levied in Alabama, Louisiana, and Mississippi, as follows:

In Alabama, Mobile County levies a tax of 1.5 cents per gallon, and Montgomery County, 1 cent. No information is available as to the other counties.

In Louisiana, 47 of the 64 parishes levy a gasoline tax of 1 cent per gallon.

In Mississippi, Hancock and Jackson Counties impose a 2-cent gasoline tax and Harrison County, a 3-cent gasoline tax.

The cities of five States, namely, Alabama, Florida, Louisiana, Missouri, and New Mexico, also impose gasoline taxes.

In Alabama, the cities of Mobile and Montgomery impose a gasoline tax of 1 cent per gallon. In addition, 20 towns and cities levy a tax of 2 cents per gallon; 2 towns and cities, 1½ cents; 109 towns and cities, 1 cent; 1 town, ¼ cent, and 1 town, ⅛ cent.

In Florida, a 1-cent gasoline tax is imposed by 14 cities, namely, Bay Harbor, Bronson, Chipley, De Funiak Springs, Lynn Haven, Marianna, Milleville, Palatka, Panama City, Pensacola, St. Andrews, St. Augustine, Wewahitchka, and Williston.

In Louisiana, New Orleans levies a city gasoline tax of 1 cent per gallon.

In Missouri, 53 cities levy gasoline taxes ranging in rates from one-fourth cent per gallon to 1 cent per gallon. Twenty-nine of these cities levy a tax of 1 cent a gallon, including Kansas City and St. Joseph. Twenty-three levy a tax at the rate of one-half cent a gallon, including St. Louis. One, Caruthersville, taxes gasoline at one-fourth cent a gallon.

In New Mexico there are six cities levying a gasoline tax. These cities are Belen, Clovis, Gallup, Magdalena, Santa Fe, and Socorro. The tax rate in all the cities is 1 cent per gallon, except in Clovis, which imposes a tax of one-fourth cent per gallon.

The combined burden of the gasoline tax upon the automobile user, assuming the tax is passed on, is shown in the following examples:

(1) If a resident of Mobile, Ala., uses 623 gallons of gasoline a year his gasoline tax will he as follows:

Federal tax (1 cent)	$6. 23
State tax (6 cents)	37. 28
County tax (1½ cents)	9. 35
City tax (1 cent)	6. 23
Total tax	59. 19

(2) A resident of Palatka, Fla., using 623 gallons of gasoline per year would pay the following tax:

Federal tax (1 cent)	$6. 23
State tax (7 cents)	43. 61
City tax (1 cent)	6. 23
Total tax	56. 07

(3) In Mississippi, a resident of Harrison County using 623 gallons of gasoline per year will pay the following tax:

Federal tax (1 cent)	$6. 23
State tax (6 cents)	37. 38
County tax (3 cents)	18. 69
Total tax	62. 30

In addition to this total tax burden in Mississippi, it should also be pointed out that that State levies a general sales tax upon producers, manufacturers, and wholesalers. Under tbis general sales tax, a deduction is allowed in computing the gross sales for the taxes collected upon gasoline. However, as the gasoline tax is allowed only as a deduction in computing gross sales and not as a credit against the tax, it appears that another burden on gasoline is also added by the general sales tax.

Other States imposing general sales taxes which may add to the tax burden of gasoline are Connecticut, Missouri, North Carolina, Pennsylvania, and West Virginia. These taxes are generally in addition to the special State and county taxes levied upon gasoline.

It appears that the combined Federal, State, and local levies upon gasoline increase the sales price to the consumer from 30 per cent to more than 100 per cent, depending upon the State involved. This is a large percentage, and while the tax is productive and easy to collect, it is evident that the rates are approaching the point of diminishing returns.

When the gasoline tax was first discussed in the House of Representatives of the United States, it was felt by many that this field of taxation was fully occupied by the States and should be left to them.

The House did not include this tax in the revenue bill as transmitted to the Senate. The Senate, however, in the light of later figures as to the deficit and as to the probable tax yield, was obliged to amend the bill by including a tax upon gasoline.

The States use the money obtained from gasoline taxes, for the most part, in road construction and maintenance. For this purpose, the tax seems equitable, as it falls upon those receiving the benefits of good roads. The Federal Government also appropriates large sums for road construction in the various States. In fact, it appears that the Federal expenditures for such purposes will even exceed the revenue derived from the 1-cent gasoline tax. This appears to furnish the best justification for the Federal levy. A discussion of the tax which gasoline can fairly bear without materially reducing its consumption is one of the important matters deserving the attention of both Federal and State legislators.

According to figures presented by the American Petroleum Institute, there were declines in consumption in 1931 in all States having a gasoline tax rate of more than 2 cents per gallon. Where the tax rate was 3 cents, the decline was 1 per cent; 4 cents, 3 per cent; 5 cents, 8 per cent; 6 cents, nearly 14 per cent. A very high rate of tax creates an incentive to evade by bootlegging or otherwise, with a resulting loss of revenue to the States and competitive hardships to reputable distributors and dealers.

(2) Tobacco

Both the Federal Government and 13 of the States levy a tax upon tobacco in some form. Tobacco taxes have been one of the principal sources of Federal Revenue since 1862, and were imposed as early as 1794. The Federal Government taxes (A) cigarettes, (B) cigars, (C) manufactured tobacco or snuff, and (D) cigarette papers or tubes. All of the 13 States tax cigarettes. In addition, 6 States tax cigars, 3 States tax manufactured tobacco or snuff, and 5 States tax cigarette papers or tubes. The following table shows the tobacco taxes imposed by the Federal and State Governments, with the tax rates in force:

CIGARETTES

Federal Government.—Weighing not more than 3 pounds per thousand, $3 per thousand (6 cents per package of 20); weighing more than 3 pounds per thousand, $7.20 per thousand.

Alabama.—Fifteen per cent of wholesale price.

Arkansas.—$2.25 per thousand (5 cents per package of 20).

Georgia.—Twenty per cent of the retail price until April 1, 1933; thereafter, 10 per cent.

Iowa.—Weighing not more than 3 pounds per thousand, 1 mill on each cigarette (2 cents per package of 20); weighing more than 3 pounds per thousand, 2 mills on each cigarette.

Kansas.—Two cents on each 20 cigarettes, or fraction (2 cents per package of 20).

Mississippi.—One cent each 5 cents, or fraction, of usual retail selling price.

North Dakota.—Weighing not more than 3 pounds per thousand, 1.5 mills on each cigarette (3 cents per package of 20); weighing more than 3 pounds per thousand, 2 mills on each cigarette.

Ohio.—One cent on every 10 cigarettes (2 cents per package of 20).

South Carolina.—Packages retailing for: 5 cents or less, 1 cent; more than 5 cents, 1 cent for each additional 5 cents, or fraction.

South Dakota.—Weighing not more than 3 pounds per thousand, 1.5 mills on each cigarette (3 cents per package of 20); weighing more than 3 pounds per thousand, 4 mills on each cigarette.

Tennessee.—Two mills per cigarette if retail price is 1 cent or less (4 cents per package of 20); 20 per cent of retail price if such price is more than 1 cent.

Texas.—Weighing not more than 3 pounds per thousand, $1.50 per thousand (3 cents per package of 20); weighing more than 3 pounds per thousand, $3.60 per thousand.

Utah.—Weighing not more than 3 pounds per thousand, 1 mill on each cigarette (2 cents per package of 20); weighing more than 3 pounds per thousand, 2 mills on each cigarette.

CIGARS

Federal Government.—Weighing not more than 3 pounds per thousand, 75 cents per thousand. Weighing more than 3 pounds per thousand: If retailing at not more than 5 cents each, $2 per thousand; if retailing at more than 5 cents each and not more than 8 cents each, $3 per thousand; if retailing at more than 8 cents each and not more than 15 cents each, $5 per thousand; if retailing at more than 15 cents each and not more than 20 cents each, $10.50 per thousand; if retailing at more than 20 cents each, $13.50 per thousand.

Alabama.—Fifteen per cent of wholesale price.

Arkansas.—Ten per cent of retail sales price.

Georgia.—Ten per cent of retail sales price.

Mississippi.—Twenty per cent of retail sales price.

South Carolina.—Weighing not more than 3 pounds per thousand, 1 cent for each 10 cigars, or fraction. Weighing more than 3 pounds per thousand: If retailing for 3 cents each or less, $3 per thousand; if retailing for more than 3 cents each, $10 per thousand.

Tennessee.—Ten per cent of retail sales price.

MANUFACTURED TOBACCO OR SNUFF

Federal Government.—Eighteen cents per pound of tobacco or snuff.

North Dakota.—Two cents for each 1¼ ounces of snuff.

South Carolina.—Each package of smoking tobacco: Retailing for 5 cents or less, 1 cent; Retailing for more than 5 cents, 1 cent for each additional 5 cents or fraction; 1 cent for each 3 ounces, or fraction, of snuff and chewing tobacco.

Tennessee.—Ten per cent of retail sales price.

CIGARETTE PAPERS OR TUBES

Federal Government.—On each package containing: More than 25 but not more than 50 papers, one-half cent; more than 50 but not more than 100 papers, 1 cent; more than 100 papers, one-half cent for each additional 50 papers or fractional part thereof. Upon tubes, 1 cent for each 50 tubes or fractional part thereof.

Iowa.—Upon 50 papers or less, one-half cent; upon 50 to 100 papers, 1 cent; over 100 papers, one-half cent for each 50 papers or fraction.

Kansas.—Upon each 50 papers, 1 cent.

North Dakota.—Packages containing: Not more than 50 papers, one-half cent; 50 to 100 papers, 1 cent; more than 100 papers, 1 cent for each 50 papers or major fraction. Upon 50 tubes, or major fraction, 1 cent.

South Dakota.—Packages containing: Not more than 50 papers, one-half cent; 50 to 100 papers, 1 cent; more than 100 papers, 1 cent for each 50 papers or fraction. Upon 50 tubes, or fraction, 1 cent.

Utah.—Upon each 50 papers or less, one-half cent; 50 to 100 papers, 1 cent; over 100 papers, one-half cent for each 50 papers or fraction.

From an analysis of the above table it appears that the 13 States levying taxes upon cigarettes are Alabama, Arkansas, Georgia, Iowa, Kansas, Mississippi, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Texas, and Utah. As previously pointed out, there is a Federal tax of 6 cents upon every package of small cigarettes. In addition, there is a State tax if the cigarettes are purchased in States taxing cigarettes. The following examples show the total amount of tax burden borne on cigarettes in some of the States:

(1) On a package of cigarettes in Arkansas there is a total tax of 11 cents, consisting of a Federal tax of 6 cents and a State tax of 5

cents. In this State, if the consumer used one package of cigarettes a day, there would be collected a total tax of $40.15 a year.

(2) On a package of cigarettes in Tennessee there is a total tax of 10 cents, consisting of a Federal tax of 6 cents and a State tax of 4 cents. If the consumer uses one package of cigarettes a day, there would be collected a total tax for the year in the amount of $36.50.

(3) Upon a package of cigarettes in North Dakota, South Carolina, South Dakota, and Texas there is a total tax of 9 cents, consisting of a Federal tax of 6 cents and a State tax of 3 cents. This makes the annual tax, in case a consumer uses one package of cigarettes a day, amount to $32.85.

(4) Upon a package of cigarettes in Kansas, Ohio, and Utah there is a total tax of 8 cents, consisting of a Federal tax of 6 cents and a State tax of 2 cents. This makes the total tax for the year, on the basis of a package of cigarettes per day, amount to $29.20.

A somewhat similar situation exists with respect to cigars. In addition to the Federal Government, Alabama, Arkansas, Georgia, Mississippi, South Carolina, and Tennessee all impose taxes upon cigars.

A 5-cent cigar purchased in Mississippi or South Carolina will bear a total State and Federal tax of 1.2 cents, consisting of a State tax of 1 cent and a Federal tax of 2 mills. In the case of a cigar smoker in those States using about six cigars a day there would be a total Federal and State tax of $26.28 a year.

If a 5-cent cigar is purchased in Arkansas, Georgia, or Texas, the total tax amounts to 7 mills, or 0.7 cent, per cigar, consisting of a State tax of 5 mills and a Federal tax of 2 mills. This would amount to a yearly tax upon six cigars per day of $15.33.

As shown by the above table, duplication also exists in the case of manufactured tobacco and snuff. For instance, in the case of snuff, the Federal Government imposes a tax of 18 cents per pound and North Dakota, a tax of 25.6 cents per pound, making a total tax of 43.6 cents.

A can of smoking tobacco weighing 1¾ ounces and retailing for 10 cents, purchased in South Carolina, would carry a total Federal and State tax of approximately 4 cents.

Chewing tobacco is taxed by the Federal Government at the rate of 18 cents for 16 ounces, and by South Carolina at the rate of 1 cent for each 3 ounces or fraction.

In addition to the above, the Federal Government and Iowa, Kansas, North Dakota, South Dakota, and Utah levy a tax upon cigarette papers or tubes. This, of course, increases the burden upon smoking tobacco made into cigarettes by the user. The rates vary in the several States as shown in the table referred to above.

In addition to taxing tobacco products specifically, Mississippi also levies a general sales tax which applies to tobacco products. For instance, if a package of cigarettes is sold at 18 cents in Mississippi, the tobacco tax imposed by that State of 3 cents is deducted from the gross sales and the actual price of 15 cents is reported for the purpose of computing the tax upon retail sales in that State. Other States imposing general sales taxes are Connecticut, Delaware, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, and West Virginia. While these States do not impose specific taxes upon tobacco products, they do tax sales of tobacco under their general sales taxes. When these taxes are considered in connection with the tobacco taxes imposed by the Federal Government, it will be seen that a duplication of taxes upon tobacco also exists in such States.

It is interesting to note that the Federal Government collects its tobacco tax from the manufacturer, producer, or importer, whereas the States collect their taxes from wholesale and retail dealers. Due to the greater number of taxpayers subject to tax by the States, the cost of collection of State tobacco taxes is necessarily much larger than the cost of collection by the Federal Government.

In closing this discussion of the duplication of tobacco taxes, the total collections by both the Federal Government and the States may be of interest. The following table shows the Federal and State collections for the years 1930 and 1931:

Receipts from tobacco taxes

Jurisdiction	Calendar year 1930		Calendar year 1931	
	Receipts	Per capita	Receipts	Per capita
Federal Government (cigars, cigarettes, and tobacco)	$450,339,060.00	$3.67	$444,276,502.00	$3.62
Alabama (cigarettes and cigars)	[1] 1,262,664.00	[1] .48	954,105.00	.34
Arkansas (cigarettes and cigars)	1,093,171.00	.59	840,154.00	.45
Georgia (cigarettes and cigars)	1,056,744.00	.36	1,580,874.00	.54
Iowa (cigarettes)	1,401,435.00	.57	1,335,144.00	.54
Kansas (cigarettes)	613,090.00	.33	642,050.00	.34
Mississippi (cigarettes and cigars)	[2] 710,366.00	(3)	491,685.00	----------
North Dakota (cigarettes and snuff)	312,857.00	.46	302,457.00	.44
Ohio (cigarettes)	----------	(4)	1,607,620.00	----------
South Carolina (cigars, cigarettes, and tobacco)	[5] 1,907,825.00	(5)	1,751,367.00	----------
South Dakota (cigarettes)	467,686.00	.67	388,672.00	.56
Tennessee (cigars, cigarettes, and tobacco)	2,302,768.00	.88	2,056,955.00	.79
Texas (cigarettes)	----------	(6)	1,708,361.00	----------
Utah (cigarettes)	187,611.00	.37	164,950.00	.32
Total	461,655,176.00	----------	458,100,896.00	----------

[1] State's fiscal year ending Sept. 30.
[2] Year ending June 30, 1931. The law was not in operation until June, 1930.
[3] 11 months only; December, 1931, figures not yet available.
[4] From Sept. 1, 1931, when the law went into effect, to Dec. 31 only.
[5] South Carolina receipts include, besides tobacco, those from candy, ammunition, playing cards, and malt. It is impossible to obtain the tobacco tax receipts alone.
[6] From Aug. 22, 1931, when the law went into effect, to Dec. 31 only.

The State figures are derived from a table contained in the statement of the hearings before the Committee on Ways and Means under the Revenue Act of 1932, page 586.

It will be observed that the collections from this source by the Federal Government are about 30 times as great as that of the States, and that the total tobacco tax burden for 1931 amounts to $458,100,896, of which $13,824,394 is collected by the States and $444,276,502 by the Federal Government. This is a very important fact when it is considered that such tax may be borne by the consumer, by the tobacco producer, or distributed between consumer and producer.

Those studying the effect of tobacco taxes upon consumption may be interested in the following table showing the consumption of cigarettes in several of the States imposing such taxes:

Consumption of cigarettes [1]

Jurisdiction	Calendar year 1931 (first 9 months)		Calendar year 1932 (first 9 months)		Percentage decrease
	Total consumption	Per capita [2]	Total consumption	Per capita [2]	
Federal Government	89,357,860,257	728	80,305,744,990	654	10.1
Iowa	1,032,933,200	418	833,608,030	337	19.4
Kansas	498,355,000	265	353,899,750	188	29.0
North Dakota	123,827,366	182	111,209,700	163	10.4
Ohio	[3] 957,242,480	144	[3] 613,418,090	92	36.1
South Dakota	206,887,360	299	130,496,260	188	37.1
Texas	[3] 560,189,107	96	[3] 353,865,633	61	36.5
Utah	127,973,920	252	100,817,460	199	21.0

[1] The consumption figures are taken from data compiled by the Tobacco Merchants Association as no complete data on the subject was obtainable from official sources.
[2] Based on 1930 census.
[3] For months of September and October only.

(3) Electrical Energy

As has already been stated, the Federal Government first enacted a tax on electrical energy in 1932. This tax is at the rate of 3 per cent on the sales price and although collected by the producer, it is paid by the consumer. None of the States or Territories have taxes theoretically comparable with this special sales tax levied by the Federal Government. However, about 21 States and Alaska and Hawaii have special franchise taxes on this subject, and from a practical point of view there is serious duplication. This duplication occurs because the State taxes are almost universally levied on a gross receipts or kilowatt-hour basis. Seventeen States and Alaska impose franchise taxes which are in addition to property taxes, and three States, Hawaii, and the District of Columbia impose franchise taxes which are in lieu of property taxes. The general sales taxes of Mississippi and West Virginia reach electrical energy and are included in the above count of 17 States and Alaska. In order that the combined burden of these taxes in the various jurisdictions may be computed, the rates of the various levies are shown in the following table:

Tax levies affecting electrical energy sales

SPECIAL SALES TAXES

Federal Government.—Three per cent on sales price.

FRANCHISE TAXES IN ADDITION TO PROPERTY TAX

Alabama.—Four-tenths of 1 per cent on gross receipts (State); two-fifths mill per kilowatt-hour (State); 2 per cent gross receipts (city).
Alaska.—One-half of 1 per cent gross receipts.
Connecticut.—One and one-half per cent gross receipts.
Delaware.—One-tenth of 1 per cent gross receipts.
Idaho.—One-half mill per kilowatt-hour.
Maryland.—One per cent gross receipts.
Nevada.—Two per cent net income.
North Carolina.—Five per cent gross receipts.

Ohio.—One and thirty-five hundredths per cent gross receipts.
Oklahoma.—One-half of 1 per cent gross receipts.
Oregon.—$1 to $3,000, based on gross volume.
Pennsylvania.—Eight-tenths of 1 per cent gross receipts.
South Carolina.—Three-tenths of 1 per cent gross receipts; three-tenths of 1 per cent property value; one-half of 1 mill per kilowatt-hour.
Texas.—One-half of 1 per cent gross receipts.
Vermont.—One-half of 1 mill per kilowatt-hour.
Virginia.—One and one-eighth per cent gross receipts.

GENERAL SALES TAXES

Mississippi.—Two per cent gross receipts.
West Virginia.—Six-tenths of 1 per cent gross receipts.

FRANCHISE TAXES IN LIEU OF PROPERTY TAX

Hawaii.—One-twentieth of 1 per cent gross receipts, plus one-fiftieth of 1 per cent stock valuation, plus one-half to 2½ per cent gross receipts as per charter.
California.—Seven and one-half per cent gross receipts.
Rhode Island.—One per cent gross receipts.
District of Columbia.—Four per cent gross receipts.
New Jersey.—Average property rate on gross income.

Whatever the form of these taxes, it appears that the burden falls principally on the consumer. If we assume, for instance, that all of the taxes shown in the above table are borne by the consumer, then we will find that the combined levy on electrical energy in California is 10½ per cent of gross receipts; in North Carolina, 8 per cent of gross receipts; and in the District of Columbia, 7 per cent of gross receipts. These are the higher levies. The minimum levies occur in the States of South Carolina, Alabama, Oklahoma, and Texas, where the combined levies are 3.3 per cent, 3.4 per cent, 3.5 per cent, and 3.5 per cent, respectively.

The Federal tax attaches only to sales of electrical energy for domestic and commercial purposes. Sales for industrial purposes are exempt. Therefore, the duplication set forth above refers merely to duplication between Federal and State levies on domestic and commercial use of electricity. It might be noted in this connection that the State of Mississippi imposes only a 1 per cent rate on the industrial use of electricity energy instead of 2 per cent, which it uses in other cases. Governmental regulation of electrical public-utility companies (privately owned) is such that the duplication of taxes in this field must be viewed somewhat differently from the ordinary case of tax duplication. This is because of the fact not only that the product is a necessity but also because there is a lack of the usual competitive condition. In other words, a public-service commission in fixing the rate to be charged for electrical energy can allow all of the taxes imposed on this industry to be passed on. Unless the tax becomes so high as to prevent the use of this product and to force the users to turn to gas or other form of light, there is no special danger arising from some duplication of tax. However, the tax may be very burdensome on the public.

(4) Soft Drinks

As previously stated, the Federal Government and a number of State governments impose taxes on soft drinks or the ingredients thereof. The first Federal levy on this subject was imposed in 1917. Five States have special soft drink taxes or taxes on carbonic acid gas used in their manufacture. The States with special sales taxes are Alabama, Georgia, Missouri, South Carolina, and Tennessee.

Because of the fact that these soft drink products are so varied in price and are adaptable to manufacture not only by the manufacturer himself but by every drug store and soft drink parlor in the country, very considerable difficulty is encountered in imposing the tax equitably in its administration. The duplication between the taxes imposed by the Federal Government on this subject and those imposed by the State governments are shown under the following heads:

CARBONIC ACID GAS

Federal Government.—Four cents per pound.
Alabama.—Two cents per pound.
Georgia.—Four cents per pound.
Tennessee.—Five cents per pound.

FOUNTAIN SIRUPS

Federal Government.—(*a*) Fountain drinks, 6 cents per gallon; (*b*) closed containers, 5 cents per gallon.
Georgia.—Manufacturers and distributors, one-half of 1 per cent of gross receipts.
Missouri.—Five cents per gallon.
South Carolina.—Seventy-six cents per gallon.

SOFT DRINKS

Federal Government.—Two cents per gallon; except grape juice, 5 cents per gallon.
Missouri.—Three-fifths of 1 cent per gallon.
South Carolina.—Bottled; 1 cent for each 5 cents or fraction of the retail price.

From the above figures it can be seen that the maximum combined levy on carbonic-acid gas is 9 cents per pound; on fountain syrups, 82 cents per gallon; and on other soft drinks, 2⅗ cents per gallon.

In addition to the above duplications, there are other duplications arising because of the general sales taxes imposed in a number of the States. These States and the general rates of tax are summarized at the close of this section. It should be also mentioned that Mississippi has a special rate on bottled soft drink manufactures amounting to 1 per cent of gross sales in lieu of the regular rate of one-fourth of 1 per cent. These general sales taxes also duplicate certain Federal levies on this subject which have not been mentioned in the table given above. These Federal taxes are as follows: Cereal beverages, 1¼ cents per gallon; mineral or table waters, 2 cents per gallon.

(5) ADMISSIONS

The Federal Government first imposed a tax on admissions in 1917 and the tax has been continued, with numerous changes, since that date. The revenue act of 1932, now in force, imposes a tax of 1 cent on each 10 cents or fraction of the admission price, with an exemption of 40 cents. It should be noted that the exemption is not allowed if the admission is 41 cents or more, since the tax applies to the full amount paid when such amount is in excess of the exemption.

In addition to the Federal tax on this subject, 23 States and Alaska also impose a tax on admissions. However, only 3 States tax admissions in general, the remaining 20 States confining their levies to boxing matches. The States imposing these taxes are shown under the following heads, together with the rate and basis of the tax:

GENERAL ADMISSIONS

Mississippi.—One cent each 10 cents rate or fraction thereof.
South Carolina.—One cent each 10 cents rate or fraction thereof.
West Virginia.—One per cent gross receipts.

BOXING MATCHES

Alaska.—Five per cent gross receipts.
Colorado.—Five per cent gross receipts.
Connecticut.—Five per cent gross receipts.
Idaho.—Ten per cent gross receipts.
Illinois.[1]—Ten per cent gross receipts.
Indiana.—Ten per cent gross receipts.
Kansas.—Five per cent gross receipts.
Louisiana.—Five per cent gross receipts.
Maryland.—Ten per cent gross receipts.
Michigan.—Ten per cent gross receipts.
Minnesota.—Ten per cent gross receipts.
Missouri.—Five per cent gross receipts.
Montana.—Five per cent gross receipts.
Nebraska.—Five per cent gross receipts.
New Hampshire.—Three per cent gross receipts.
New Jersey.—Ten per cent gross receipts.
New York.—Five per cent gross receipts.
Pennsylvania.—Five per cent gross receipts.
South Dakota.—Ten per cent gross receipts.
Wisconsin.—Five per cent gross receipts.
Wyoming.—Five per cent gross receipts, plns $10 each contest.

It does not appear that the States having general sales taxes seriously duplicate the Federal levy.

Since the basis of the tax in the case of the States is in most cases different from the basis in the case of the Federal levy, the extent of the combined tax can best be shown by a few hypothetical cases.

For instance, in the State of West Virginia, a $1 ticket to a theater will bear a combined levy of 11 cents. In the States of Mississippi and South Carolina, the combined levy will amount to 20 cents on a $1 ticket.

In the case of a boxing match, the combined levy on a $3 admission in the States of Idaho, Illinois, Indiana, Maryland, Michigan, Minnesota, New Jersey, and South Dakota will amount to 60 cents.

It appears that the Federal Government was to first to occupy this field of taxation and has secured substantial revenue from this source. The revenue secured by the States has been relatively small, since in the great majority of cases they have confined their taxation merely to boxing matches.

(6) Other Sales Taxes

There are other important duplications in the field of special taxes which will now be described.

AUTOMOBILES, TRUCKS, AND ACCESSORIES

The Federal Government first imposed a tax on the sale of automobiles, motor cycles, and trucks in 1917, and a tax upon automobile accessories in 1918. The present tax was imposed in 1932 and applies

[1] In addition, Illinois imposes a tax of 20 cents per person on admissions to horse racing.

to trucks, passenger automobiles, motor cycles, and auto accessories. The rates in force under the Federal statute are: Trucks, 2 per cent; passenger automobiles, 3 per cent; motor cycles, 3 per cent; and auto accessories, 2 per cent. There is only one State, South Dakota, which levies a tax on automobiles based on the selling price. The South Dakota tax consists of a tax equal to 3 per cent of the f. o. b. price. It is difficult to compare the South Dakota tax with that of the Federal Government, for the reason that the former is a retail tax while the latter is a tax upon the manufacturer or producer.

In addition to the Federal Government, there are six States imposing general sales taxes upon the manufacturer or producer. These are Connecticut, Delaware, Louisiana, Mississippi, Missouri, and West Virginia. The total burden resulting from both the Federal and State manufacturers' levy is as follows:

	Per cent
Automobile trucks	$2\frac{1}{60}$–$2\frac{1}{4}$
Passenger automobiles	$3\frac{1}{60}$–$3\frac{1}{4}$
Motor cycles	$3\frac{1}{60}$–$3\frac{1}{4}$
Auto accessories	$2\frac{1}{60}$–$2\frac{1}{4}$

Of the six States referred to, all but Delaware tax wholesale and retail dealers in addition to manufacturers. In the case of Mississippi, auto dealers are taxed at a 1 per cent rate instead of the usual 2 per cent rate applied to other retailers. To show the burden imposed in the case of a retail sales levy in addition to the Federal levy, the following example is given:

Assume that a resident of Pennsylvania buys from a distributor in that State a car manufactured in Detroit, Mich., and that the retail price paid for the car is $900 before taxes, and the manufacturers' price $600. The total Federal and State burden would amount to $27, consisting of a Federal manufacturers' tax of $18 and a State retail tax of $9. The tax in Mississippi in the same case would be the same unless the car were manufactured in Mississippi, in which case there would be a tax of about $1.50 additional, due to the fact that Mississippi imposes a manufacturers' tax of one-fourth of 1 per cent upon gross sales.

STOCK ISSUES

Early taxes on security transactions were in force in 1794 (see discussions under taxes imposed by the Federal Government, section 2 (d) (2), tax on corporate bonds). The present tax on this subject, as imposed by the revenue act of 1932, is 10 cents on each $100 of par or face value or fraction of the certificate. If the stock has no par value, then the tax is 10 cents per share or fraction thereof where the value is $100 or more, and 2 cents for each $20 of value where the value of the share is less than $100 per share. In addition to this Federal tax, four States impose a similar levy, as follows:

Alabama.—Fifty cents per $1,000 of face value.
Florida.—Ten cents per $100 of face value.
Indiana.—One-fourth of 1 per cent of face value (public utility stock); one-twentieth of 1 per cent of face value (all other stock).
South Carolina.—Ten cents per $100 of par value; 10 cents per share if no par value.

From the above data, it appears that the highest combined levy possible in the case of original issues of stock occurs in the case of Indiana, where public utility stock of $100 par value would bear a combined tax of 35 cents. In the other States, the combined levy on stock of $100 par value is 20 cents.

Apparently, in most States the tax is collected from the corporation at the time of the issue of the stock. The general sales taxes of the various States do not apply to stock issues.

STOCK TRANSFERS

The stock transfer tax was first imposed by the Federal Government at the same time that the tax on issues became effective. The tax provided for in the present revenue act is 4 cents on the transfer of each $100 of par or face value of the certificate. It is provided further that in case the selling price is $20 or more per share, the above rate shall be 5 cents instead of 4 cents. In the case of no par value stock, the tax is 4 cents per share if selling for less than $20 and 5 cents per share if selling for $20 or more. Five States also impose a tax on the transfer of capital stock, as follows:

Florida.—Ten cents per $100 of face value.
Massachusetts.—Two cents per $100 of par value.
New York.—Four cents per share of $100 of par value; 4 cents per share if no par value.
Pennsylvania.—Two cents per share of $100 of par value; 2 cents per share if no par value.
South Carolina.—Four cents per share of $100 of par value; 4 cents per share if no par value.

It is evident from the above data that the maximum tax on the transfer of stock occurs in the State of Florida, where a share of stock selling for $100 may be taxed a total of 15 cents by the Federal Government and the State. In New York, where the greatest number of transactions occur, the tax is 8 cents per share in the case of stock selling for less than $20 per share and 9 cents per share in the case of stock selling for over that amount. Both the Federal Government and the State of New York doubled their tax on stock transfers in 1932. The increase in the Federal tax was objected to before the Committee on Ways and Means, it being claimed that the increased levy, in view of the increase in New York, would seriously interfere with transactions and drive business out of the country. As far as information can be secured at the present time, this result has not taken place.

BOND ISSUES

In addition to the present Federal tax of 10 cents per $100 of face value of bonds, there are four States that impose a similar tax, as follows:

Alabama.—Fifty cents per $1,000 of face value.
Florida.—Ten cents per $100 of face value.
Indiana.—One-fourth of 1 per cent of face value (public-utility bonds); one-twentieth of 1 per cent of face value (all other bonds).
South Carolina.—Ten cents per $100 of face value.

A Federal tax was imposed as early as 1794, and it appears that the State taxes have been levied since tbat time. It might also be noted that tbe general sales taxes of the several States do not reach this subject of taxation. The maximum burden occurs in the case of public-utility bonds in Indiana, where the combined levy amounts to 35 cents per $100 of face value. Tbe usual amount of the levy in tbe other States is 20 cents per $100 of face value.

BOND TRANSFERS

The Federal Government in 1932 imposed a tax on the transfer of bonds in the amount of 4 cents per $100 of face value. This act was the first of the modern revenue acts to levy such a tax, although security transfers were taxed as early as 1794. The only State which imposes a similar tax is Florida. This State imposes a tax of 10 cents per $100 of face value, resulting in a combined levy on bond transfers in that State of 14 cents per $100 of face value.

CANDY

The Federal Government imposed a tax on candy as early as 1918 upon retail sales. This tax was subsequently repealed, but a new tax was imposed by the revenue act of 1932 upon sales of candy by manufacturers or producers. The Federal rate is 2 per cent of the manufacturer's selling price. Only one State, South Carolina, imposes a special tax upon candy. In that State candy is taxed at the rate of 1 cent for each 10 cents or fraction if retailed at 50 cents per pound or more. Candy selling for less than 50 cents per pound is not subject to the State tax. In order to show the burden imposed by the State levy in addition to the Federal levy, the following example is given:

Assume that a resident of South Carolina buys a pound of candy in that State and that the retail price paid for such candy is $1 before taxes and the manufacturer's price, 50 cents. The total Federal and State burden would amount to 11 cents, consisting of a Federal tax of 1 cent and a State tax of 10 cents.

In addition to the above, duplications also exist because of the general sales taxes imposed in a number of the States. These States and the general rates of tax are summarized at the close of this section. When the tax on manufacturers, imposed in six of these States as a part of their general sales tax system, is combined with the Federal levy, the total rates range from $2\frac{1}{10}$ per cent to $2\frac{1}{4}$ per cent. Additional burdens are also imposed where the States also tax wholesale and retail sales under their sales tax systems.

PLAYING CARDS

The Federal Government imposed a tax upon playing cards as early as 1894. The present Federal levy was imposed in 1926 and taxes the sale of playing cards at the rate of 10 cents per pack. Only one State, South Carolina, taxes playing cards specifically. In that State a tax is levied upon playing cards at the rate of 5 cents on each 50 cents or fraction of the retail price. To show the combined burden resulting from both the Federal and State levy, assume a resident of South Carolina purchased in that State a pack of playing cards for the price of 35 cents, excluding Federal and State taxes. The combined Federal and State levy will amount to 15 cents, consisting of a Federal tax of 10 cents and a State tax of 5 cents. It will be seen that the total tax collected in this case amounts to 30 per cent of the purchase price of such package of playing cards.

In addition to the above duplications, there are duplications which arise because of the general sales taxes imposed in a number of States. These States and the general rates of tax are summarized at the close of this section.

LIQUOR

The duplication of taxes on liquor has not been investigated, although there is no doubt that many instances of duplication also exist in this field. The Federal taxes on distilled spirits, beers, and wines are still on the statute books, but the tax collections are now very small, due to the eighteenth amendment prohibiting the manufacture and sale of these articles for beverage purposes. Prior to the eighteenth amendment many States also imposed liquor taxes. Just how many of the States have retained taxes of this character since the passage of the eighteenth amendment has not been determined on account of lack of time.

FIREARMS, SHELLS, AND CARTRIDGES

The Federal Government as early as 1918 levied a sales tax upon firearms, shells, and cartridges. At the present time the Federal Government taxes these same items under two revenue acts. The revenue act of 1926 taxes the sale of pistols and revolvers by a manufacturer or producer at the rate of 10 per cent of the selling price. A similar tax is imposed by the revenue act of 1932 upon all other firearms and shells and cartridges. In only one State, South Carolina, do we find a similar tax. South Carolina levies a tax upon shells and all cartridges of .23 caliber or greater at the rate of $4 per thousand rounds. The total Federal and State burden is not shown, due to the fact that the Federal levy and the State levy are not computed upon the same basis.

In addition to this duplication, the general sales taxes imposed in many of the States also result in an added burden. The general sales tax States and the rates of tax imposed are summarized at the end of this section.

FOREIGN INSURANCE POLICIES

As early as 1918, the Federal Government levied a privilege tax upon foreign insurance policies. The present tax is imposed by the revenue act of 1926 and is at the rate of 3 cents on each dollar, or fractional part thereof, of the premium charged. In addition to this tax, the following States also impose taxes on insurance policies:

Connecticut.—Two per cent gross premiums.
Kansas.—Four per cent gross premiums.
Idaho.—Two and one-half per cent gross premiums.
Louisiana.—One per cent gross premiums.
New York.—Two per cent gross premiums.
Oklahoma.—Two per cent gross premiums.
Oregon.—Two and one-fourth per cent gross premiums, plus one-half of 1 per cent on fire insurance.
Washington.—Two and one-fourth per cent gross premiums.
West Virginia.—Two per cent gross premiums.
Wisconsin.—Two per cent gross premiums.

In order to determine the combined burden from both the Federal and State levies (if it be assumed that the premium is in even dollars) it will only be necessary to add the Federal rate of 3 per cent to each State rate. Adopting this method, it will be seen that the total maximum levy is 7 per cent in the case of Kansas and that the minimum levy is 4 per cent in the case of Louisiana.

LUBRICATING OIL

The Federal Government imposed a tax upon lubricating oil under the revenue act of 1932 at the rate of 4 cents a gallon. This tax is payable by the manufacturer or producer. In addition to the Federal tax, Alabama levies a retail tax of 2 cents a gallon upon this commodity. The total Federal and State burden on lubricating oil sold in Alabama, therefore, amounts to 6 cents a gallon. In addition, several towns and cities in Alabama tax lubricating oil.

In addition to the above, duplications also exist because of general sales taxes imposed in a number of States. These States and the general rates of tax are summarized at the close of this section.

MECHANICAL REFRIGERATORS

The Federal Government taxed mechanical refrigerators for the first time in 1932 by levying a tax at the rate of 5 per cent upon sales by manufacturers, producers, or importers. In only one other State is such a tax levied. North Carolina taxes retail sales of this commodity at the rate of 1 per cent of the selling price. Assuming that the manufacturer's price of a refrigerator is $150 and the retail price $250, we find the combined Federal and State tax burden on a refrigerator sold in North Carolina amounts to $10, consisting of a Federal tax of $7.50 and a State tax of $2.50. In addition, North Carolina imposes a hybrid general sales tax upon wholesale and retail sales, which may also slightly increase this burden.

There are other States which impose general sales taxes which, when combined with the Federal levy, may also result in duplicate taxation. These States and the general rates of tax are summarized at the close of this section.

OLEOMARGARINE AND ADULTERATED BUTTER

The Federal Government has been taxing sales of oleomargarine since 1886 and adulterated butter since 1902. The Federal rates on these commodities are as follows:

Oleomargarine (uncolored)	¼ cent per pound.
Oleomargarine (colored)	10 cents per pound.
Adulterated butter	Do.

In addition to the Federal Government, there are 13 States which tax oleomargarine in one form or another. These States and the rates and measures of their taxes are as follows:

Colorado.—Fifteen cents a pound.
Idaho.—Five cents a pound (uncolored), 10 cents a pound (colored).
Iowa.—Five cents a pound.
Nebraska.—Fifteen cents a pound.
North Dakota.—Ten cents a pound.
Oklahoma.—Ten cents a pound.
Oregon.—Ten cents a pound.
South Dakota.—Ten cents a pound.
Tennessee.—Five cents a pound.
Utah.—Five cents a pound (uncolored), 10 cents a pound (colored).
Washington.—Fifteen cents a pound.
Wisconsin.—Six cents a pound.
Wyoming.—Ten cents a pound.

It will be seen from the above that 3 States tax oleomargarine at 15 cents a pound, 7 at 10 cents a pound (including Idaho and Utah, which tax colored oleomargarine at that rate), 1 at 6 cents a pound, and 4 at 5 cents a pound (including Idaho and Utah, which tax uncolored oleomargarine at that rate). Applying the Federal rate to the State rates, it will be found that the total Federal and State burden on oleomargarine sold in Colorado, Nebraska, and Washington is 25 cents a pound in the case of colored oleomargarine and 15¼ cents a pound in the case of uncolored oleomargarine. In the case of sales of oleomargarine in Idaho, North Dakota, Oklahoma, Oregon, South Dakota, and Utah, the total burden on colored oleomargarine is 20 cents a pound. In the case of uncolored oleomargarine, this burden amounts to 5¼ cents on sales in Idaho and Utah and 10¼ cents on sales in North Dakota, Oklahoma, Oregon, and South Dakota. On sales in Tennessee, the total Federal and State burden amounts to 15 cents on colored oleomargarine and 5¼ cents on uncolored oleomargarine. In Wisconsin the total burden amounts to 16 cents on colored oleomargarine and 6¼ cents on uncolored oleomargarine.

Aside from taxing oleomargarine, there are also three States which tax butter substitutes. These are Nebraska, South Dakota, and Washington, which levy taxes at the rates of 15 cents a pound, 10 cents a pound, and 15 cents a pound, respectively. Combining the State rate with the Federal rate upon adulterated butter of 10 cents a pound, we find the total burden in Nebraska and Washington to be 25 cents a pound and in South Dakota to be 20 cents a pound.

In addition to the above, duplications of Federal and State levies may also arise because of the general sales taxes imposed in a number of States. These States and the general rates of tax are summarized at the close of this section.

TRANSPORTATION OF OIL BY PIPE LINE

The Federal Government first taxed the transportation of oil by pipe line in 1917. At the present time such a tax is levied under the revenue act of 1932. The Federal levy consists of a tax equivalent to 4 per cent of the amount paid for transportation of crude petroleum and liquid products by pipe line between June 21, 1932, and July 1, 1934. The tax is paid by the person furnishing the transportation. In addition to the Federal tax, nine States impose a tax on this service. Such States, together with the rate and measure of the tax, are as follows:

Delaware.—Three-fifths of 1 per cent of the gross receipts.
Maryland.—Two per cent of the gross receipts.
Mississippi.—Two per cent of gross income.
New Mexico.—One-tenth of 1 per cent of the gross receipts.
New York.—One-half of 1 per cent of the gross receipts.
Ohio.—Four per cent of the gross receipts.
Oklahoma.—Two per cent of the gross receipts.
Pennsylvania.—Eight-tenths of 1 per cent of the gross receipts.
West Virginia.—One per cent of the gross receipts.

Applying the Federal rate to the State levy, it will be seen that the burden imposed upon this service ranges from 4⅒ to 8 per cent of the gross receipts.

DEEDS OF CONVEYANCES

The Federal Government has often taxed deeds of conveyances since its inception. Under the revenue act of 1932 deeds delivered during the period June 21, 1932, and July 1, 1934, conveying real property are taxed at the following rates:

	Cents
When the consideration of the interest or property conveyed, exclusive of the value of liens or encumbrances remaining thereon at the time of sale, exceeds $100 and does not exceed $500	50
For each additional $500 or fractional part thereof	50

In addition to the Federal tax, three States also tax conveyances, as follows:

Alabama.—Fifty cents for each $500 or fraction thereof.
Florida.—Ten cents for each $100 or fraction thereof.
South Carolina.—One dollar for each $500 or fraction thereof.

Thus it will be seen that there is a duplicate tax imposed by both the Federal and State Governments upon deeds of conveyances.

WORT AND MALT

The Federal Government imposes a tax upon malt at the rate of 3 cents a pound and upon wort at the rate of 15 cents a gallon. In addition to the Federal tax, malt is taxed in seven States and wort in one State. The States taxing these products and the rate and measre of the tax are as follo ws:

MALT

Arkansas.—One cent each 10 cents or fraction of retail price.
Georgia.—One-half of 1 per cent of gross receipts.
Michigan.—Five cents per pound.
Mississippi.—Three cents per pound or fraction of retail price.
South Carolina.—Two cents per pound.
South Dakota.—Ten per cent of gross retail price.
Tennessee.—Five cents per pound.

WORT

Michigan.—Five cents per gallon.

The total tax burden upon malt in those States taxing it in addition to the Federal levy ranges from 5 to 8 cents a pound. For instance, the burden on this commodity in Michigan would be 8 cents per pound; in Mississippi, 6 cents per pound; in South Carolina, 5 cents per pound; and in Tennessee, 8 cents per pound. In the case of wort, the total burden in Michigan would amount to 20 cents per gallon.

The general sales taxes of some of the States may also result in a duplication of this tax burden when compared with the Federal levy. The States imposing general sales taxes and their rates of tax are summarized at the close of this section.

MISCELLANEOUS ITEMS

There are other objects of taxation upon which the Federal Government levies taxes which are also taxed under the general sales tax laws of some of the States. The principal objects which are taxed by the Federal Government and which may also be subject to the general sales taxes are as follows:

Cameras, lenses, etc.
Cheese, filled.

Fur, articles made of.
Flour, mixed.
Grape concentrates.
Jewelry, watches, etc.
Matches, with additional tax on white phosphorous matches.
Narcotics.
Radios and phonographs.
Sporting goods.
Toilet preparations.
Tires and tubes.

The States imposing general sales taxes, with the applicable rates, are summarized at the close of this section.

(E) Licenses, Permits, and Occupational Taxes

When we come to the subject of duplication between the Federal and State Governments in the field of licenses, permits, and occupational taxes, it is fortunate, indeed, that the Federal Government has very few of these taxes, because the State and local statutes, as we have shown, contain thousands of provisions providing for such taxes.

The only important duplications occur in the case of occupational taxes on manufacturers of oleomargarine and adulterated butter, and in the case of occupational taxes on manufacturers of liquors, wines, beer, etc. Twenty States impose occupational taxes in the case of oleomargarine, and a very considerable number in the case of liquor and beer manufacturers and dealers. The exact figure in this latter case we have not ascertained, on account of lack of time. In addition, one State taxes opium dealers and seven States tax manufacturers of filled cheese.

In concluding this discussion of double taxation, it is evident that no final adjustment of our tax system to a sound, equitable, and productive basis can be accomplished until this question of tax duplication has been properly studied and cooperation secured between the Federal Government and the States, looking toward a fair division of the tax field. There is inserted at this point a table showing the States imposing general sales taxes, with the rates applicable thereto, since these taxes also enter into the problem of duplication.

Jurisdiction	On manufacturer	On wholesaler	On retailer
	Per cent	*Per cent*	*Per cent*
Connecticut (unincorporated concerns)	1/10	1/40	1/20
Delaware	1/30		
Kentucky			(1)
Louisiana	(2)	(2)	(2)
Mississippi	[3] 1/4	1/8	[4] 2
Missouri (2 cities)	1/10	1/10	1/10
North Carolina		(1)	(1)
Pennsylvania		1/20	[5] 1/10
West Virginia	[2] 1/100	5/100	3/10

[1] Graduated on gross sales.
[2] Graduated.
[3] Cement and clay products and bottled soft drinks, 1 per cent.
[4] Auto dealers, 1 per cent.
[5] Further tax of 1 per cent on sales to consumers.

It is interesting to note that there are about 326 duplications between the Federal Government and the States and Territories in the field of taxation. These duplications are set forth in the following table:

Duplication in objects of taxation between the United States and the States and Territories

Class	Designation of tax	Imposed by	Duplications
4	Income tax on individuals	United States and Alaska, Arkansas, Delaware, Georgia, Hawaii, Idaho, Illinois, Massachusetts, Mississippi, Missouri, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Vermont, Virginia, Wisconsin.	23
5	Income tax on corporations	United States and Alaska, Arkansas, California, Connecticut, Georgia, Hawaii, Idaho, Massachusetts, Mississippi, Missouri, Montana, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Vermont, Virginia, Wisconsin.	22
6	Death duties and gift taxes:		
	(a) Estate and/or inheritance taxes	United States and all other States and Territories except Nevada.	49
	(b) Gift tax	United States and no other jurisdiction	
9	Special sales taxes on specific items:		
	(a) Sales taxes on liquor, beer, etc. (still on statutes)—		
	(1) Distilled spirits (nonbeverage)	United States [1]	
	(2) Distilled spirits (beverage)	do.[1]	
	(3) Imported perfume containing distilled spirits.	do.[1]	
	(4) Grape brandy used in wine fortification.	do.[1]	
	(5) Rectified spirits or wines	do.[1]	
	(6) Still wines	do.[1]	
	(7) Sparkling wines	do.[1]	
	(8) Artifically carbonated wine	do.[1]	
	(9) Liqueurs, cordials, etc	do.[1]	
	(10) Fermented liquors, beer, etc	do.[1]	
	(b) Sales taxes on tobacco and tobacco products:		
	(1) Cigars	United States and Alabama, Arkansas, Georgia, Mississippi, South Carolina, and Tennessee.	6
	(2) Cigarettes	United States and Alabama, Arkansas, Georgia, Iowa, Kansas, Mississippi North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Texas, Utah.	13
	(3) Tobacco and snuff	United States and South Carolina, Tennessee, North Dakota.	3
	(4) Cigarette papers	United States and Iowa, Kansas, North Dakota, South Dakota, Utah.	5
	(c) Sales taxes on other tangible items.[2]—		
	(1) Automobiles	United States and South Dakota	1
	(2) Auto trucks	United States	
	(3) Auto accessories, except tires and tubes.	United States and no other jurisdiction	
	(4) Cameras, lenses, etc	do	
	(5) Candy and chewing gum	United States and South Carolina	1
	(6) Butter, renovated or processed	United States and no other jurisdiction	
	(7) Cheese, filled	do	
	(8) Fur, articles made of	do	
	(9) Flour, mixed	do	
	(10) Firearms, shells, etc	United States and South Carolina	1
	(11) Gasoline	United States and all other jurisdiction except Alaska.	50
	(12) Jewelry, watches, etc	United States and no other jurisdiction	

[1] Sales taxes on liquor, beer, etc., and occupational taxes on manufacturers and dealers in such products are still on the Federal statutes. The State taxes on these subjects have not been thoroughly investigated and therefore no statement on such State taxes is included in this chart. In view of the eighteenth amendment and the ineffectiveness of these taxes as revenue producers, it is deemed unnecessary to go into this subject at the present time.

[2] Pennsylvania and Mississippi have general sales taxes which apply to most of the specific items enumerated in this class. Connecticut, Delaware, and West Virginia also have sales taxes of a general nature applying to many of the items enumerated.

Duplication in objects of taxation between the United States and the States and Territories—Continued

Class	Designation of tax	Imposed by	Duplications
	Special sales taxes on specific items—Con.		
	(c) Sales taxes on other tangible items.—Continued.		
	(13) Lubricating oils	United States and Alabama	1
	(14) Matches	United States and no other jurisdiction	
	(15) Mechanical refrigerators	United States and North Carolina	1
	(16) Oleomargarine and butter substitutes.	United States and Colorado, Idaho, Iowa, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming.	13
	(17) Playing cards	United States and South Carolina	1
	(18) Radios and phonographs	United States and no other jurisdiction	
	(19) Sporting goods	do	
	(20) Soft drinks and carbonic acid gas.	United States and Alabama, Georgia, Missouri, South Carolina, Tennessee.	5
	(21) Toilet preparations	United States and no other jurisdiction	
	(22) Tires and tubes	do	
	(23) Wort, malt syrup, etc.	United States and Arkansas, Georgia, Michigan, Mississippi, South Carolina, South Dakota, Tennessee.	7
	(24) Opium for smoking	United States and no other jurisdiction	
	(25) Opium, coca leaves, etc	United States and Hawaii	1
	(26) White phosphorus matches	United States and no other jurisdiction	
	(d) Sales taxes on intangibles—		
	(1) Admissions to theaters, boxing matches, etc.	United States and Alaska, Colorado, Connecticut, Idaho, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, Pennsylvania, South Carolina, South Dakota, West Virginia, Wisconsin, Wyoming.	24
	(2) Club dues	United States and no other jurisdiction	
	(3) Issues of bonds and capital stock.	United States and Alabama, Florida, Indiana, South Carolina.	4
	(4) Transfers of capital stock	United States and Florida, Massachusetts, New York, Pennsylvania, South Carolina.	5
	(5) Transfers of bonds	United States and Florida	1
	(6) Deeds of conveyance	United States, Alabama, Florida, South Carolina.	3
	(7) Sales of produce (futures)	United States and no other jurisdiction	
	(8) Electrical energy	United States, Alabama, Alaska, Connecticut, Delaware, Idaho, Maryland, Mississippi, Nevada, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Vermont, Virginia, West Virginia.	18
	(9) Telephone and telegraph messages.	United States	
	(10) Transportation of oil by pipe line.	United States, Delaware, Maryland, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, West Virginia.	8
	(11) Leases of safe-deposit boxes	United States and no other jurisdiction	
	(12) Foreign passage tickets	do	
11	Licenses and permits (occupational taxes):		
	(1) Rectifiers and distillers of liquors	United States [1]	
	(2) Wholesale liquor dealers	do.[1]	
	(3) Retail liquor dealers	do.[1]	
	(4) Manufacturers of stills	do.[1]	
	(5) Brewers	do.[1]	
	(6) Wholesale dealers in malt liquors	do.[1]	
	(7) Retail dealers in malt liquors	do [1]	
	(8) Manufacturers of filled cheese	United States and Mississippi, Montana, Nebraska, New Mexico, North Carolina, North Dakota, South Dakota.	7
	(9) Wholesale dealers in filled cheese	United States and Nebraska	1
	(10) Retail dealers in filled cheese	do	1
	(11) Manufacturers of oleomargarine and/or adulterated butter.	United States, and California, Colorado, Connecticut, Florida, Idaho, Kentucky, Michigan, Minnesota, Mississippi, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Tennessee, Utah, Vermont, Wisconsin.	20

[1] Sales taxes on liquor, beer, etc., and occupational taxes on manufacturers and dealers in such products are still on the Federal statutes. The State taxes on these subjects have not been thoroughly investigated and therefore no statement on such State taxes is included in this chart. In view of the eighteenth amendment and the ineffectiveness of these taxes as revenue producers, it is deemed unnecessaay to go this subject at the present time.

Duplication in objects of taxation between the United States and the States and Territories—Continued

Class	Designation of tax	Imposed by	Duplications
11	Licenses and permits (occupational taxes)—Continued.		
	(12) Wholesale dealers in oleomargarine and/or adulterated butter.	United States, and Florida, Kentucky, Michigan, Minnesota, Mississippi, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, Pennsylvania, Tennessee, Utah, Vermont, Wisconsin.	15
	(13) Retail dealers in oleomargarine and/or adulterated butter.	United States, and Florida, Kentucky, Michigan, Minnesota, Mississippi, Montana, Nebraska, North Dakota, Oklahoma, Pennsylvania, Tennessee, Utah, Vermont, Wisconsin.	14
	(14) Manufacturers and packers of mixed flour.	United States and no other jurisdiction	
	(15) Importers and manufacturers of narcotics.	do	
	(16) Wholesale dealers in narcotics	do	
	(17) Retail dealers in narcotics	do	
	(18) Physicians and others dealing in narcotics.	do	
	(19) Yachts, use of	do	
13	Miscellaneous taxes:		
	(1) Checks and drafts	do	
	(2) Foreign insurance companies	United States, and Connecticut, Kansas, Idaho, Louisiana, New York, Oklahoma, Oregon, Washington, West Virginia, Wisconsin.	10

5. REVENUE FROM TAXATION

(A) Federal Government

For the fiscal year ending June 30, 1932, the receipts of the Federal Government, by specific sources, were as follows, in round figures:

Receipts for fiscal year 1932

Source of revenue:	
Income tax on individuals	$427, 200, 000
Income tax on corporations	629, 600, 000
Estate tax	47, 400, 000
Special sales taxes on tangible items—	
Liquors, distilled and fermented	8, 200, 000
Tobacco and tobacco products	398, 600, 000
Adulterated butter, oleomargarine, etc	700, 000
Playing cards	4, 400, 000
Pistols and revolvers	100, 000
Subtotal	412, 000, 000
Special sales taxes on intangible items—	
Issues and transfers of stocks and bonds	26, 900, 000
Sales of produce (futures)	1, 000, 000
Admissions to theaters	1, 900, 000
Club dues	9, 200, 000
Subtotal	39, 000, 000
Occupational taxes—	
Dealers in distilled or fermented liquors	500, 000
Dealers in adulterated butter, oleomargarine, etc	1, 000, 000
Dealers in narcotics (including taxes on narcotics)	500, 000
Subtotal	2, 000, 000

Source of revenue—Continued.	
Miscellaneous taxes—	
Fines, penalties, etc., under prohibition laws	$500,000
Delinquent taxes and miscellaneous	100,000
Subtotal	600,000
Total revenue from taxes	1,557,800,000
Other revenue—	
Customs	327,800,000
Miscellaneous, including trust funds	232,700,000
Subtotal	560,500,000
Total revenue from all sources	2,118,300,000

The total revenue shown above, and amounting to nearly $2,120,000,000, was entirely inadequate to meet the expenditures of the Government for the fiscal year 1932. The total expenditures in that year were approximately $5,000,000,000, leaving a deficit of more than $2,880,000,000.

The problem of meeting that deficit for future years was a serious one and was earnestly considered by the last session of the Congress. The results of that consideration may be found in the revenue act of 1932. This new revenue act was estimated to produce additional revenue of $1,118,000,000, as shown by the following summary presented by Hon. Charles R. Crisp to the House of Representatives on June 4, 1932:

Summary of revenue bill as agreed upon in conference

Title I. Income tax:	
Individual—	
Normal tax rates, 4 per cent and 8 per cent, exemptions $2,500 and $1,000	$63,000,000
Surtax rates, 1 per cent on net income in excess of $6,000 to 55 per cent on net income in excess of $1,000,000	88,000,000
No earned income credit	27,000,000
Total	178,000,000
Corporation—	
Rate increased from 12 to 13¾ per cent	22,000,000
Exemption eliminated	16,000,000
Consolidated return, additional rate of three-fourths of 1 per cent	3,000,000
Total	41,000,000
Limitation of security losses and other changes, largely administrative	80,000,000
Title II. Estate tax.[1]	
Title III. Gift tax, rates of three-fourths of 1 to 33⅓ per cent [2]	5,000,000
Title IV. Manufacturers' excise taxes:	
Lubricating oil, 4 cents per gallon	33,000,000
Brewers' wort, 15 cents per gallon; Malt sirup, 3 cents per pound; Grape concentrates, 20 cents per gallon	82,000,000
Imported gasoline, crude oil, etc.; coal, lumber, and copper	6,500,000
Tires and tubes, 2¼ and 4 cents per pound	33,000,000

[1] Assuming collections, beginning after June 30, 1933.
[2] Assuming tax effective, beginning July 1, 1932.

Title IV. Manufacturers' excise taxes—Continued.	
Toilet preparations, 10 per cent except dentifrices; soaps, etc., 5 per cent	$13,500,000
Furs, 10 per cent	12,000,000
Jewelry, 10 per cent on amounts over $3, plated silverware exempt	9,000,000
Passenger automobiles, 3 per cent; tires and tubes exempt	32,000,000
Trucks, 2 per cent	3,000,000
Parts and accessories, 2 per cent; tires and tubes exempt	7,000,000
Radio and phonograph equipment and accessories, 5 per cent	9,000,000
Mechanical refrigerators, 5 per cent	5,000,000
Sporting goods and cameras, 10 per cent	5,000,000
Firearms and shells, 10 per cent	2,000,000
Matches, wood, 2 cents per thousand; paper, one-half cent per thousand	4,000,000
Candy, 2 per cent	4,000,000
Chewing gum, 2 per cent	1,000,000
Soft drinks, various rates	7,000,000
Electrical energy, 3 per cent on sales for domestic and commercial purposes	39,000,000
Gasoline, 1 cent per gallon	150,000,000
Total, Title IV	457,000,000
Title V. Miscellaneous taxes:	
Part I. Telephone, telegraph messages, etc., telephone, 10 cents, messages costing 50 cents to $1; 15 cents, $1 to $2; 20 cents, $2 and more; telegraph, 5 per cent; cable and radio, 10 cents	22,500,000
Part II. Admissions, 1 cent per 10 cents on admissions over 40 cents (educational and Olympic exemption eliminated)	42,000,000
Part III. Stamp taxes—	
Issues of bonds or capital stock, 10 cents per $100	6,500,000
Transfers of stock, etc., 4 cents per $100 par value, or 4 cents per share no par, 5 per cent for shares selling over $20 (rates to apply to loans of stock)	20,000,000
Transfers of bonds, etc., 4 cents per $100 par value	5,000,000
Conveyances, 50 cents on $100–$500; 50 cents per $500 in excess	8,000,000
Sales of produce for future delivery, 5 cents per $100	6,000,000
Part IV. Oil transported by pipe line, 4 per cent of charge	8,000,000
Part V. Leases of safe-deposit boxes, 10 per cent of rental	1,000,000
Part VI. Checks, 2 cents each	78,000,000
Part VII. Boats, various rates	500,000
Total, Title V	197,500,000
Total additional taxes	958,500,000
Title VIII. Increased postage rates and other postal provisions, increase 1 cent in first-class postage; increase on second-class matter, etc	160,000,000
Total additional taxes and postal revenue	1,118,500,000

For every fiscal year from 1920 to 1930, inclusive, there had been a surplus in the Treasury running all the way from $86,000,000 to $635,000,000. In 1931, however, there was a deficit of $902,000,000, and in 1932, as already stated, a deficit of $2,880,000,000. The cause of these deficits was, of course, the business depression starting in the fiscal year 1930 which began on July 1, 1929.

A comparison of the revenue receipts for the fiscal year 1929, a good year, and the receipts for 1932, a bad year, with the percentage of decrease in yield, is interesting.

Revenue receipts

	1929	1932	Decrease
			Per cent
Income taxes	$2,331,000,000	$1,057,000,000	55
Estate taxes	62,000,000	47,000,000	24
Sales taxes on liquors	12,000,000	8,000,000	33
Sales taxes on tobacco	435,000,000	399,000,000	8
Sales taxes on other tangible items	13,000,000	5,000,000	61
Sales taxes on intangible items	76,000,000	39,000,000	49
Occupational taxes	3,000,000	2,000,000	33
Miscellaneous taxes	7,000,000	1,000,000	87
Customs	602,000,000	328,000,000	44
Miscellaneous receipts	493,000,000	232,000,000	53
Total revenues	4,034,000,000	2,118,000,000	47

It can be seen from the above comparison that 1932 revenue fell off 47 per cent below 1929 with practically the same taxes and same rates in force. Since the income tax was the largest revenue producer, the fall-off in this tax had the greatest effect. The actual decrease in this case was 55 per cent, or $1,274,000,000. This tremendous loss of revenue brings out the need for reserves to meet such situations or the addition of taxes to our system which will not be subject to such violent fluctuations.

In Exhibit 16 of the appendix will be found a table showing the classified Federal revenue from 1913 to 1932, inclusive, and including, also, estimated receipts on the basis of the figures already given in connection with the revenue act of 1932.

An examination of the data shown in the exhibit last referred to will show the following important facts:

First, in 1913, total revenue from taxes was $345,000,000, of which $223,000,000, or 65 per cent, came from liquor taxes; $77,000,000, or 22 per cent, from tobacco taxes; and $45,000,000, or only 13 per cent, from all other taxes.

Second, in 1933, total revenue from taxes is estimated at $2,339,000,000, of which $8,000,000, or one-third of 1 per cent, should come from liquor taxes; $398,000,000, or 17 per cent, from tobacco taxes; $1,231,000,000, or 52 per cent, from income, estate, and gift taxes; $621,000,000, or 27 per cent, from special sales taxes other than on liquor and tobacco; and only $81,000,000, or about 3⅔ per cent, from all other taxes.

Third, in 1913, grand total revenue from all sources was $724,000,000, of which $619,000,000, or 85 per cent, came from customs and liquor and tobacco taxes; and only $105,000,000, or 15 per cent, from all other sources.

Fourth, in 1933, grand total revenue from all sources is estimated at $3,126,000,000, of which only $733,000,000, or 23 per cent, should come from customs and liquor and tobacco taxes; and $2,393,000,000, or 77 per cent, from all other sources.

It can be seen from the above that in the last 20 years our tax structure has been completely changed. The largest revenue ever received from all sources for any one fiscal year was in 1920, when the revenue amounted to $6,697,000,000. For the years 1922 to 1930, inclusive, the revenues remained almost constant at around

$4,000,000,000, in spite of reduction in rates during that period. A convenient table showing receipts for the last 20 years, in round figures, follows:

Federal revenue classified

[In millions of dollars]

Fiscal year	4. Income tax on individuals	5. Income tax on corporations	6. Estate and gift taxes	9. Special sales taxes on specific items	11. Occupational taxes	13. Miscellaneous taxes	Total revenue from taxes	14. Other revenue	Total revenue
1913	----------	35	----------	302	7	1	345	379	724
1914	28	43	----------	301	7	1	380	355	735
1915	41	39	----------	321	14	1	416	282	698
1916	68	57	----------	371	16	1	513	267	780
1917	180	207	6	392	13	11	809	309	1,118
1918	742	2,111	48	760	8	30	3,699	478	4,177
1919	806	1,795	82	1,116	11	40	3,850	807	4,657
1920	1,464	2,493	103	1,234	17	97	5,408	1,289	6,697
1921	1,388	1,640	154	1,114	14	85	4,595	1,029	5,624
1922	1,064	1,023	139	872	13	86	3,197	896	4,093
1923	778	913	127	706	12	86	2,622	1,382	4,004
1924	792	1,050	103	747	12	92	2,796	1,217	4,013
1925	845	916	109	601	10	103	2,584	1,191	3,775
1926	879	1,095	119	636	8	99	2,836	1,125	3,961
1927	912	1,308	100	531	3	12	2,866	1,260	4,126
1928	883	1,292	60	542	3	11	2,791	1,247	4,038
1929	1,095	1,236	62	536	3	7	2,939	1,095	4,034
1930	1,147	1,263	65	561	3	1	3,040	1,139	4,179
1931	834	1,026	48	517	2	1	2,428	888	3,316
1932	427	630	47	451	2	1	1,558	560	2,118
1933 [1]	628	551	52	1,027	2	79	2,339	787	3,126

[1] All figures for 1933 as per estimates.

(B) State Governments

According to the reports of the United States Department of Commerce, the total revenue of the States from all sources has been as follows for certain years from 1915 to 1930:

	Total revenue receipts
1915	$458,232,597
1917	522,924,733
1919	675,217,202
1922	1,159,527,163
1924	1,370,066,018
1925	1,485,242,240
1926	1,655,494,919
1927	1,758,381,361
1928	1,935,431,711
1929	2,059,327,008
1930	2,243,110,687

The total increase in revenue receipts from 1915 to 1930 was, therefore, nearly 390 per cent. These are total figures and include not only tax receipts, but grants, rents, interest, and earnings of general departments and public-service enterprises.

A more comprehensive idea of State revenue and tax receipts can be secured by a study of the following classification of the total figures already given for 1922, 1925, 1927, 1929, and 1930:

Revenue receipts of the States

[Source: Financial Statistics of States, U. S. Department of Commerce]

	1922	1925	1927	1929	1930
General property taxes	$348, 291, 293	$358, 601, 933	$370, 434, 735	$350, 233, 237	$345, 186, 629
Special property taxes	81, 003, 296	90, 158, 498	99, 801, 766	108, 850, 590	96, 451, 517
Income taxes	29, 329, 886	27, 535, 105	54, 959, 392	74, 595, 414	76, 530, 014
Inheritance taxes	66, 128, 059	85, 894, 069	105, 947, 081	148, 591, 827	180, 794, 241
Other special taxes	19, 703, 006	32, 276, 145	41, 234, 553	69, 175, 835	70, 092, 894
Poll taxes	8, 322, 958	3, 929, 940	3, 425, 520	3, 542, 204	4, 058, 042
Licenses and permits	305, 386, 624	508, 974, 355	679, 324, 123	856, 972, 013	1, 007, 226, 424
Special assessments	9, 409, 958	31, 175, 676	27, 078, 185	30, 543, 117	26, 427, 277
Fines, forfeitures, etc	6, 002, 030	7, 314, 116	7, 912, 033	7, 909, 152	7, 917, 697
Total revenue from taxes	873, 557, 090	1, 145, 859, 837	1, 390, 117, 338	1, 650, 413, 389	1, 814, 684, 535
Subventions, grants, etc	110, 716, 211	143, 491, 679	138, 769, 527	151, 545, 548	150, 154, 726
Privileges, rents, and interest	55, 006, 324	67, 062, 732	81, 921, 552	90, 489, 255	102, 216, 043
Earnings of general departments	116, 549, 100	118, 731, 659	134, 881, 289	149, 872, 537	157, 698, 812
Earnings of public-service enterprises	3, 698, 438	10, 096, 333	12, 691, 655	17, 006, 279	18, 356, 571
Grand total, all revenue	1, 159, 527, 163	1, 485, 242, 240	1, 758, 381, 361	2, 059, 327, 008	2, 243, 110, 687

This office has undertaken a somewhat later compilation of these State revenue receipts by direct correspondence with the State officials. A preliminary computation representative of 1931, as supported by Exhibit 17, in the appendix, after allocation of unclassified items, is shown as follows on a somewhat different basis of classification than previously shown:

State revenue from taxes, 1931 [1]

General property tax	$427, 000, 000
Franchise taxes in lieu of property tax	148, 000, 000
Franchise taxes not in lieu of property tax	162, 000, 000
Income tax on individuals; Income tax on corporations	127, 000, 000
Estate and inheritance tax	183, 000, 000
General manufacturer's sales taxes; General retail sales taxes	4, 000, 000
Special sales taxes on special items	546, 000, 000
Poll taxes	8, 000, 000
Licenses, permits, and occupational	363, 000, 000
Special assessments	12, 000, 000
Miscellaneous	4, 000, 000
Total revenue from taxes	1, 984, 000, 000

The total revenue from taxes for 1931 of $1,984,000,000 found above seems consistent in comparison with the figure found by the Department of Commerce for the preceding year and amounting to $1,815,000,000.

It appears, therefore, from the above figures that in the 9-year period 1922 to 1931, tax increases were about as follows:

Increase in State taxes, 1922 to 1931

	Increase	Per cent
General property tax	$79, 000, 000	22
Income taxes	98, 000, 000	338
Estate and inheritance taxes	117, 000, 000	177
All other taxes	816, 000, 000	189
Total	1, 110, 000, 000	127

[1] In some cases 1930 figures have been used where those for 1931 were not available.

Revenue from taxes, then, has increased about 127 per cent in the last nine years, or, in other words, has more than doubled. As far as

State revenue is concerned, this increase is not due principally to an increase in the general property tax. Later in this report, however, we shall show that the increase in this tax in the case of the local subdivisions of the States is very large.

Income taxes have increased 338 per cent and death duties 177 per cent in the 9-year period, accounting for increased revenues of about $215,000,000. In all other taxes, we find an increase of $816,000,000, or 189 per cent. In these other taxes, one of the principal increases occurs in the case of the gasoline tax, which tax amounted to not less than $500,000,000 in 1931 against $87,000,000 in 1925 and as against, undoubtedly, a very much smaller amount in 1922. In fact, the States have increased their revenues principally through the gasoline tax, automobile taxes, franchise taxes, income taxes, and death taxes during the last decade.

Our figures on State receipts are not sufficiently up to date to form the basis for a discussion of the falling off in State revenues. It is a matter of common knowledge that such falling off has principally occurred either because people have not been able to pay their taxes, or because of the shrinkage in profits and in gross sales.

A good idea can be obtained of the evolution of State tax sytems by an examination of the following table showing revenue receipts from taxation in the case of the State of New York by 5-year intervals from 1905 to 1930, inclusive:

New York—Comparison of receipts of State government from taxation, fiscal years 1905, 1910, 1915, 1920, 1925, and 1930

[Report of N. Y. Tax Commission, 1931]

	1905	1910	1915	1920	1925	1930
General property tax	$1,191,678		$20,519,715	$35,006,524	$28,528,472	
Corporation organization tax	354,496	$488,178	436,383	2,139,282	1,764,783	$5,461,697
License tax, foreign corporations	31,718	29,428	55,888	121,992	208,382	1,154,380
Capital stock:						
Transportation	773,441	952,887	779,402	642,329	832,893	2,199,672
Telephone and telegraph	221,441	162,916	370,931	469,261	830,331	87,197
Gross earnings:						
Transportation	899,779	1,476,745	1,606,144	1,839,445	2,477,782	1,721,787
Telephone and telegraph	132,192	213,897	285,354	377,940	686,904	1,129,658
Capital stock, miscellaneous corporations	730,004	1,211,364	2,070,382	806,960	2,759,862	6,031,103
Light, water, and power (earnings)	463,349	461,770	750,828	1,111,113	2,584,498	4,559,885
Insurance companies:						
Premiums, local companies	568,449	1,304,397	1,718,853	3,888,424	5,263,513	8,095,618
Premiums, non-State companies	198,423	363,490	641,224	1,846,197	1,738,042	2,174,234
Trust companies, capital, surplus, and undivided profits	1,981,817	2,375,370	2,333,590	3,196,587	4,616,302	
Savings banks surplus	787,691	780,873	1,176,228	1,439,896	3,086,914	4,811,937
Foreign banks, earnings	32,436	134,092	88,364	445,508	241,316	
Business corporations (net paid over to State)				19,867,558	24,971,979	39,250,078
Business corporations (net paid over to localities—not included in total)				[1] 9,921,793	[1] 12,950,872	[1] 16,339,495
Inheritances	4,627,051	8,212,736	8,263,894	21,259,641	23,584,767	60,895,171
Mortgages, State's shares		1,931,848	1,552,201	2,259,467	5,042,069	3,818,663
Stock transfers	1,226,758	4,635,443	3,559,426	10,648,993	12,303,037	38,861,414
Real estate brokers and salesmen (State's share)					229,751	286,631
Personal income				16,500,000	10,490,577	40,246,521
Motor vehicles (State's share)	25,954	397,510	1,857,289	4,214,235	19,824,181	80,292,548
Motor fuel						25,076,762
Shellfish grounds			24,914	25,183	13,722	11,304
Billiard rooms					14,949	16,283
Excise	9,163,392	9,589,779	9,099,355	2,039,618	628	
Secured debts			1,016,749			
Investment companies				22,389		
Investments				162,297		
Total	23,406,067	34,742,728	58,207,114	129,830,790	151,546,652	265,662,523

[1] Net paid over to localities not included in totals.

(C) County Governments

Our information concerning the total revenue from taxes secured by the counties is rather meager. According to the reports of the Department of Commerce, total receipts in 1912 were $307,872,000 and in 1922, $745,000,000. An investigation made by this office indicates that total taxes collected by the counties in 1931 amounted to about $958,000,000. If this is correct, we have had an increase in county taxes of about 210 per cent in the last 19 years and of about 28 per cent in the last nine years.

A comparison between classified county tax collections in 1922 as per the Department of Commerce figures and classified county tax collections in 1931 as per our figures is as follows:

[In millions of dollars]

	1922	1931
General property tax	687.3	897.8
Income taxes	1.3	1.8
Death taxes	.5	.2
Poll taxes	9.1	1.8
Licenses and permits	25.1	34.4
Special assessments	19.5	2.1
All other taxes	2.2	19.8
Total	745.0	957.9

It is evident from the above figures that the increase in county taxes of 28 per cent is due to the increase in the general property tax. Collections from this source have increased about 30 per cent in the last nine years. Moreover, over 93 per cent of the county taxes are derived from the general property tax.

(D) Municipalities

The Department of Commerce has issued very complete statistics in regard to the revenue receipts of cities of over 30,000 inhabitants. A résumé of these statistics follows:

Revenue receipts (in millions of dollars) of cities with 30,000 or more inhabitants

[Source: Bureau of the Census, United States Department of Commerce]

Source of revenue	1915	1922	1927	1930
General property taxes	570.8	1,337.8	1,888.7	2,180.1
Special property taxes	69.4	13.4	15.1	15.7
Other special taxes		27.7	49.4	66.9
Licenses and permits		58.1	88.9	110.4
Poll taxes	1.8	4.2	5.2	5.7
Special assessments	79.9	103.1	233.3	236.6
Total revenue from taxes	721.9	1,544.3	2,280.6	2,615.4
Fines, forfeits, and escheats	4.4	13.0	18.7	20.0
Subventions and grants	36.1	99.1	117.1	163.5
Donations, gifts, and pension assessments	3.8	20.0	27.2	36.1
Highway privileges, rents, and interest	55.1	94.2	136.5	157.5
Earnings of general departments	22.5	52.0	74.5	87.0
Earnings of public service enterprises	96.6	184.5	290.9	339.0
Grand total, revenue receipts	940.4	2,007.0	2,945.5	3,418.5

Percentage increase in total revenue from taxes:	
1915 to 1930	262
1922 to 1930	69
Percentage increase in total revenue receipts:	
1915 to 1930	263.5
1922 to 1930	70
Population of these cities 1922 (261 in number—35.2 per cent of national population)	38,736,657
Population of these cities 1930 (310 in number—38.6 per cent of national population)	47,431,082
Per capita tax burden 1922	$39.87
Per capita tax burden 1930	$55.14
Percentage increase in per capita burden 1922 to 1930	38.3

It can be shown from the above figures that the general property tax produced 86 per cent of the total city revenue from taxes in 1922, and 83 per cent in 1930. The property tax, then, in both 1922 and in 1930 was the principal source of the revenue of cities, and the increase in this tax has more than kept pace with the total increase in taxes of 69 per cent taking place during this period.

The Department of Commerce reports show very interesting figures for the per capita tax burden in cities according to five groups as follows:

	Per capita burden from taxes	
	1922	1930
Group I, population over 500,000	$47.88	$66.99
Group II, population 300,000 to 500,000	42.76	59.71
Group III, population 100,000 to 300,000	32.82	44.08
Group IV, population 50,000 to 100,000	30.43	42.00
Group V, population 30,000 to 50,000	29.97	41.16
Average	39.87	55.1

It can not be disputed in view of the above figures that the tax burden increases in proportion to the size of the city. It is probable that cost of living is higher in the large cities, but how far taxes create this condition is a matter of conjecture. It is possible, too, that in the large cities more essential services are performed by the government for the taxpayer than in the case of the small cities.

Certain preliminary figures have been compiled by this office to show tax collections of all cities for 1931. The total of these tax collections is $2,978,000,000 in comparison with the figure of $2,615,000,000 shown by the Department of Commerce for 1930 in the case of cities of over 30,000 inhabitants. The total shown for 1931, therefore, appears reasonable. An analysis of our total figure for 1931 is as follows:

Tax receipts, municipalities, 1931

General property taxes	$2, 633, 200, 000
Franchise taxes in lieu of property tax	13, 400, 000
Franchise taxes not in lieu of property tax	14, 500, 000
Taxes based on net income	32, 100, 000
Special sales taxes	900, 000
Poll taxes	8, 400, 000
Licenses and permits	83, 800, 000
Special assessments	187, 100, 000
Miscellaneous	4, 600, 000
Total	2, 978, 000, 000

(E) Townships and Other Civil Divisions

The data on revenue collections by the towns and other civil divisions which have not already been discussed are not complete for recent years. The last Department of Commerce report on this subject was for the year 1922. The figures of this department, for unincorporated civil divisions for 1922, compared with the preliminary figures collected by this office for 1931 are as follows:

Revenue from taxes (local governments, other than State, county, and city)

	1922	1931
General property taxes	$941,100,000	$1,146,200,000
Special taxes	3,800,000	1,000,000
Poll taxes	4,500,000	1,600,000
Licenses and permits	4,500,000	25,100,000
Special assessments	26,900,000	14,100,000
Total	980,800,000	1,188,000,000

Too much dependence should not be placed on these figures but they are believed to be sufficiently accurate to show that there has been a considerable increase in local taxes, with 85 per cent to 90 per cent secured from the general property tax.

6. THE TOTAL TAX BURDEN

Having set forth the most essential facts concerning the tax collections of the Federal Government, the States, and the subdivisions thereof, it is now possible to discuss the burden that these taxes impose on the taxpayer.

According to our investigation, the results of which are not inconsistent with those of the Department of Commerce, the total tax collections for 1931 were approximately as follows:

Total revenue from taxes, 1931

Federal taxes	$2,428,000,000
State taxes [1]	1,967,000,000
County taxes	958,000,000
City taxes	2,978,000,000
Local taxes	1,188,000,000
Grand total	9,519,000,000

These figures understate the Federal tax burden of the present time, since Federal taxes were materially increased in June, 1932. They are also less than the total tax burden of 1930, since in that year Federal taxes amounted to $3,040,000,000. In view of these considerations and the general situation in the case of State and local finances, it is conservative to estimate the total tax burden now borne by the people at $10,000,000,000 annually. While it has been stated at various times in the press that our annual tax bill is from $12,000,000,000 to $14,000,000,000, we find no substantiation for this figure, unless all the revenues of our Governments instead of only the tax collections are included. It does not seem proper, however, to consider interest received, foreign-debt payments, receipts from grants, and income from public-service enterprises as a part of the tax burden.

[1] Alaska and Hawaii omitted in this discussion.

In 1922, from the Department of Commerce figures for the States and their subdivisions and from the Treasury reports for Federal taxes, it appears that the total tax burden was as follows:

Total revenue from taxes, 1922

Federal taxes	$3, 197, 000, 000
State taxes	868, 000, 000
County taxes	745, 000, 000
City taxes	1, 627, 000, 000
Local taxes	981, 000, 000
Grand total	7, 418, 000, 000

With these general figures in mind, as well as those already presented in previous sections of this report, it is now possible to discuss just what these figures mean to the average citizen.

(A) Per Capita Tax Burden

The total per capita tax burden in the United States amounted to $77.53 in 1931. This figure is worthy of analysis, first with respect to governmental agencies and second, with respect to classifications of taxes.

The per capita tax burden classified by governmental tax collecting agencies in 1931 was as follows:

Collecting agency	Per capita tax burden	Per cent of total
Federal Government	$19. 77	25. 5
State governments	16. 02	20. 6
County governments	7. 80	10. 1
City governments	24. 26	31. 3
Other local governments	9. 68	12. 5
Total	77. 53	100. 0

The per capita tax burden classified according to the form of tax is as follows for 1931:

Form of tax	Per capita tax burden	Per cent of total
General property tax	$41. 47	53. 5
Franchise taxes in lieu of property taxes	1. 32	1. 7
Franchise taxes not in lieu of property taxes	1. 45	1. 9
Income taxes	16. 45	21. 2
Estate and inheritance taxes	1. 88	2. 4
General sales taxes	. 04	. 1
Special sales taxes	8. 75	11. 3
Poll taxes	. 15	. 2
Licenses and permits	4. 13	5. 3
Special assessments	1. 75	2. 2
Miscellaneous	. 14	. 2
Total	77. 53	100. 0

It is interesting to note the following facts which are brought out by the figures just given:

First, the city governments are the largest tax collectors, since this governmental agency secures 31.3 per cent of the total taxes collected in the United States. The Federal Government comes second with a revenue of 25.5 per cent of the total, and State governments third with 20.6 per cent of the total.

Second, the general property tax is the principal source of all taxes, accounting for not less than 53.5 per cent of the total collections. Franchise taxes levied in lieu of property taxes might well be added to this figure, in which event 55.2 per cent of total collections could he said to come from property taxes. The next important source of revenue is the income tax, which produces 21.2 per cent of the total collections. Special sales taxes on specific items comes third in order of importance, accounting for 11.3 per cent of the total revenue from taxes.

It will he convenient at this point to show the per capita tax burden by governmental agencies and by classes of taxes for the fiscal year 1922, as has already been shown for 1931. These figures will be used later in this section of the report in discussing the increase in the per capita tax burden. The figures follow:

	1922 per capita tax burden	Per cent of total
COLLECTING AGENCY		
Federal Government	$29.42	43.1
State governments	7.99	11.7
County governments	6.86	10.1
City governments	14.97	21.9
Other local governments	9.03	13.2
Total	68.27	100.0
FORM OF TAX		
General property tax	30.58	44.8
Income taxes	19.78	29.0
Estate and inheritance taxes	1.91	2.8
Other special taxes	9.98	14.6
Poll taxes	.27	.3
Licenses and permits	3.88	5.7
Special assessments	1.89	2.8
Total	68.27	100.0

The facts in regard to the per capita tax burden are sufficiently important to warrant a statement of this burden by States, conveniently subdivided according to whether the population of the State is predominantly in the rural districts or predominantly in the urban districts. The figures given are for 1931, but exclude Federal taxes. In other words, the per capita figures are for State, county, city, town, and other local taxes. The Federal taxes, if included, would destroy the value of the comparison, because income taxes, tobacco taxes, and miscellaneous sales taxes are often collected from the office of the collector of internal revenue located in a State other than the State where the real burden of the tax falls. If the total tax burden, including Federal taxes, is desired for each State, the best measure of this total burden will be found by adding $19.77 (the per capita tax

burden of Federal taxes for the United States) to the total State and local tax burden shown in the following tables:

Predominantly rural States

	Per cent of population in rural communities	Per capita tax burden State and civil divisions thereof
New England:		
Maine	60	$58.06
Vermont	67	55.66
Weighted average		57.32
West North Central:		
Minnesota	51	66.28
Iowa	60	52.64
North Dakota	83	51.13
South Dakota	81	58.28
Nebraska	65	57.29
Kansas	61	73.35
Weighted average		61.34
South Atlantic:		
Virginia	68	32.10
West Virginia	72	41.50
North Carolina	75	32.10
South Carolina	79	27.35
Georgia	69	24.48
Weighted average		30.90

	Per cent of population in rural communities	Per capita tax burden State and civil divisions thereof
East South Central:		
Kentucky	74	$32.48
Tennessee	74	31.81
Alabama	78	21.83
Mississippi	87	26.03
Weighted average		28.14
West South Central:		
Arkansas	79	28.75
Louisiana	60	32.88
Oklahoma	65	37.11
Texas	59	38.92
Weighted average		35.99
Mountain:		
Montana	66	65.92
Idaho	71	60.43
Wyoming	69	55.78
New Mexico	75	31.50
Arizona	65	59.19
Nevada	62	67.30
Weighted average		55.68
Total weighted average		39.66

Predominantly urban States

	Per cent of population in urban communities	Per capita tax burden State and civil divisions thereof
New England:		
New Hampshire	58	$58.14
Massachusetts	90	85.28
Rhode Island	92	53.54
Connecticut	70	70.60
Weighted average		77.01
Middle Atlantic:		
New York	83	94.40
New Jersey	82	91.92
Pennsylvania	68	53.09
Weighted average		78.87
East North Central:		
Ohio	68	61.24
Indiana	55	58.14
Illinois	74	59.46
Michigan	68	71.18
Wisconsin	53	62.50
Weighted average		62.35

	Per cent of population in urban communities	Per capita tax burden State and civil divisions thereof
West North Central:		
Missouri	51	$29.31
South Atlantic:		
Delaware	52	74.59
Maryland	60	63.51
District of Columbia	100	64.72
Florida	52	58.71
Weighted average		62.51
Mountain:		
Colorado	50	55.22
Utah	52	53.17
Weighted average		54.55
Pacific:		
Washington	56	60.21
Oregon	51	68.21
California	73	78.96
Weighted average		74.13
Total weighted average		69.00

From the above statement, there is afforded the opportunity to compare the per capita tax burden of the several States individually and also by groups, according to whether the population of such groups is located principally in the rural or urban districts. A comparison can also be made between the different sections of the country and the burden of all predominantly rural States can be compared with that of all predominantly urban States. (See also Exhibit 19 of the appendix.)

A few comparisons of interest are the per capita tax burden of Iowa, $52.64, compared with the per capita tax burden of Kansas, $73.35, both similarly located and with the population of each located predominantly in the rural districts; the per capita tax burden of the rural East South Central States, $28.14, compared with that of the rural Mountain States, $55.68; and the per capita tax burden in the urban Middle Atlantic States, $78.87, compared with that of the urban East North Central States, $62.35.

It would be well worth while to inquire into the reasons for the great differences in the per capita tax burden shown in the different States and groups of States. Lack of time requires us to leave this subject for the investigation of the reader or for treatment in a future report. Certain additional data are shown in the appendix, Exhibit 18.

(B) Tax Burden in Proportion to Estimated Taxable Wealth

The per capita tax burden does not reveal the whole story of tax distribution, for the reason that different sections of the country are in different situations in regard to the accumulated wealth of the inhabitants. In order to show how taxes are distributed in proportion to wealth, an estimate has been made of the total taxable wealth of each State. Since this estimated taxable wealth has been based on assessed values, increased to full value where assessed values are made at less than full value, it might be more accurate to call this computation "estimated taxed wealth" instead of "estimated taxable wealth." In other words, the estimate does not include property escaping taxation. It is realized that the amount of tangible and intangible personal property escaping tax is very considerable.

The total taxable wealth of the United States on the basis above described amounts to $239,731,911,778 on the basis of information for the years 1930 and 1931. This figure, together with the figures for each State, are shown in Exhibit 18 of the appendix. Using these estimates in connection with the tax collections already shown, it is found that the proportion of taxes to total taxable wealth in the United States is $3.98 per $100. The Federal taxes alone amount to $1.01 per $100 of taxable wealth, and the taxes of the States and the subdivisions thereof amount to $2.97 per $100 of taxable wealth.

The burden of State and local taxes only, per $100 of taxable wealth, is shown in the following table, classified by States and by groups according to whether the population of such States is located principally in the rural or principally in the urban communities.

Predominantly rural States	Percentage of population in rural communities	Tax burden per $100 estimated wealth (excluding Federal taxes)
New England:		
Maine	60	$3.67
Vermont	67	3.87
Weighted average		3.73
West North Central:		
Minnesota	51	2.58
Iowa	60	3.33
North Dakota	83	3.05
South Dakota	81	2.70
Nebraska	65	2.54
Kansas	61	3.62
Weighted average		2.46
South Atlantic:		
Virginia	68	3.33
West Virginia	72	3.53
North Carolina	75	3.42
South Carolina	79	3.43
Georgia	69	2.73
Weighted average		3.26
East South Central:		
Kentucky	74	2.54
Tennessee	74	3.51
East South Central—Con.		
Alabama	78	$2.47
Mississippi	87	3.52
Weighted average		2.92
West South Central:		
Arkansas	79	3.46
Louisiana	60	3.36
Oklahoma	65	3.45
Texas	59	2.70
Weighted average		3.01
Moutain:		
Montana	66	2.50
Idaho	71	2.23
Wyoming	69	2.88
New Mexico	75	2.14
Arizona	65	2.73
Nevada	62	2.48
Weighted average		2.47
Total weighted average for rural		3.00

Predominantly urban States	Percentage of population in urban communities	Tax burden per $100 estimated wealth (excluding Federal taxes)
New England:		
New Hampshire	58	$3.40
Massachusetts	90	3.34
Rhode Island	92	2.59
Connecticut	70	3.60
Weighted average		3.33
Middle Atlantic:		
New York	83	3.38
New Jersey	82	2.69
Pennsylvania	68	3.47
Weighted average		3.25
East North Central:		
Ohio	68	3.03
Indiana	55	3.65
Illinois	74	2.01
Michigan	68	3.06
Wisconsin	53	3.50
Weighted average		2.74
West North Central:		
Missouri	51	2.14
South Atlantic:		
Delaware	52	[1] $6.24
Maryland	60	3.22
District of Columbia	100	1.66
Florida	52	3.00
Weighted average		2.89
Mountain:		
Colorado	50	2.98
Utah	52	3.06
Weighted average		3.01
Pacific:		
Washington	56	3.76
Oregon	51	3.12
California	73	2.37
Weighted average		2.59
Total weighted average for urban		2.95

[1] Delaware has no State general property tax. It is probable that this figure should not be given too much weight.

For reasons similar to those already stated in discussing the per capita tax burden of the different States, the above figures do not include Federal taxes. If the total tax burden per $100 of total estimated taxable wealth is desired in the case of any State, it will be sufficient to add $1.01 to the figures given.

The lower burden per $100 of taxable wealth will be found in the Mountain States. The higher burden will be found in the New England States. Taken as a whole, the taxes seem to be distributed well between rural and urban communities. The average for all predominantly rural States is $3 per $100, and for all predominantly urban States $2.95 per $100.

Other comparison can be left to the reader, with the reminder tbat the figures shown are for all State and local taxes, and that the property tax averages about 74 per cent of all State and local taxes.

(C) How the Tax Burden has Increased

Certain figures bave already been given in subdivision (*a*) of this section and in the appendix in connection with the tax burden for 1922 and 1931 which enable us to discuss readily the increase in the tax burden.

First, it will be well to consider the increase in the burden according to our governmental agencies which levy and collect taxes.

The Federal Government in 1922 collected $3,197,000,000 in taxes and in 1931, $2,428,000,000. In this 9-year period, therefore, there has been a decrease of $769,000,000 in tax collections, or about 24 per cent. In the same period, the per capita hurden of Federal taxes decreased from $29.42 to $19.77. This decrease amounts to $9.65 per capita, or about 32 per cent. While on its face this seems to be a very creditable showing, we should not congratulate ourselves too greatly on the above decrease. In the first place, the Federal Government in gradually eliminating activities started during the World War had an opportunity to cut expenditures and also taxes, which opportunity did not present itself to State and local governments. For instance, Navy Department expenditures were $476,775,000 in 1922, against $364,561,000 in 1931; Railroad Administration, $139,469,000 in 1922, against $245,000 in 1931; Sbipping Board, $87,205,000 in 1922, against $34,000,000 for 1931; and War Finance Corporation, $94,428,000 in 1922, against $172,000 in 1931. In the second place, the tax revenues of 1931 were over $900,000,000 short of meeting our expenditures. Therefore, if taxes had been sufficient to meet expenditures, as seems desirable, our Federal tax bill would have been even greater than in 1922.

The State governments in 1922 collected $868,000,000 in taxes and in 1931, $1,967,000,000. In this 9-year period, therefore, there has been an increase of $1,099,000,000 in tax collections, or about 126 per cent. In the same period, the per capita tax burden of State taxes has increased from $7.99 to $16.02. This increase amounts to $8.03 per capita, or about 100 per cent. The principal reason for the increased tax levies of the States will be found in the fact that large additional sums have been deemed necessary to provide for the construction of public works, especially roads; for the expansion of the educational department; and for hospitals, corrections, and similar institutions.

The county governments in 1922 collected $745,000,000 in taxes and in 1931, $958,000,000. In this 9-year period, therefore, there has heen an increase of $213,000,000 in tax collections, or about 29 per cent. In the same period, the per capita tax burden of county taxes has increased from $6.86 to $7.80. This increase amounts to $0.94 per capita, or about 14 per cent.

The city governments in 1922 collected $1,627,000,000 in taxes and in 1931, $2,978,000,000. In this 9-year period, therefore, there has been an increase of $1,351,000,000 in tax collections, or about 83 per cent. In the same period, the per capita tax burden has increased from $14.97 to $24.26. This increase amounts to $9.29 per capita, or about 62 per cent. Increased taxes have been necessary in this case to meet additional expenditures in practically every department of city government. Schools, highways, hospitals, charities, and corrections have constituted the principal items for which large additional expenditures have been made.

The townships and other local divisions in 1922 collected $981,000,000 in taxes and in 1931, about $1,188,000,000, although it is possible this latter figure is somewhat understated through lack of complete data. In this 9-year period, therefore, there has been an increase of $207,000,000 in tax collections, or about 21 per cent. In the same period, the per capita burden of these local taxes has increased from $9.03 to $9.68. This increase amounts to $0.65 per capita, or about 7 per cent.

Totaling the tax collections of the Federal, State, county, city, and other local governments, we find taxes collected in 1922 amounted to $7,418,000,000 and in 1931, to $9,519,000,000. In this 9-year period, therefore, there has been a total tax increase of $2,101,000,000, or about 28 per cent. In the same period, the total per capita tax burden has increased from $68.27 to $77.53. This increase amounts to $9.26 per capita, or nearly 14 per cent. Leaving out of account Federal taxes, the per capita tax burden of all other taxes amounted to $38.85 in 1922 and to $57.76 in 1931. This increase amounts to $18.91 per capita, or about 48 per cent. It is believed that increased expenditures for roads and schools have been the principal, though not the only, reasons requiring this increase in taxation.

Second, it will be well to consider the increase in the tax burden on the different objects of taxation. This can be done hy means of the following simple table:

Class of tax	Per capita tax burden		Per cent increase (+) or decrease (−)
	1922	1931	
General property tax	$30.56	$41.47	+36
Income taxes	19.78	16.45	−17
Estate and inheritance taxes	1.91	1.88	−2
Other special taxes	9.98	11.70	+17
Poll taxes	.27	.15	−44
Licenses and permits	3.88	4.13	+6
Special assessments	1.89	1.75	−77
Total	68.27	77.53	+14

The above figures show that the two principal taxes through which the additional revenues have been secured are the "general property tax" and "other special taxes," of which latter classification sales taxes on specific items, like gasoline, are the most important. Considerable space has been devoted to the property tax and the sales tax in the preceding pages of this report, and it will be unnecessary to discuss the merits of these taxes further in this connection. The necessity for careful consideration of these two objects of taxation, "property" and "sales," is again evident from the figures now submitted.

In concluding this discussion of the increase in the tax burden, it may be interesting to show how such burden has increased in each State with respect to State, city, county, and local taxes only. This is brought out by the following table:

Percentage increases in per capita tax burden (State, city, county, and local taxes only), 1922 to 1931

Alabama	72.2
Arizona	4.5
Arkansas	107.3
California	31.7
Colorado	10.0
Connecticut	56.1
Delaware	109.1
District of Columbia	113.1
Florida	66.7
Georgia	70.1
Idaho	33.3
Illinois	45.9
Indiana	33.1
Iowa	.3
Kansas	72.3
Kentucky	67.4
Louisiana	12.6
Maine	59.7
Maryland	101.8
Massachusetts	59.0
Michigan	38.4
Minnesota	24.1
Mississippi	24.0
Missouri	1.0
Montana	46.3
Nebraska	24.4
Nevada	−18.0
New Hampshire	33.6
New Jersey	87.6
New Mexico	−1.3
New York	64.0
North Carolina	78.9
North Dakota	9.3
Ohio	34.2
Oklahoma	42.2
Oregon	11.0
Pennsylvania	56.0
Rhode Island	37.1
South Carolina	93.6
South Dakota	16.5
Tennessee	72.3
Texas	71.0
Utah	29.4
Vermont	62.3
Virginia	62.4
Washington	9.0
West Virginia	44.3
Wisconsin	31.5
Wyoming	21.6
Weighted average	48.7

(D) How the Tax Burden has been Shifted

Some of the data already supplied shows certain facts in relation to shifts in the burden of taxation. The subject is of sufficient importance, however, for some additional consideration.

In the case of the Federal taxes, the shift in tax burden has been very pronounced. The main burden has been transferred from sales taxes on liquors to income taxes. This may be shown by the following simple table:

Class of tax	Revenue			
	1913	Per cent of total	1931	Per cent of total
Income tax	$35,000,000	10.1	$1,860,000,000	76.6
Estate tax	----------	----------	48,000,000	2.0
Liquor sales taxes	223,000,000	64.6	10,000,000	.4
Tobacco sales taxes	77,000,000	22.3	444,000,000	18.3
Other sales taxes	2,000,000	.6	63,000,000	2.6
Occupational taxes	7,000,000	2.1	2,000,000	.1
Miscellaneous taxes	1,000,000	.3	1,000,000	
Total	345,000,000	100.0	2,428,000,000	100.0

In other words, 1913 taxes were derived to the extent of 64.6 per cent from levies on liquors, to the extent of 22.3 per cent from levies on tobacco, to the extent of 10.1 per cent from levies on incomes, and to the extent of 3 per cent from all other levies. In 1931, on the other hand, 76.6 per cent of our tax revenues came from levies on incomes, 18.3 per cent from levies on tobacco, 2.6 per cent from miscellaneous sales taxes, 2 per cent from the estate tax, and 0.5 per cent from all other taxes.

The fact that nearly 65 per cent of our total tax burden in 1913 was collected from the sale of liquors and only about 10 per cent from incomes, in comparison with the fact that over 76 per cent of our total tax burden in 1931 was collected on incomes and only about one-half of 1 per cent from the sale of liquors, shows how greatly our Federal tax system has been revolutionized. It is obvious that an entirely different class of the population now bears the principal burden of the Federal tax. It is also interesting to note how the tobacco tax has occupied a consistent place in our revenue system as a tax producer. The actual receipts from this tax in 1931 were nearly six times the 1913 receipts, and in 1931 this tax produced 18 per cent of our total revenue, against 22 per cent in 1913.

In the case of taxes imposed by the State governments, the evolution of these taxes in recent years may be seen from an examination of the table in section 5 (b). In brief, the States have kept their property taxes about constant since 1922, and have turned to gasoline taxes, franchise taxes, inheritance taxes, and special license taxes. If it is desired to go further back into the past, the table showing the tax receipts in the case of the State of New York, in the section last referred to, will be helpful. For instance, in 1905, New York secured about 39 per cent of its revenue from excises on liquor, etc., and in 1930, nothing from this source. On the other hand, in 1905 one-tenth of 1 per cent came from auto licenses and motor fuel, and in 1930 from this source 21 per cent of the State's revenue was secured.

An inspection of the table also shows a large increase in special franchise or license taxes on different public utilities and special businesses in 1931 over receipts shown from these sources in 1905. New York has also increased its revenues by entering the income-tax field.

A study of the figures already given in connection with county, city, and other local taxes shows that in this case there has been little shift of the tax burden. It still remains on property, and principally on real property. For instance, taking the cities of over 30,000 inhabitants as an example, we find the following percentages of property taxes to total taxes for the years shown:

Percentage of property taxes to total taxes:	
1915	79
1922	86
1927	83
1930	84

The above figures are deemed important and it is not necessary to cloud the issue with minor tax collection figures. The burden of our local taxes still remains on the property owner.

It appears worth while to consider in this same connection, State, county, city, and local taxes as a unit instead of separately. The table which follows shows the per capita property tax burden compared with the burden of all other taxes for the States and subdivisions thereof for the years 1922 and 1931:

Jurisdiction	General property tax burden per capita		Burden of all other taxes per capita	
	1922	1931	1922	1931
Alabama	$9.81	$13.48	$2.87	$8.35
Arizona	51.55	49.80	5.08	9.39
Arkansas	9.68	18.23	4.29	10.52
California	45.37	65.49	14.59	13.47
Colorado	43.98	43.46	6.24	11.76
Connecticut	35.34	52.39	9.88	18.21
Delaware	27.80	21.32	7.87	63.27
District of Columbia	24.13	56.09	6.24	8.63
Florida	29.62	41.96	5.60	16.73
Georgia	11.65	15.86	2.74	8.62
Idaho	37.96	48.98	7.36	11.45
Illinois	32.70	50.47	8.06	8.99
Indiana	38.13	44.31	5.56	13.83
Iowa	39.68	40.08	12.84	12.56
Kansas	37.16	51.39	5.40	21.96
Kentucky	16.43	22.62	2.97	9.66
Louisiana	23.51	25.26	5.69	7.62
Maine	28.65	39.65	7.70	18.41
Maryland	26.00	44.32	5.47	19.19
Massachusetts	44.08	54.34	9.55	30.94
Michigan	44.62	64.65	6.82	16.53
Minnesota	41.20	52.06	12.20	14.22
Mississippi	17.53	16.52	3.46	9.51
Missouri	23.64	26.40	6.37	2.91
Montana	37.47	48.64	7.59	17.28
Nebraska	41.22	46.87	4.82	10.42
Nevada	67.76	52.36	14.33	14.94
New Hampshire	35.00	42.96	8.52	16.18
New Jersey	42.35	70.94	6.65	20.98
New Mexico	27.91	26.63	4.01	4.87
New York	45.97	67.85	11.58	26.55
North Carolina	13.56	19.76	4.36	12.32
North Dakota	41.66	45.24	5.12	5.89
Ohio	37.97	45.39	7.67	15.85
Oklahoma	21.31	22.91	4.79	14.20
Oregon	44.12	51.96	17.33	16.25
Pennsylvania	26.22	39.26	5.82	12.83
Rhode Island	33.18	42.32	5.87	11.22
South Carolina	11.50	17.84	2.63	9.51
South Dakota	47.08	43.42	2.95	14.86

Jurisdiction	General property tax burden per capita		Burden of all other taxes per capita	
	1922	1931	1922	1931
Tennessee	$15.08	$21.41	$3.38	$10.41
Texas	19.90	28.13	2.86	10.79
Utah	33.17	44.23	7.92	8.94
Vermont	28.35	39.54	5.94	16.12
Virginia	13.64	19.30	5.93	12.90
Washington	42.60	48.72	12.43	11.49
West Virginia	23.71	31.22	5.04	10.28
Wisconsin	39.52	41.12	8.02	21.38
Wyoming	36.56	43.54	9.30	12.24
Weighted average	31.71	42.87	7.13	14.89

It will be observed from the above table that the per capita property tax burden has increased in the 9-year period designated in 41 States and the District of Columbia. In 1922, the weighted average of the per capita property-tax burden amounted to $31.71 and the per capita burden of all other taxes to $7.13, making a total per capita burden of State and local taxes of $38.84. In 1931, the weighted average of the per capita property tax burden amounted to $42.87 and the per capita burden of all other taxes to $14.89, making a total per capita burden of State and local taxes of $57.76. There has, therefore, been an increase in the total burden in the nine years of $18.92 per capita, or about 49 per cent. This per capita increase of $18.92 comes about from an increase in property taxes of $11.16 per capita and from an increase in all other taxes of $7.76 per capita. In other words, 59 per cent of the increase is due to the increase in property taxes and 41 per cent of the increase is due to the increase in all other taxes.

If Federal taxes are brought into this picture, it will be found that, considering property taxes as one group and all other taxes as another group, the increase in the total per capita tax burden may be entirely ascribed to increased property taxes. This is partly because in the 9-year period used Federal taxes have declined, and, of course, no Federal property taxes are levied. The Federal per capita tax burden was $29.43 in 1922 and $19.77 in 1931. Adding these figures to the totals already given for the States and local subdivisions, the following results are obtained:

General property tax burden per capita:	
1922	$31.71
1931	42.87
Burden of all other taxes per capita:	
1922	$36.56
1931	34.66

It is plain from the above, that, taking all our taxes into consideration, there has been an increase of $11.16 per capita in property taxes and a decrease of $1.90 per capita in all other taxes. Therefore, there has been a net increase in the per capita tax burden of $9.66, all of which may be properly ascribed to property-tax increases.

7. GOVERNMENTAL EXPENDITURES

While this report is principally concerned with taxes and with the revenue resulting therefrom, it is also proper to include certain data regarding governmental expenditures, since the purpose in levying taxes is to provide for such expenditures. During the recent period of depression, our citizens have become conscious of our vast public expenditures to a degree never before attained. The press has been full of comments on this important subject, but the difficulties of making as great a reduction in expenditures as has often been recommended do not seem to have been appreciated. Attempt will be made to outline, in general, the expenditures of the different divisions of our Government before we conclude with a few general remarks on this subject.

(A) Federal Expenditures

Total Federal expenditures have increased nearly seven times in the last 20 years. In 1913, total expenditures were approximately $725,000,000; in 1932, they were $5,007,000,000. Even with a concerted attempt at economy in making appropriations for the fiscal year 1933, it appears that the expenditures of the Government for that year will not be less than $3,957,000,000.

In the various reports of the Secretary of the Treasury will be found classifications of these expenditures. Such classifications, however, are generally made by Government departments; for instance, according to Navy Department, Interior Department, Department of Commerce, etc. In our opinion, these classifications do not lend themselves to a ready appreciation of just where the public tax dollar goes. Therefore, new classifications have been made which, it is hoped, will bring out the purposes for which the public moneys are expended. These classifications and the expenditures under each for the fiscal years 1913 to 1933 are shown to the nearest million in the following schedule:

Federal expenditures classified

Fiscal year	1. General government	2. Protection to person and property	3. Conservation of health and sanitation	4. Development and conservation of natural resources	5. Highways and waterways	6. Charities, hospitals, and corrections
1913	$128,000,000	$254,000,000	$6,000,000	$25,000,000	$83,000,000	$6,000,000
1914	123,000,000	269,000,000	6,000,000	27,000,000	83,000,000	5,000,000
1915	143,000,000	274,000,000	6,000,000	38,000,000	77,000,000	8,000,000
1916	148,000,000	294,000,000	6,000,000	31,000,000	51,000,000	6,000,000
1917	187,000,000	1,474,000,000	6,000,000	32,000,000	51,000,000	7,000,000
1918	242,000,000	11,871,000,000	7,000,000	46,000,000	50,000,000	6,000,000
1919	333,000,000	17,095,000,000	10,000,000	37,000,000	50,000,000	7,000,000
1920	355,000,000	4,079,000,000	25,000,000	39,000,000	87,000,000	21,000,000
1921	488,000,000	2,581,000,000	60,000,000	61,000,000	181,000,000	19,000,000
1922	462,000,000	952,000,000	43,000,000	35,000,000	167,000,000	159,000,000
1923	492,000,000	808,000,000	14,000,000	55,000,000	186,000,000	203,000,000
1924	468,000,000	734,000,000	12,000,000	55,000,000	175,000,000	166,000,000
1925	503,000,000	685,000,000	14,000,000	60,000,000	195,000,000	120,000,000
1926	576,000,000	702,000,000	14,000,000	58,000,000	177,000,000	67,000,000
1927	512,000,000	688,000,000	14,000,000	69,000,000	170,000,000	49,000,000
1928	551,000,000	796,000,000	16,000,000	74,000,000	183,000,000	47,000,000
1929	767,000,000	790,000,000	17,000,000	75,000,000	193,000,000	52,000,000
1930	699,000,000	820,000,000	18,000,000	90,000,000	212,000,000	68,000,000
1931	692,000,000	845,000,000	18,000,000	84,000,000	271,000,000	122,000,000
1932	874,000,000	811,000,000	20,000,000	114,000,000	328,000,000	148,000,000
1933 [1]	834,000,000	641,000,000	19,000,000	97,000,000	330,000,000	187,000,000
1933 [2]	769,000,000	609,000,000	17,000,000	92,000,000	330,000,000	186,000,000

See footnote at end of table.

Federal expenditures classified—Continued

Fiscal year	7. Education	8. Recreation	9. Interest	10. Miscellaneous	Grand total
1913	$4,000,000	$1,000,000	$23,000,000	$195,000,000	$725,000,000
1914	4,000,000	1,000,000	23,000,000	194,000,000	735,000,000
1915	4,000,000	1,000,000	23,000,000	187,000,000	761,000,000
1916	4,000,000	1,000,000	23,000,000	177,000,000	741,600,000
1917	4,000,000	1,000,000	25,000,000	191,000,000	1,978,000,000
1918	6,000,000	2,000,000	190,000,000	279,000,000	12,698,000,000
1919	6,000,000	4,000,000	619,000,000	363,000,000	18,523,000,000
1920	37,000,000	4,000,000	1,020,000,000	816,000,000	6,483,100,000
1921	110,000,000	14,000,000	999,000,000	1,035,000,000	5,548,000,000
1922	23,000,000	8,000,000	991,000,000	955,000,000	3,795,000,000
1923	11,000,000	6,000,000	1,056,000,000	916,000,000	3,697,000,000
1924	11,000,000	5,000,000	941,000,000	940,000,000	3,507,000,000
1925	12,000,000	6,000,000	882,000,000	1,052,000,000	3,529,000,000
1926	13,000,000	7,000,000	832,000,000	1,139,000,000	3,585,000,000
1927	13,000,000	8,000,000	787,000,000	1,203,000,000	3,493,000,000
1928	14,000,000	9,000,000	732,000,000	1,221,000,000	3,643,000,000
1929	15,000,000	12,000,000	678,000,000	1,249,000,000	3,848,000,000
1930	16,000,000	16,000,000	659,000,000	1,397,000,000	3,995,000,000
1931	17,900,000	19,000,000	612,000,000	1,540,000,000	4,220,000,000
1932	16,000,000	19,000,000	599,000,000	2,080,000,000	5,007,000,000
1933 [1]	13,000,000	14,000,000	640,000,000	1,332,000,000	4,107,000,000
1933 [2]	13,000,000	14,000,000	640,000,000	1,288,000,000	3,957,000,000

[1] Estimated before economy bill.
[2] Estimated after distributing $160,000,000 saving predicted from economy bill.

First, consider the expenditures for the year 1913. In this year, out of total expenditures of $725,000,000, we find $128,000,000 expended in general Government operation, $254,000,000 in protection to person and property, $6,000,000 for conservation of health and sanitation, $25,000,000 in the development and conservation of natural resources, $83,000,000 for highways and waterways, $6,000,000 for charities, hospitals and penal institutions, $4,000,000 for education, $1,000,000 for recreation, $23,000,000 for interest, and $195,000,000 for miscellaneous expenditures. In explanation of these classifications, it might be stated that under protection to person and property are included all the expenditures in connection with the Army and Navy, except pensions. Pensions are included under miscellaneous, and, in fact, constitute one of the principal expenditures in this item, amounting in 1913 to $175,000,000. A more complete analysis of the table shown on the preceding page will be found in Exhibit 20 of the appendix. This exhibit is classified in the same way, but each classification is broken down into several subclasses so that a more definite idea of just what is included in each class may be obtained from a study of this exhibit.

Now consider the fiscal year 1932, which is the last for which we have actual figures, the figures shown for 1933 being estimated. The general Government expenditures for 1932 were $874,000,000. This amount represents necessary expenses in running the executive, legislative, and internal business activities of the Government. This item, in fact, represents the principal item to which we may look, in a practical way, as the basic figure for reduction of governmental expenditures, but it does not include any expenditures in connection with past, present, or future wars.

The total expenditure for the protection of person and property in 1932 was $811,000,000. In this amount will be found $764,000,000 for the Army, Navy, and similar activities, $15,000,000 for the Department of Labor, $18,000,000 for prohibition enforcement, and

$14,000,000 for the regulation of corporations, industries, etc. Expenditures for the conservation of health and sanitation in 1932 amounted to $20,000,000, and expenditures for the development and conservation of natural resources amounted to $114,000,000. No breakdown is necessary to show what is included in these items. Out of total expenditures of $326,000,000 for highways and waterways, $220,000,000 is for highways and $106,000,000 for waterways, bridges, rivers, and harbors. The total expenditure of $149,000,000 shown under the general heading of charities, hospitals, and corrections, can be subdivided as follows: $98,000,000 for hospitals for the Army, Navy, and veterans; $37,000,000 for special relief for the needy and suffering; $14,000,000 for prisons and penal institutions. There is an expenditure of nearly $16,000,000 for education, not including education of the military and naval forces. The item of $19,000,000 shown for recreation includes expenditures in connection with government parks, monuments, cemeteries, etc. A very significant item which is not immediately open for reduction is the item of interest, now amounting to the enormous sum of $599,000,000 compared with only $23,000,000 for this purpose in 1913. In 1932, we have shown total expenditures under miscellaneous amounting to $2,080,000,000. The following items are included under this heading:

Pensions	$549, 000, 000
Military, naval, and veteran insurance	126, 000, 000
Adjusted-service certificates	194, 000, 000
Special relief and loans to agriculture	262, 000, 000
Indian Affairs	36, 000, 000
Special relief and loans to business	500, 000, 000
Debt retirements	413, 000, 000

In connection with these governmental expenditures for the fiscal year 1932, which amount in toto to $5,007,000,000, one fact stands out in prominence. The principal part of our governmental expenditures is due to past wars or to preparation for future wars. For instance, if we add $764,000,000 spent for Army, Navy, and war activities, $97,000,000 for hospitals for the Army, Navy, and veterans, $599,000,000 for interest on the public debt accumulated almost entirely as the result of war, $549,000,000 for pensions, $126,000,000 for military, naval, and veteran insurance, $194,000,000 for adjusted-service certificates, and $412,000,000 for retirement of our war debt, we will find that we have a total of $2,741,000,000, or 55 per cent of our total expenditures. It is apparent, therefore, that in considering the reduction of Government expenditures our first obstacle is an item amounting to 55 per cent of the total expenditures, the reduction of which offers many practical difficulties. The reduction of other items also present practical difficulties under present conditions. Such items may be listed as follows:

Department of Labor	$15, 000, 000
Conservation of health and sanitation	20, 000, 000
Development and conservation of natural resources	114, 000, 000
Highways and waterways	326, 000, 000
Special relief for the needy and suffering	37, 000, 000
Prisons and penal institutions	14, 000, 000
Indian affairs	36, 000, 000

These items total $562,000,000, or approximately 11 per cent of our total expenditures. If we add this 11 per cent to the 55 per cent already shown, there remains only 34 per cent for consideration in further reduction.

The above facts are not recited in order to create the impression that it is impossible to reduce Government expenditures but only for the purpose of bringing out the difficulty of this problem.

(B) State Expenditures

Sufficient information is not yet at hand for a complete analysis of the current expenditures of all the States. Fairly complete data is available from the reports of the Census Bureau of the Department of Commerce for the years 1922 to 1930.

In 1922 the total expenditures of the 48 States amounted to $1,280,319,734. The largest single item was $356,956,455 for education, including both schools and libraries. Highway expenditures of $349,816,178 were almost as large as those for education. These two items amounted to about 55 per cent of the total expenditures.

By 1930 the total expenditures for State purposes amounted to $2,290,270,059, according to the Census Bureau report of that year. In this year expenditures for highways is the largest single item, amounting to $886,514,579 and constituting over one-third of the total. Expenditures for education is the second largest item, amounting to $598,058,080. In 1930 the expenditures for highways and education combined account for about 65 per cent of total State expenditures. The following table compares classified State expenditures for the years 1922 and 1930:

	1922	1930
General government	$76,693,856	$124,866,797
Protection to person and property	55,929,316	84,613,652
Conservation of health and sanitation	24,235,629	36,843,770
Development and conservation of natural resources	47,398,015	83,848,448
Highways	349,816,178	886,514,579
Charities, hospitals, and corrections	189,796,036	286,796,277
Education	356,956,455	598,058,080
Recreation	3,551,925	16,125,347
Interest	41,308,039	101,430,598
Miscellaneous	134,734,285	71,172,511
Total expenditures	1,280,319,734	2,290,270,059

It may also be interesting to note the total expenditures for a series of years from 1915 to 1930 and the percentage increase, shown below:

Year	Total expenditures	Per cent increase over 1915
1915	$494,907,084	
1917	517,503,220	4.6
1919	640,403,134	29.4
1922	1,280,319,734	158.7
1924	1,513,628,021	205.8
1926	1,614,537,954	226.2
1928	1,889,172,537	281.7
1929	2,061,016,833	316.4
1930	2,290,270,059	362.7

In the case of six States, this office has available 1931 expenditures for State purposes and the per cent of same to the total expenditures of the State and all subdivisions thereof. These data are as follows:

State	State expenditures	Per cent to total expenditures
Wisconsin	$42,608,442	16.22
Indiana	44,354,537	18.78
Virginia	83,147,656	29.65
Massachusetts	75,282,580	20.85
California	172,306,275	21.22
Montana	16,384,968	33.16

It appears from the above that State expenditures average about 25 per cent of the total expenditures made by the State and all other civil divisions located within the State.

This section is concluded by giving the expenditures of the State of New York, as taken from annual reports for the years 1905, 1910, 1915, 1920, 1925, and 1930.

Comparison of expenditures fiscal years 1905, 1910, 1915, 1920, 1925, and 1930 for the State of New York

	1905	1910	1915	1920	1925	1930
Executive	$52,537	$83,656	$122,468	$183,110	$136,453	$7,162,218
Audit and control (administrative)	695,326	862,644	1,869,959	2,877,611	3,533,906	4,309,091
Law						1,045,149
Legislature	1,324,658	1,503,764	2,064,942	1,649,254	1,354,271	1,799,268
Judiciary	1,031,497	1,547,595	1,947,140	2,323,001	2,519,832	3,959,204
Agriculture and markets	746,137	1,575,957	3,221,614	4,032,068	6,241,078	5,660,445
Banking						676,863
Civil service						156,806
Conservation						6,516,578
Correction (penal, etc.)	1,032,822	1,648,384	1,915,349	2,996,632	3,107,130	6,269,937
Education	6,267,156	8,333,507	9,594,296	16,863,284	46,583,361	98,221,251
Health						2,232,905
Insurance						762,298
Labor						3,201,659
Mental hygiene (curative, etc.)	5,731,588	7,683,797	7,899,798	13,947,249	19,185,014	28,137,232
Public service						1,047,855
Public works (constructive, etc.)	1,570,854	7,426,260	6,161,901	12,408,925	31,957,489	59,145,143
Social welfare						388,238
State						498,517
Taxation and finance						3,931,448
Miscellaneous	1,461,306	990,917	989,400	1,813,156	1,977,671	1,779,559
State debt service	1,129,956	8,247,794	7,681,030	13,591,721	15,160,466	19,486,323
Regulative	1,040,326	2,058,743	4,117,795	5,260,663	13,392,791	
Defensive	1,234,596	865,723	1,713,407	2,347,981	2,491,407	
Charitable	2,121,635	2,943,371	3,853,753	5,502,937	6,545,643	
Protective	607,137	908,609	1,693,529	3,217,379	4,584,810	
Canal fund	2,431,820	10,731,570	2,167,410	5,009,224	4,540,626	
Total	28,479,351	57,422,291	57,033,791	94,024,215	163,300,847	256,397,987

NOTE.—In the case of certain items of expenditure in 1930 no like items are shown for other years. However, such expenditures if made may be included under other head, some of which are not shown under the same heading for 1930.

(C) County Expenditures

It has been found impossible in the short time available for the preparation of this report to go into the subject of county expenditures and make a comprehensive statement thereon. However, some States have furnished information as to county expenditures from which the following data is taken.

The State of Iowa for the fiscal year 1931 reports collections by county officials of $114,487,680, of which amount the county expended $32,095,766. In addition to this amount, $4,114,000 was expended for secondary road construction by the counties, from State fund allotments. County expenditure was 27.85 per cent of total expenditures.

Wisconsin reported a total county expenditure of $60,568,822 for the fiscal year ending December 31, 1930. Of this amount, $25,876,329 was expended by the county governments on highways. County expenditures amounted to 23 per cent of total expenditures.

Indiana reported a 1930 county expenditure of $45,994,459, the largest item contributing to the same being highways for a total of $15,224,393, with general government second for a total of $9,034,748. The county expenditures were 19 per cent of the total for the State for all purposes.

Virginia reported a county expenditure of $29,498,437 with highways the largest factor, totaling $8,819,481. County expenditures were 24 per cent of total expenditures.

The county unit in Massachusetts is unlike that of other States and for that reason does not lend itself to comparison. The legislature annually passes an act authorizing the expenditure of money by the counties. The counties have no taxing authority but are empowered through this act to assess on the cities and towns which comprise the county, their proportionate share of the expense of running the counties. The total county expenditures in Massachusetts for 1931 were $11,127,630, or 3.08 per cent of the State total.

In California the total county expenditures for 1931 were $371,339,094, excluding the county of San Francisco, while the expenditures for the year 1922 were $178,681,382. Education was the largest disbursement item in these disbursements. The county expenditures in California were 45 per cent of the total governmental expenditures in the State.

In view of the above, it would appear that county expenditures in the various States do not bear a very constant relation to total expenditures due to the different positions in importance these counties occupy in the different States. However, for convenience, it will not be very inaccurate to assume that about 20 per cent of total expenditures within a State, on the average, is disbursed by the counties.

(D) Municipal Expenditures

The expenditures of 261 cities, having a population of over 30,000 each, for the year 1922 amounted to $2,222,566,519, according to the Bureau of the Census of the Department of Commerce. An analysis of this figure is as follows:

Expenses of general departments	$1, 284, 188, 727
Expenses of public service corporations	106, 575, 542
Interest	213, 866, 622
Outlays	617, 935, 628
Total	2, 222, 566, 519

For the purposes of this report, these expenditures are classified as follows:

	Amount	Percentage
General Government	$119,314,406	5.38
Protection to person and property	273,349,241	12.30
Conservation of health and sanitation	208,294,187	9.38
Highways	299,048,894	13.43
Charities, hospitals, and corrections	91,072,490	4.10
Education	660,796,495	29.74
Recreation	68,998,109	3.10
Interest	213,866,622	9.62
Miscellaneous [1]	287,826,130	12.95
Total expenditures	2,222,566,519	100.00

[1] Under miscellaneous expenditures are included expenses and outlays for public service enterprises.

It will be noted that the largest item of municipal expenditure in 1922 was for education, in the amount of $660,796,495.

For the fiscal year 1930, the Bureau of Census reports municipal expenditures for a group of 310 cities having a population of over 30,000 each, in the amount of $3,810,681,763. This figure is classified as follows:

	Amount	Percentage
General Government	$204,746,573	5.37
Protection to person and property	441,538,562	11.58
Conservation of health and sanitation	333,978,595	8.76
Highways	604,872,819	15.87
Charities, hospitals, and corrections	172,948,656	4.55
Education	1,002,659,632	28.32
Recreation	126,944,889	3.33
Interest	405,152,731	10.63
Miscellaneous [1]	517,839,306	13.58
Total expenditures	3,810,681,763	100.00

[1] Includes operation, maintenance, and outlays of public-service corporations.

It will be noted that the largest item of disbursement is for education, in the amount of $1,002,659,632. Highways, protection to persons and property, interest, and conservation of health and sanitation follow, in the order named.

The following table shows the municipal expenditures for the last available fiscal year of five States for which we have data:

	Municipal expenditures	Per cent to total expenditures
Wisconsin	[1] $101,979,941	38.81
Indiana	[2] 87,228,097	36.86
Virginia	44,625,501	39.02
California	274,174,098	33.54
Montana	4,136,700	8.38

[1] Includes certain incorporated villages and towns.
[2] Includes municipal school district expenditures.

From the above, we believe it may be roughly estimated that municipal expenditures account, on the average, for about 35 per cent of the total expenditures by the States and all local governments.

(E) Expenditures of Towns and Other Civil Divisions

There remains to present only the expenditures of the local State governments not included in State, county, and municipal disbursements. Here, again, recourse is made to a few States on which we have recent information, as shown in the following table:

	Expenditures of other civil divisions	Per cent to total expenditures
Wisconsin	$57,669,207	21.92
Indiana	59,001,131	24.92
Virginia	4,511,092	4.94
Montana	16,492,607	33.36

From the above figures, and from certain general considerations, it is estimated that the expenditures of these local subdivisions average about 20 per cent of total expenditures within the States.

This section is concluded by reproducing a table of State, county, city, and town taxes of the State of Indiana, furnished by Mr. Charles Kettleborough, director of the Indiana Legislative Bureau. This table is valuable for purposes of study and shows a complete breakdown of all expenditures within that State.

Expenditures, classified by functions

	State	Counties	Civil townships	Civil cities	Civil towns	School townships	School cities	School towns	Total
General Government	$6,518,242.61	$9,034,748.43	$537,256.45	$7,851,269.83	$477,932.37	$2,102,704.27	$3,822,606.22	$130,401.60	$30,475,161.78
Protection to person and property	675,649.74	1,486,003.55		12,986,130.82	865,129.64				16,012,913.75
Conservation of health and sanitation	467,039.39	1,869,331.17	23,282.42	2,961,729.51	182,917.57				5,504,300.06
Conservation of natural resources	1,009,148.79	376,592.62	446,626.99						1,832,368.40
Highways	18,898,584.33	15,224,393.18	10,049,502.93	7,320,084.78	807,011.20				52,299,576.42
Charities, hospitals, corrections	5,738,351.69	5,652,450.66							11,390,802.75
Education	7,142,450.46	965,746.20	989,665.40	630,181.13	207,201.19	22,379,498.15	25,576,820.11	2,108,302.71	59,999,865.35
Recreation	266,405.59	9,678.73		2,012,264.91	61,677.73				2,350,026.96
Interest	85,272.37	2,133,378.04	2,337,002.21	1,993,991.35	144,657.15	1,142,059.17	2,205,429.66	74,798.73	10,116,588.68
Miscellaneous:									
Public lighting				5,152,787.55	1,080,271.00				6,233,058.55
Assessment of property	447,206.92	1,931,502.42							2,378,709.34
Payment of bonds	72,000.00	4,892,340.74	8,427,427.57	2,560,118.92	232,172.06	2,509,662.26	2,452,662.26	173,518.95	21,320,071.59
Temporary loans	208,000.00	1,877,179.75	197,672.00	4,627,440.57	231,811.71	710,311.42	4,007,865.30	82,623.33	11,942,904.08
Pensions	637,127.66			334,453.61					971,581.27
Investments	1,987,726.00			145,615.32	8,869.02				2,142,210.34
Advancements returned		324,047.55							324,047.55
Insurance premiums	81,549.33	791.91		65,627.49	3,630.67				151,599.40
Rent	46,030.69								46,030.69
Donations		67,200.78		127,349.46					194,550.24
Judgments		34,938.33		318,726.03					353,664.36
Damages	821.06								821.06
Other	72,930.67	114,135.10	155,685.68	74,773.98	119,848.03				537,373.46
	44,354,537.30	45,994,459.16	23,164,121.65	49,162,545.26	4,423,129.34	28,844,235.27	38,065,552.38	2,569,645.32	236,578,225.68

(F) How Expenditures have Increased

Using the figures given in the preceding pages of this subdivision of the report as a basis, the increase in expenditures can now be discussed.

In regard to Federal expenditures, these have increased from $725,000,000 in 1913 to $3,795,000,000 in 1922 and to $4,220,000,000 in 1931. In other words, Federal expenditures in 1931 were 482 per cent more than in 1913 and 11 per cent more than in 1922. It was remarked in a former discussion of Federal taxes that the fact that these taxes decreased from 1922 to 1931 about 24 per cent was a matter which should not be viewed with satisfaction. The reason for this now becomes apparent. In spite of a decline of 24 per cent in tax collections in this 9-year period, in the same period expenditures have increased 11 per cent.

The cause of this increase in expenditures can perhaps be made plain from the following comparison of 1922 and 1931 expenditures with the percentage increase in each case:

Increase in Federal expenditures

Purpose of expenditure	1922	1931	Amount of increase	Per cent of increase
General government	$462,000,000	$692,000,000	$230,000,000	50
Protection of person and property	952,000,000	845,000,000	−107,000,000	−11
Conservation of health and sanitation	43,000,000	18,000,000	−25,000,000	−58
Development and conservation of natural resources	35,000,000	84,000,000	49,000,000	140
Highways and waterways	167,000,000	271,000,000	104,000,000	62
Charities, hospitals, and corrections	159,000,000	172,000,000	−37,000,000	−23
Education	23,000,000	17,000,000	−6,000,000	−26
Recreation	8,000,000	19,000,000	11,000,000	137
Interest	991,000,000	612,000,000	−379,000,000	−38
Miscellaneous:				
Pensions, veterans' insurance, and adjusted-service certificates	462,000,000	875,000,000	413,000,000	90
Debt retirements	423,000,000	440,000,000	17,000,000	4
Agriculture, loans and relief	----------	192,000,000	192,000,000	----------
Other miscellaneous	70,000,000	33,000,000	−37,000,000	−53
Total	3,795,000,000	4,220,000,000	425,000,000	11

The above figures are sufficient to support the following statements as to the increase and decrease in items of Federal expenditure from 1922 to 1931:

First. The greatest increase in amount of money has been the item of pensions, veterans' insurance, and adjusted-service certificates, an increase of $413,000,000, or 90 per cent.

Second. The next largest increase in amount of money has been the item of General Government, an increase of $230,000,000, or 50 per cent.

Third. The largest increase in percentage has been on the item of development and conservation of natural resources amounting to 140 per cent, or an increase of $49,000,000.

Fourth. The greatest decrease in expenditure has been in the item of interest amounting to $379,000,000, or a decrease of 38 per cent.

Fifth. The total increase in expenditures in the 9-year period amounts to $425,000,000, or 11 per cent. This increase would have been much larger except for the reduction in the interest item of $379,000,000. The beneficial effect of reducing the interest charges by debt retirement during prosperous times is made clear by these figures.

In regard to the expenditures of the States, these have increased about 362 per cent since 1915 and about 79 per cent since 1922. These figures may well be compared with the Federal figures of 482 per cent since 1913 and 11 per cent since 1922. The effect of the war on disbursements and the difficulty in reducing expenditures after the war enters into the comparison on the Federal side of the picture.

In order to analyze this increase in State expenditures, a comparative table is submitted for 1922 and 1930, similar to that already shown for Federal expenditures:

Increase in State expenditures

Purpose of expenditure	1922	1930	Amount of increase	Per cent of increase
General Government	$76,000,000	$125,000,000	$49,000,000	64
Protection to person and property	66,000,000	85,000,000	29,000,000	32
Conservation of health and sanitation	24,000,000	37,000,000	13,000,000	54
Development and conservation of natural resources	47,000,000	84,000,000	37,000,000	79
Highways and waterways	350,000,000	886,000,000	536,000,000	125
Charities, hospitals, and corrections	190,000,000	287,000,000	97,000,000	51
Education	357,000,000	598,000,000	241,000,000	67
Recreation	4,000,000	16,000,000	12,000,000	300
Interest	41,000,000	101,000,000	60,000,000	146
Miscellaneous	135,000,000	71,000,000	−64,000,000	−47
Total	1,280,000,000	2,290,000,000	1,010,000,000	79

The following statements are supported by the above figures:

First. The largest increase in expenditures in amount of money is found in connection with the item for highways and waterways, an increase of $536,000,000, or 125 per cent.

Second. The next largest increase in expenditures in amount of money is found in connection with the item for education, an increase of $241,000,000, or 67 per cent.

Third. While the largest increase in percentage is in the case of the item of recreation, amounting to 300 per cent, since the increase is only $12,000,000, the item is not important. The important item in connection with percentage increases is that of interest. Here the percentage increase is 146 per cent and the amount of the increase $60,000,000.

Fourth. The total increase of $1,010,000,000, or 79 per cent, in State expenditures is largely accounted for by increases in highway and school expenditures and interest payments. However, the average increase in the other items appears to be between 50 and 60 per cent.

In the case of municipal expenditures, a comparative table for 1922 and 1930, similar to those already shown for the Federal and State Governments, is submitted for analysis, as follows:

Increase in municipal expenditures

Purpose of expenditure	1922	1930	Amount of increase	Per cent of increase
General government	$119,000,000	$205,000,000	$86,000,000	72
Protection to person and property	273,000,000	441,000,000	168,000,000	62
Conservation of health and sanitation	208,000,000	334,000,000	126,000,000	61
Highways and waterways	299,000,000	605,000,000	306,000,000	102
Charities, hospitals, and corrections	91,000,000	173,000,000	82,000,000	90
Education	661,000,000	1,002,000,000	341,000,000	52
Recreation	69,000,000	127,000,000	58,000,000	84
Interest	214,000,000	405,000,000	191,000,000	89
Miscellaneous	288,000,000	518,000,000	230,000,000	80
Total	2,222,000,000	3,810,000,000	1,588,000,000	71

The above data substantiate the following statements:

First. The largest increase in expenditures in amount of money occurs in the item of education, an increase of $341,000,000, or 52 per cent.

Second. The next largest increase in expenditures in amount of money and the largest in percentage occurs in the item of highways, an increase of $306,000,000, or 102 per cent.

Third. The item of interest shows an increase of $191,000,000, or 89 per cent; the item of protection to person and property, $168,000,000, or 62 per cent; and the item of conservation of health and sanitation, $126,000,000, or 61 per cent.

Fourth. The total increase in the 8-year period is $1,588,000,000, or 71 per cent. It will be noted that this increase is largely due to the items of highways, schools, interest, police and other protection, and sanitation.

Sufficient data are not at hand to analyze accurately the increase in county expenditures and the increase in township expenditures. However, from what information is at hand, it is believed that county expenditures have increased about 35 per cent in the last nine years and town and similar local government expenditures about 30 per cent.

On the basis of actual figures and of our estimates previously noted, the following table may be constructed as to total expenditures for 1922 and 1930–31:

Jurisdiction	Actual or estimated total expenditures	
	1922	1930–31
Federal	$3,795,000,000	$4,220,000,000
State	1,280,000,000	2,290,000,000
County	1,115,000,000	1,505,000,000
Municipal	2,222,000,000	3,810,000,000
Other local	1,220,000,000	1,586,000,000
Total	9,632,000,000	13,411,000,000

From the above it is evident that Federal expenditures increased 11 per cent from 1922 to 1931. If State, county, city, and other local expenditures are added together, it will be found that such expenditures amounted to $5,837,000,000 in 1922 and to $9,191,000,000 in 1930–31. This represents an increase in State and local expenditures of $3,354,000,000, or 57 per cent.

In any event, it is perfectly evident that there has been a tremendous increase in total expenditures of all our governments, collectively, in the last 20 years amounting to perhaps 400 per cent, and that there has been a large increase in the last nine years amounting to not less than 40 per cent. These expenditures are well worth further study, but they should not be too lightly condemned until it is determined how much more the public got for their money in 1931 than in 1922. One obvious point, that has already been mentioned, must be stressed, namely, the reduction of public debts in prosperous times is a most desirable objective, for it results in lower interest charges in later years when these charges may be most difficult to meet.

8. REMARKS ON FOREIGN TAX SYSTEMS AND REVENUE DERIVED THEREFROM

(A) Great Britain

The United Kingdom derives its tax revenue from income, estate and inheritance, excise, stamp, land, tariff, and other taxes; and miscellaneous revenue from postal, telephone, and telegraph services, crown lands, sundry loans, etc. The total tax revenue of the United Kingdom, including tariff revenue, amounted in round figures for the fiscal years 1930, 1931, and 1932, to $3,384,000,000, $3,519,000,000, and $3,665,000,000,[1] respectively; while the total revenue, that is, the tax revenue plus receipts from sources other than taxes, was $4,075,000,000, $4,286,000,000 and $4,257,000,000, respectively, for the years mentioned. The classified receipts from all sources are shown in detail in Exhibit 21 of the appendix.

Taxes are also imposed by local governmental units and the revenue from these duties is shown on Exhibit 22 of the appendix for the fiscal years 1928 and 1929. The total tax revenue of local governments in England and Wales for these years was $1,629,000,000 and $1,656,000,000, respectively, and was derived principally from fees, tolls, rents, licenses, etc., and from taxes on property. Other revenue expended by local bodies is supplied from the British exchequer in the form of grants for specific purposes, and is shown as an expenditure of the national government.

Making an approximation for local taxes collected in Scotland and Northern Ireland, it appears that the total tax bill of the United Kingdom is about $6,200,000,000 annually. The population of the United Kingdom is about 46,000,000, so that this tax bill indicates an average per capita burden of $135. The per capita burden in the United States is $77, or about 57 per cent of the British burden.

THE INCOME TAX

Foremost in importance in the British tax system is its income tax. As in the United States, the tax is levied on the income of individuals and corporations. It covers all income, of whatever nature: Profits

[1] Preliminary figure for 1932.

from the ownership of lands and buildings, the occupation of land, investments in public funds, trades, professions, vocations, and profits from offices, employment, and pensions. The British definition does not include in income gains derived from the casual sale of stocks, bonds, and other property, as is the case in the United States.

The income tax in Great Britain does not tax corporations separately as in the United States, but is levied on all persons, both individual and corporate. The tax on corporate dividends is collected at the source (from the corporation) at the standard rate (25 per cent), and the balance of the dividend is transmitted to the taxpayer free from the normal income tax but not from the surtax on incomes. If the tax thus deducted at the source is more than the tax would have been if the taxpayer had received the gross dividend and paid the tax thereon, he is entitled to a refund of the amount deducted in excess. The result is that the actual total collected on domestic dividends of corporations is the same as the tax on any other form of investment income.

The income tax as applicable to individuals at the present time consists of a normal tax of 12½ per cent on the first 175 pounds (about $875) of net income, and 25 per cent on the balance over 175 pounds, as against our Federal normal tax of 4 per cent on the first $4,000 of net income and 8 per cent on the balance over $4,000. The British surtax is graduated from 5½ per cent on net incomes in excess of 2,000 pounds (about $10,000) to 41¼ per cent on net incomes in excess of 50,000 pounds (about $250,000), as compared with the Federal surtax, which starts at 1 per cent on net incomes in excess of $6,000 and reaches 55 per cent on net incomes in excess of $1,000,000.

The British exemptions and credits for dependents are 100 pounds (about $500) for a single person, 150 pounds (about $750) for a married person, and 50 pounds (about $250) for the first child and 40 pounds (about $200) for each additional child, as against our Federal exemption and credit of $1,000 for a single person, $2,500 for a married person, and $400 for each dependent. The British law taxes earned income at a lower rate than unearned income, permitting a deduction from the net income equal to one-fifth of the earned net income, limited, however to 300 pounds, or about $1,500. At the present time our Federal income tax law does not distinguish between earned and unearned income.

The following table illustrates the difference in amount of tax paid on given net incomes in the United Kingdom and in the United States:

Married person, no dependents,[1] maximum earned income

[Conversion unit: 1 pound sterling equals $5]

Amount of net income	Tax paid in United Kingdom	Tax paid in United States
$2,000.00	$106.25	$0.00
3,000.00	303.13	20.00
5,000.00	703.13	100.00
10,000.00	1,828.13	480.00
50,000.00	19,425.00	8,600.00
100,000.00	47,737.50	30,100.00
1,000,000.00	638,487.50	571,100.00

[1] See also comparative table at end of this section (sec. 8), showing similar examples, with conversion unit of $4.86 per pound.

It will be noted from the above table that a net income of $3,000 received in Great Britain by a married person, with maximum earned income and no dependents, pays about fifteen times the amount of tax paid in a similar case in the United States. In a similar manner, a net income of $5,000 received in Great Britain pays seven times, of $10,000 four times, of $50,000 two and one-fourth times, of $100,000 one and one-half times, and of $1,000,000 one and one-ninth times the amount of tax paid in the United States.

BRITISH DEATH DUTIES

The next largest single source of tax revenue is from the death taxes. These consist of two taxes—one a tax on the net share passing to the beneficiary, similar to the "inheritance taxes" of our States, and the other a tax on the net estate, which is similar to our Federal estate tax. The British estate tax starts at 1 per cent on net estates of $500 and reaches 50 per cent on net estates in excess of $10,000,000. The tax on shares of beneficiaries, or inheritance tax, is levied according to the degree of relationship of the beneficiary to the decedent. The rates are 1 per cent for a husband, wife, father, mother, or any lineal ancestor; 5 per cent for a brother, sister, or lineal descendant of brother or sister; and 10 per cent for other persons.

The revenue received from the death duties amounted to $396,000,000 in 1930, to $415,000,000 in 1931, and to $325,000,000,[1] in 1932, as shown in Exhibit 21, of the appendix.

EXCISE TAXES

The British excises are about 42 in number, and are shown in Exhibit 23 of the appendix, with the receipts from each excise for the year 1931. The total revenue received from excise duties in Great Britain amounted to $637,000,000 in 1930, to $621,000,000 in 1931, and to $599,000,000 [1] in 1932.

STAMP TAXES

The stamp duties levied in Great Britain are eight in number. The total receipts from these duties were $127,000,000 in 1930, $102,000,000 in 1931, and $85,000,000 [1] for 1932. The stamp taxes and the receipts from each for 1931 are shown in Exhibit 24 of the appendix.

OTHER TAXES

Various other duties are levied, which are not comparable to any taxes imposed by our Federal Government. These taxes and the receipts from each for 1930, 1931, and 1932 are shown in Exhibit 21 of the appendix.

CUSTOMS

In total revenue, the tariff duties of Great Britain are second to the income tax in yield, producing approximately 14 per cent of the total. The receipts from tariff duties amounted to $603,000,000 in 1930, to $609,000,000 in 1931, and to about $681,000,000 in 1932.

[1] Preliminary figure for 1932.

It may be noted from the exhibits that the British excise on tobacco does not yield a large amount of revenue. The principal revenue derived from tobacco in Great Britain is from the tariff on this product. The United Kingdom produces a small amount of tobacco, but imports a large quantity. The net yield from the tariff on this commodity amounted to $314,546,010 in 1930 and to $320,939,545 in 1931.

OTHER REVENUE AND EXPENDITURES

Other revenue of the United Kingdom, which is not derived from taxation, is shown in Exhibit 21 of the appendix. The classified expenditures of the United Kingdom are shown in Exhibit 25.

(B) France [2]

France raises its revenue from taxes on income, estates and inheritances, sales, monopolies (tobacco, matches, lighters, and powder), liquors, transportation, and miscellaneous subjects, and from tariff duties.

The total tax revenue of France for the fiscal years 1930, 1931, and 1932 was $2,869,000,000, $2,094,000,000, and $1,981,000,000, respectively, as compared with a total revenue, including receipts from taxes and all other sources for these years, of $3,109,000,000, $2,333,000,000, and $2,098,000,000, respectively.

THE INCOME TAX

Income taxes are levied according to schedules, with specific rates for each schedule, and a general income, or surtax, which is levied on all incomes of individuals above 10,000 francs. The schedules are classified in accordance with the source of the income. These classifications of income are: (1) Industrial and commercial profits; (2) agricultural profits; (3) salaries, wages, pensions, and annuities; (4) professional incomes; (5) income from land and buildings; (6) income from mining; and (7) income from transferable securities. (See comparative table at end of this section (sec. 8) for examples of French income tax.)

INDUSTRIAL AND COMMERCIAL PROFITS

Ordinary business profits.—This is a graduated tax, running from 45 francs on amounts between 800 and 1,500 francs to 6,750 francs on amounts between 45,000 and 50,000 francs. On net profits in excess of 50,000 francs, the rate is 15 per cent.

Tax on business turnover.—This tax is levied on gross receipts in excess of 1,000,000 francs. It is graduated from 1.2 francs per thousand on gross receipts between 1,000,000 and 2,000,000 francs to 6 francs per thousand on gross receipts in excess of 200,000,000 francs. This is in addition to the general sales or turnover tax.

AGRICULTURAL PROFITS

The first 2,500 francs of net income from this source are exempt. The rates are: 2,500 to 4,000 francs, 3 per cent; 4,000 to 8,000 francs, 6 per cent; over 8,000 francs, 12 per cent.

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[2] For much of the information on French taxes we are indebted to Mr. André Bernard, of the Library of Congress.

SALARIES, WAGES, PENSIONS, AND ANNUITIES

The first 10,000 francs of income in this case are exempt. The rates are as follows: 10,000 to 20,000 francs, 5 per cent; 20,000 to 40,000 francs, 7½ per cent; over 40,000 francs, 10 per cent.

INCOME FROM PROFESSIONS, ETC.

Officeholders (notaries, etc.) are taxed at the same rates as industrial and commercial profits, above. On other noncommercial income (income from professions) the rates are: 10,000 to 20,000 francs, 6 per cent; 20,000 to 40,000 francs, 9 per cent; over 40,000 francs, 12 per cent.

INCOME FROM LANDS AND BUILDINGS

This class of income is taxed at a flat rate of 16 per cent. It is based on the rental value of the land or building.

INCOME FROM MINING

There are two taxes on income from mining: (1) a tax on the surface of the mining concession of 1.2 francs per hectare (2.47 acres) and (2) a tax on the net income of 25 per cent.

INCOME FROM TRANSFERABLE SECURITIES

These taxes are imposed according to the kind of security, as follows: Dividends or interest from French securities, 16 per cent; from foreign securities, 18 per cent;[3] interest on loans and deposits, 16 per cent; directors' percentages, 18 per cent; winnings from lottery bonds, 36 per cent; and premiums on redemption (of promissory notes, etc.), 16 per cent.

THE SURTAX

In addition to the tax on incomes from specific sources discussed above, there is levied a general income tax, covering all income of individuals, in the nature of a surtax. It is imposed on incomes in excess of 10,000 francs, at rates starting at 1.33 per cent on net incomes between 10,000 and 20,000 francs, reaches 32 per cent on net incomes between 500,000 and 550,000 francs, and is 33⅓ per cent on amounts of net income in excess of 550,000 francs.[4]

The total revenue derived from the income taxes for the fiscal years 1930, 1931, and 1932 amounted to $619,000,000, $535,000,000, and $478,000,000, respectively. The income taxes are, therefore, the most important source of tax revenue in France.

TAXES ON TRANSFERS AT DEATH AND INTER VIVOS

France levies both an estate tax and an inheritance tax. The former falls on the net estate passing from the decedent; the latter is a tax on the share received by the beneficiary. There is also levied a tax on gifts inter vivos.

[3] 20 per cent under act of July 15, 1932.

[4] Act of July 15, 1932, increases these rates. Graduation starts at 1⅓ per cent and reaches a maximum of 40 per cent on incomes in excess of 1,800,000 francs.

The estate tax is levied according to the number of children living or survived by issue. If one child is living or a survivor of a child, the rates are graduated from 0.6 per cent on estates of from 1 to 2,000 francs to 25.2 per cent in case of estates of over 500,000,000 francs. If no children are left or survivors thereof, the rates are graduated from 3.6 per cent on estates of from 1 to 2,000 francs to 46.8 per cent on estates in excess of 500,000,000 francs. There is no estate tax if there are more than one child living or survived.

The inheritance tax is levied according to the degree of relationship of the beneficiary to the decedent. It is graduated from 1.2 per cent on lineal descendants of the first degree on shares of from 1 to 10,000 francs to 56.4 per cent in the case of relatives beyond the fourth degree and persons unrelated, on shares in excess of 50,000,000 francs.

The tax on gifts inter vivos is levied according to the degree of relationship of the donee to the donor, and is graduated from 3 per cent to 48 per cent according to this degree, but not as to the amount of the gift.

The revenue from these taxes is shown in Exhibit 26 of the appendix under the heading "Registration duties." The receipts from registration duties for the fiscal years 1930, 1931, and 1932 amounted to \$638,000,000, \$307,000,000 and \$260,000,000, respectively. However, there are included under this head revenue from taxes on the transfer of real estate and on the transfer of securities.

THE SALES OR TURNOVER TAX

Next to the income taxes, the turnover tax produces the largest amount of revenue. The receipts from this tax in the fiscal years 1930, 1931, and 1932 totaled \$496,000,000, \$350,000,000, and \$301,000,000, respectively.

The present tax, enacted into law in 1920, consists of a 2 per cent levy on gross receipts from sales within and imports into France, a 2 per cent levy on gross commissions and other proceeds from the sale of commercial services, a luxury tax at varying rates on sundry articles, a production tax of 2½ per cent on sales and imports of coal, a production tax of 3½ per cent on sales and imports of fertilizers, a slaughterhouse tax at varying rates, and special importation taxes on tea, coffee, automobiles, sulphur, and sugar. The French turnover tax permits of pyramiding. (See Exhibit 32 of the appendix for a more detailed description of this tax.)

TAX ON LIQUORS, TRANSPORTATION, AND MOTOR VEHICLES

Taxes known as "contributions indirectes" are levied on liquors, freight and passenger rail and water transportation, and motor vehicles. The revenue from these sources in the fiscal years 1930, 1931, and 1932 was \$348,000,000, \$273,000,000, and \$254,000,000, respectively.

GOVERNMENT MONOPOLIES

This source is next in importance in amount of revenue realized. The monopoly taxes are those on tobacco, matches, lighters, and powder. The receipts from these taxes in the fiscal years 1930, 1931, and 1932 amounted to \$245,000,000, \$208,000,000, and \$210,000,000, respectively.

OTHER INDIRECT TAXES

Other indirect taxes, in addition to the taxes discussed above, include stamp taxes, of which there are a large number, levied on nearly all forms of legal and financial documents; and taxes on stock exchange transactions, colonial produce, coffee, vanilla, gasoline and petroleum products, salt, sugar, heavy mineral oils, benzols, etc.

There are many miscellaneous taxes, such as taxes on carriages, horses and mules, clubs, societies, meeting halls, game preserves, licenses, drainage, dredging, gambling in casinos, clubs, and on pari-mutuel machines.

THE TARIFF DUTIES

The tariff duties are fourth in importance as a source of revenue. Important characteristics of the tariff duties are: The rates are generally specific and not ad valorem, are fixed by law as a rule, and two rates exist for every group of articles in the tariff schedule. One of these rates covers importations from countries having no trade agreement with France; the other, importations from countries having trade agreements negotiated through commercial treaties.

The revenue from this source in the fiscal years 1930, 1931, and 1932, amounted to $217,000,000, $191,000,000, and $237,000,000, respectively.

OTHER SOURCES OF REVENUE

The receipts from other sources of revenue than taxes in the fiscal years 1930, 1931, and 1932, amounted to $240,000,000, $239,000,000, and $117,000,000, respectively.

TAXES BY LOCAL GOVERNMENTS

Many of the taxes discussed above are levied, in part, for the benefit of departments, communes, and other local bodies. In addition, these local bodies, including municipalities, levy taxes of their own. The taxes discussed, and the revenue therefrom, are shown in Exhibit 26 of the appendix. The public expenditures of France are shown in Exhibit 27 of the appendix.

(C) Germany

The revenue of Germany is raised from taxes on income of individuals and corporations, on inheritances and gifts, on general property, on sales, and on imports and on miscellaneous objects. The larger revenue producers are the income taxes, the tariff, the tobacco tax, and the turnover tax. The total revenue for the fiscal year 1931 was 9,025,600,000 reichsmarks, or, in round figures, about $2,500,000,000.

The taxes levied and the receipts therefrom are shown in Exhibit 28 of the appendix. The expenditures of Germany are shown in Exhibit 29.

INCOME TAXES

The income taxes are levied on the entire net income in the case of residents, and the net income derived in Germany in the case of nonresidents.

Individual income taxes (taxes on physical persons) consist of a basic income tax, a surtax, and additional taxes on specific classes of income for specific purposes for the fiscal years 1931 and 1932. The basic income tax on individuals is graduated from 10 per cent on net incomes up to 8,000 reichsmarks to 40 per cent on net incomes in excess of 80,000 reichsmarks. The surtax for the fiscal years 1931 and 1932 is a flat tax of 5 per cent on net incomes in excess of 8,000 reichsmarks. (See comparative table at end of this section (sec. 8) for examples of German income tax.)

The additional taxes for 1931 and 1932 on specific classes of income consist of (1) a tax on wages and salaries of from 1 per cent on 300 reichsmarks to 5 per cent on amounts over 5,000 reichsmarks; (2) a tax on recurrent emoluments, running from 1½ per cent on amounts of 1,000 reichsmarks, or less, to 5 per cent on amounts in excess of 3,000 reichsmarks; and (3) a tax on other classes of income of from 0.75 per cent on net incomes of 3,600 reichsmarks, or less, to 4 per cent on net incomes in excess of 1,000,000 reichsmarks. The revenue from these taxes is for the relief of the unemployed and they are known as crisis taxes.

The corporation income tax is graduated in the case of limited liability corporations. The rates run from 10 per cent on the first 8,000 reichsmarks of net income to 30 per cent on net incomes in excess of 28,000 reichsmarks, the total tax not to exceed 20 per cent of the gross income. Other corporations are taxed at a flat rate of 20 per cent of the net income.

The revenue derived from the income taxes for the fiscal year 1931 amounted to 3,210,700,000 reichsmarks, or about $802,000,000, of which amount about $690,000,000 was from individual income taxes and $112,000,000 from the tax on corporations.

INHERITANCES AND GIFTS INTER VIVOS

The inheritance tax is levied on the share received by the beneficiary, and the tax on gifts inter vivos is levied on the amount received by the donee of the gift.

The rates are the same for each tax. They are graduated according to the degree of relationship of the beneficiary to the decedent in the case of the inheritance tax, of the donee to the donor in the case of the gift tax. They start at 2 per cent in the case of husband, wife, children, etc., on inheritances or gifts of from 1,000 to 10,000 reichsmarks, and reach 60 per cent in the case of strangers-in-blood on amounts in excess of 10,000,000 reichsmarks.

The revenue realized from these taxes amounted to 79,000,000 reichsmarks, or about $19,700,000 in the fiscal year 1931.

THE TARIFF

The second largest source of revenue after the income taxes is from the tariff duties. The yield from this source in the fiscal year 1931 was 1,083,000,000 reichsmarks, or about $270,000,000.

THE TOBACCO TAX

The tobacco tax produced 1,058,000,000 reichsmarks in the fiscal year 1931, or about $264,000,000, and was the third largest single source of revenue. It is levied on the manufacture or importation, and is based on the retail price.

TURNOVER TAX

A gross sales, or turnover tax, of 2 per cent is levied on gross cash incomes from industrial or professional activity (excepting wages). It is fourth in importance as a source of revenue. The receipts from the turnover tax for the fiscal year 1931 amounted to 996,200,000 reichsmarks, or about $249,000,000.

GENERAL PROPERTY TAX

A tax is levied on real and personal property, running from 0.3 per cent to 0.75 per cent of the value, graduated according to the class of property taxed. It produced in the fiscal year 1931 about 450,100,000 reichsmarks, or about $112,000,000.

TRANSPORTATION TAXES

A tax is levied on freight and passenger transportation. It accounted for 315,200,000 reichsmarks of revenue in the fiscal year 1931, or about $78,000,000.

AUTOMOBILES

The tax on motor vehicles is a license tax, and produced 208,900,000 reichsmarks of revenue in the fiscal year 1931, or about $52,000,000.

TAX ON CIRCULATING CAPITAL

Taxes are levied on circulating capital, consisting of a tax on corporations, a tax on stocks and shares, and a turnover tax on stock speculation. Stocks are taxed from 1 to 2 per cent based on the market value of shares; bonds, from 5 to 20 pfennigs per instrument; a brokerage tax is levied of from 2 to 7½ pfennigs; cooperative associations are taxed 37½ pfennigs per 100 reichsmarks of capital; speculation in stock 4 to 15 pfennigs per 100 reichsmarks; and corporation charters, 5 marks per 1,000 of capital. The yield from these taxes was 59,700,000 reichsmarks in the fiscal year 1931, or about $14,000,000.

OTHER TAXES

Many other taxes are levied. Among these is a stamp tax on the execution of bills of exchange of 10 pfennigs per 100 reichsmarks; a tax on the purchase of insurance based on the amount of the premium or amount of insurance purchased; a tax of 3 per cent on the acquisition (transfer) of land, based on the value of the property (2 per cent additional local tax in the case of land speculation); a betting and lottery tax levied on wagers or public lotteries; a tax on the manufacture or importation of sugar based on the weight and quality; a tax on lighting materials, which is levied on the manufacture or importation of electric-light bulbs, burners, etc.; a tax on combustibles, levied on the manufacture or importaton of matches and candles; a tax on the manufacture or importation of playing cards; a tax on the manufacture or importation of beer or similar drinks, based on quality, classified as follows: simple, up to 6.5 per cent alcohol; full, 11 to 14 per cent alcohol; strong, 16 per cent alcohol and higher; a tax on the manufacture of sparkling grape and similar wines, measured by the size of bottle; a tax on the manufacture, selling, or importation of natural or manufactured mineral drinks (temporarily suspended for 1932 and 1933); spirits monopoly tax, a tax on the manufacture or importation of brandy and brandy products, ether and ether products, measured by the alcoholic content; and a tax on the manufacture or importation of vinegar and other acetic acid products.

LOCAL TAXES

Local revenues are raised partly from the taxes levied by the Reich, a fixed percentage of certain taxes being specified for this purpose, and partly from taxes imposed by the local bodies themselves.

(D) Japan

In the Japanese tax system, the taxes on income, liquors, imports, sugar, lands, and business profits are the more important sources of revenue, in the order named. A tax on inheritances and gifts and many other taxes are levied.

INCOME TAX

For tax purposes incomes are divided into classifications, and rates and allowances are applied according to the class.

The income of individuals (Class III) not included in other classifications is taxable at rates ranging from 0.8 per cent on net incomes up to $600 to 36 per cent on net incomes in excess of $2,000,000. Gross incomes under $600 and net incomes after deductions for earned income and dependents under $600 are exempt from tax. A deduction of 20 per cent of the income earned by personal exertion is allowed if the gross income is under $3,000; 10 per cent if the gross income is under $6,000 and the earned income is less than $3,000; and if the gross income is under $6,000, but the earned income exceeds $3,000, a deduction of 20 per cent of the first $3,000 and 10 per cent of the earned income in excess of $3,000 is allowed.

Class I–A includes ordinary income of a corporation. A corporation in this class having its principal office where the law is in force is taxed 5 per cent of its net income.

Class I–B includes the excess profits of a corporation, which are divided into three classes: (1) That part of the net income in excess of 10 per cent and up to 20 per cent of the invested capital is taxable at 4 per cent; (2) that part of the net income in excess of 20 per cent and up to 30 per cent of the invested capital is taxable at 10 per cent; and that part of the net income in excess of 30 per cent of the invested capital is taxable at 20 per cent.

Class I–C covers the net assets of corporations when liquidated or merged. These assets are divided into two classes, and the total of reserves and income exempted from income tax are taxable at 5 per cent and other assets are taxable at 10 per cent.

Class I–D includes undivided profits of consolidated corporations. The tax rate is the percentage which the sum of 10 per cent of the first $25,000 of income, plus 15 per cent of the amount between $25,000 and $50,000, plus 20 per cent of the amount between $50,000 and $250,000, plus 25 per cent of the amount between $250,000 and

$500,000, plus 30 per cent of the amount in excess of $50,000 bears to the total ordinary income of the consolidation. For example, suppose the ordinary income of a consolidated corporation to be $1,000,000, the sum of 10 per cent of the first $25,000 equals $2,500; 15 per cent of the next $25,000 equals $3,750; 20 per cent of the next $200,000 equals $40,000; 25 per cent of the next $250,000 equals $62,500; 30 per cent of the excess of $500,000, or $500,000, equals $150,000 and amounts to $258,750, which is 25.875 per cent of the ordinary income of $1,000,000, and this percentage is the rate of tax which is applied to the undivided profits of the consolidated corporation.

Class I–E covers the income of foreign corporations, which is taxable at 10 per cent of the ordinary income.

Class II covers income from interest. Interest on public bonds is taxable at 4 per cent, and other interest at 5 per cent.

Class III covers the income of individuals and is discussed above.

Any tax on interest paid by a corporation under Class II is deductible from the tax payable in Class I.

LAND TAX

For tax purposes, land is also classified. Residential land is taxable at 2.5 per cent of the value, rice and other farm lands at 4.5 per cent, and other land at 5.5 per cent. Farm lands of farmers cultivated by them valued at less than $100 are exempted to encourage independent farming. The taxable, or official value of land is reached by capitalizing the rental value, the taxable value being ten times the annual rental value, or annual net earnings, of the land.

BUSINESS TAX

Net profits of all business, corporation or individual, are subject to this tax. The rate on net profits of business conducted by individuals is 2.6 per cent, with an exemption of net profits under $200. The rate on corporation net profits is 3.6 per cent, with no exemption. To avoid double taxation, individuals are allowed to deduct from the net profits the amount of income from capital interest subject to the capital interest tax, and from the tax on net profits of business any tax paid on land used for the business from which the profits were made. Corporations are allowed to deduct from the business tax the amount of any capital interest or land tax paid.

CAPITAL INTEREST TAX

Interest on capital invested is taxable at 2 per cent. The purpose of this tax, together with the land and business taxes, is to supplement the income tax, and to eliminate unfair distribution of the burden of tax between income earned from personal exertion and income from invested capital.

INHERITANCE AND GIFT TAX

A tax is levied on the inheritance received by the beneficiary according to his position, his relationship to the decedent, and the amount of the inheritance. An estate valued at less than $2,500 is exempt to a beneficiary who succeeds to the headship of a house, and shares of $500 are exempted in the case of relatives of the decedent. The rates range from 0.5 per cent on net estates under $2,500 in the case of a successor to the headship of a house, to 16 per cent on net estates in excess of $2,500,000; and in the case of relatives, from 1 per cent on net shares under $500, to 21 per cent on net shares in excess of $2,500,000.

Gifts of property other than real estate, where the above law is in force, exceeding $500 in value are taxed as legacies and the rates of the inheritance tax are applied. Trusts are treated as gifts as of the time of the transfer of the trust interest. If a beneficiary is not named, or is not in existence at the time the trust is created, a direct descendant of the creator of the trust is considered as the beneficiary and the tax is assessed against the trustee.

TAX ON LIQUORS

The tax on liquors consists of a tax on sake (a form of whisky), beer, and alcohol and alcoholic liquors. These taxes produce a larger amount of revenue than any other tax levied.

The tax varies from $18 per barrel on sake containing not more than 23 degrees of alcohol to $20 per barrel for sake containing more than 23 degrees alcohol and $0.90 per barrel for each degree of alcohol above a given number of degrees. Beer is taxed at $12.50 per barrel. The tax on alcohol and alcoholic liquors falls on all liquor not subject to the sake, or beer taxes, including wines, at the rate of $0.90 for each per cent of alcohol contained in a barrel of liquor. The minimum rate on such liquors is $21 per barrel. No tax is levied on wine or other alcoholic liquors made from fruits.

SUGAR EXCISE

This tax is a consumption or sales tax on sugar, molasses, and sirups taken from bonded warehouses, manufactories, and so forth, for domestic consumption. The rates range from $0.25 to $5 per picul.

TAX ON BOURSES

There are two taxes levied on stock exchanges. The first is a bourse business tax levied on hourses not organized as corporations. The rate of this tax is 15 per cent of the commissions received. The second tax is a bourse tax intended to reach marginal transactions, and is levied at the following rates on the sale price:

Local loans and company debentures:	
To be settled within 7 days	0. 6/10000
To be settled otherwise	1/10000
Negotiable papers:	
To be settled within 7 days	1. 5/10000
To be settled otherwise	2. 5/10000
Merchandise	2. 5/10000

MONOPOLIES

The profits of monopolies constitute an important source of revenue. These monopolies include tobacco, salt, and camphor, and are operated under governmental control. No taxes are imposed on the commodities produced.

OTHER TAXES

Other taxes than those mentioned above include taxes on mining, issues of bank notes, table waters, textile fabrics, documents, and other subjects.

Tariff duties are also imposed.

The revenue receipts of Japan for 1930 and 1931 are shown in Exhibit 30 of the appendix. Expenditures are shown in Exhibit 31.

(E) Other Foreign Countries

CANADA

The revenue system of the Dominion of Canada consists of income taxes, a sales tax, a long list of excise duties and excise taxes, and tariff duties.

INCOME TAX

An individual income tax is levied on the net incomes in excess of exemptions, which are $2,400 for a married person or a person with dependents, and $1,200 for a single person, or a person without dependents. The rates are graduated from 2 per cent on net incomes of $2,000 or less, to 50 per cent on net incomes in excess of $500,000. A surtax of 5 per cent is imposed on net incomes in excess of $5,000.

A corporation income tax is levied on net incomes in excess of $2,000. The present rate is 11 per cent.

SALES TAX

A sales tax of 6 per cent is levied on the sale price of all goods produced or manufactured in Canada, or on the duty paid value when imported, subject to a long list of exemptions. Certain other commodities are subject to a tax of only 50 per cent of the standard rate.

By a system of licensing, pyramiding or cumulation of the tax by falling several times on a commodity as it passes from producer to consumer, is said to be effectively prevented. For instance, a licensed producer may sell to a licensed manufacturer, and a licensed manufacturer may sell to a licensed wholesaler, and so on, free of the tax, the sale of the commodity being subject to tax only when it passes from a licensed dealer to an unlicensed dealer or to the consumer.

This tax, first imposed in 1920, has been subject to many changes in form and rate. The revenue from it has varied from 10 per cent to as high as 29 per cent of the tax revenue. It produced about 11 per cent of the tax revenue in 1930, when the rate was 4 per cent.

A more complete statement on the Canadian sales tax will be found in Exhibit 33 of the appendix.

EXCISE DUTIES

Excise duties are levied on spirits, malt (3 per cent and 5 per cent), malt liquors (15 cents per gallon), cigars ($3 per thousand), cigarettes (weighing not more than 3 pounds per thousand, $6; more than 3 pounds per thousand, $11) tobacco (20 cents per pound), foreign leaf stemmed and unstemmed (40 cents to 60 cents per pound).

EXCISE TAXES

Excise taxes are in addition to the sales tax and excise duties. They are levied on matches, automobiles (5 per cent on cost up to $1,200, on cost above $1,200, 10 per cent), playing cards, cigars (cigars costing up to $40 per thousand, 50 cents per thousand, costing more than $40 per thousand, $3 to $6 per thousand), wines (7½ cents to $1.50 per gallon), ale, beer, etc. (12½ cents per gallon), stamps on checks, money orders, and bank receipts (over $5 in amount 2 cents each), postal notes and bills of exchange (1 cent each), transfers of stock, bonds, and debentures, except Federal and Provincial issues (one-tenth of 1 cent per share). Special excise taxes are levied on imported goods.

OTHER TAXES

Other taxes include levies on chartered banks (1 per cent on average amount of notes in circulation), insurance companies, except life and marine (1 per cent of net premiums received in Canada), unlicensed insurance written with British or foreign unlicensed companies (15 per cent of gross premium payable), stamps on letters or post cards (1 cent each), and on export of electrical energy (three one-hundredth of 1 cent per kilowatt-hour).

AUSTRALIA

SALES TAX

Australia adopted a sales tax on August 18, 1930. The original rate was 2½ per cent but it was raised to 6 per cent by an act of Parliament effective July 11, 1931.

The law requires the registration of all manufacturers and wholesalers and the tax is levied on the sales value of goods manufactured in or imported into Australia when such goods are sold to unregistered persons. It would appear that no tax attaches to the sale by a registered manufacturer to a registered wholesaler and that the act is intended to be effective on the wholesale price whenever possible. If a registered manufacturer sells at retail, the measure of the tax is the fair market value of the goods as if they had been sold at wholesale, and if a registered manufacturer applies goods to his own use the measure of the tax is the fair market value of the goods as if they had been sold in the ordinary course of trade.

The taxes of New South Wales, Queensland, and Tasmania are as follows:

NEW SOUTH WALES

An income tax is imposed on income from personal exertion, ranging from 7 pence to 60 pence per pound. Income from property is taxed from 9 pence to 60 pence per poımd. Income from employment is taxed 12 pence per pound and other income 7½ pence per pound, for unemployment relief. An income tax of 1 per cent is levied on wages, and is paid by the employer. A tax is levied on the income of companies, and is graduated from 24 pence to 33 pence per pound.

An estate tax is levied on the net estate ranging from 2 per cent on net estates of 1,000 pounds or less in the case of residents to 25 per cent on net estates in excess of 100,000 pounds. The rates on estates of nonresidents range from 3 per cent on net estates of 500 pounds or less to 25 per cent on net estates in excess of 75,000 pounds.

QUEENSLAND

The income of individuals in Queensland is taxed at rates ranging from 6.006 pence to 36 pence per pound. An additional tax of 15 to 20 per cent, and a supertax, are also levied in certain cases.

Income from lotteries is taxed at 5 per cent of the selling price of the lottery ticket. The minimum lottery tax is 3 pence per ticket.

An additional income tax is levied for unemployment relief on the income of individuals from all sources. The rate is 3 pence per pound on incomes up to 104 pounds and 6 pence per pound on amounts in excess of 104 pounds.

The income of companies is subject to a tax of from 18 pence to 62 pence per pound, plus a supertax of 20 per cent.

TASMANIA

The principal taxes of Tasmania are the taxes on incomes and the tax on estates.

A tax is levied on income of individuals derived from personal exertion. The rate ranges from 0.89 per cent on 1 pound to 1 shilling 7 pence per pound on incomes in excess of 5,000 pounds. The income from property is taxed from 7.9 per cent on incomes of 2,000 pounds to 1 shilling 11 pence on amounts in excess of 5,000 pounds. A stamp tax is levied on wages and salaries. A flat rate of 1⅜ per cent is imposed.

In addition to the above, a surtax is levied on incomes from property or business at 3 pence per pound. Companies are subject to a tax of 8¾ per cent of the dividends declared and 21¼ per cent in the case of lottery prizes.

A tax is imposed on net estates ranging from 3 to 15 per cent. Estates under 500 pounds are exempt from this tax.

OTHER TAXES

Other taxes levied in New South Wales, Queensland, and Tasmania include taxes on liquors, land, motor vehicles, race courses, betting, amusements, documents, licenses, and many other subjects.

DENMARK

The tax system of this country includes income taxes, an inheritance tax, and a tax on gifts inter vivos.

Individuals are taxed on income from personal exertion at rates ranging from 0.4 to 25 per cent in the case of residents and from 3 to 25 per cent in the case of nonresidents.

The tax on the income from property ranges from 0.65 to 16 per cent. The income of companies is subject to a tax of from 6 to 20 per cent.

An inheritance tax and a tax on gifts inter vivos is levied according to the value of the share and the relationship of the beneficiary in the case of the inheritance tax, and according to the amount of the gift and the relationship of the donee to the donor in the case of the gift tax. The rates are the same for both taxes and are graduated to 32 per cent.

Other taxes are imposed on property, liquor, wine, tobacco, motor vehicles, admissions, moving pictures, gasoline, documents, and other subjects.

NETHERLANDS

The principal taxes of the Netherlands are the taxes on income, the inheritance tax, and the tax on the transmission of land.

INCOME TAX

The income of resident natural persons (individuals) is subject to a tax on net incomes in excess of 800 florins (about $800). This tax ranges from 0.6 per cent on net incomes of from 800 to 850 florins, to about 9 per cent on 85,000 florins plus 13.5 florins for each 100 florins above 85,000. A surtax, consisting of 20 per cent of the amount of the tax computed at the above rates, is levied until 1934. Nonresident individuals are taxed 6.4 florins for each 100 florins of income.

An additional income tax for local purposes is levied on the net incomes of resident natural persons above the exemption of 800 florins. This tax ranges from 1 florin for net incomes from 800 to 850 florins, to 360 florins on net incomes from 1,600 to 10,000 florins plus 6 florins for each 100 florins above 10,000. Nonresidents are taxed 2 florins for each 100 florins of income.

Corporate income is taxed 6.4 florins for each 100 florins for national purposes, and 2 florins for each 100 florins for local purposes. In addition, domestic companies are subject to a tax on the distributed profits of 9.8 per cent plus 33 per cent of the amount of the tax computed at the rate stated.

An inheritance tax is levied according to the relationship of the beneficiary to the decedent, and graduated from 2.5 per cent on shares of a widow or child of 1,000 florins or less, to 37 per cent on shares of strangers in blood in excess of 500,000 florins.

A tax of 4 per cent is imposed on the transmission of lands by succession or gift from nonresident owners.

Other taxes are imposed on real and personal property, tobacco, beer, wine, salt, sugar, motor vehicles, bicycles, documents, and other subjects.

ECUADOR

The principal taxes of Ecuador are the income taxes and inheritance taxes. A tax is levied on income from all sources. It is assessed on the net income at rates graduated from 2 to 8 per cent. An estate tax is imposed on the transfer of estates. The rates range from 1 to 39 per cent.

Other taxes are levied on real and personal property, gross sales (1 per cent), beer, alcohol, tobacco, matches, salt, documents, and other subjects. Tariff duties are also imposed.

VENEZUELA

This country levies no tax on incomes.

A tax is imposed on inheritances of collaterals at 3 per cent, and of strangers in blood to the decedent at 20 per cent.

Other taxes are levied on documents, liquor, cigarettes, mines, and other subjects. Tariff duties are also levied.

In concluding this section dealing with foreign tax systems, a comparative table is submitted showing the amount of tax and the percentage of tax to net income on certain specified incomes in the case of the United States, Great Britain, France, and Germany. A table is also submitted comparing Federal and British death duties. The tables follow:

Comparison of income tax

[Married person, no dependents, all income from salary]

Net income	Tax				Per cent tax to net income			
	United States	Great Britain [1]	France [2]	Germany [3]	United States	Great Britain	France	Germany
$1,000	$0	$8.88	$33.78	$79.05	0	0.88	3.378	7.90
$2,000	0	111.44	170.10	316.85	0	5.57	8.505	15.84
$3,000	20	311.44	365.85	543.54	0.066	10.38	12.195	18.11
$5,000	100	711.44	857.30	1,079.69	2.0	14.22	17.146	21.59
$7,500	255	1,221.94	1,651.30	1,951.95	3.4	16.29	22.017	26.02
$10,000	480	1,862.34	2,524.94	2,980.89	4.8	18.62	25.249	29.89
$15,000	1,020	3,443.85	4,088.28	5,170.49	6.8	22.95	31.255	34.46
$25,000	2,520	7,368.90	9,509.83	9,946.04	10.08	29.47	38.039	39.78
$50,000	8,600	19,654.60	23,716.05	22,566.71	17.20	39.30	47.432	45.13
$100,000	30,100	48,101.85	53,651.12	47,445.63	30.1	48.10	53.651	47.44
$500,000	263,600	307,909.85	269,651.12	247,465.73	52.72	61.58	53.930	49.49
$1,000,000	571,100	639,159.85	539,651.12	497,448.16	57.11	63.91	53.965	49.74

NOTE.—In the case of France, the tax is computed for a man married more than 2 years, and having no children. (If married less than 2 years, he gets a lower rate.)

Conversion units:
[1] Great Britain, 1 pound equals $4.86
[2] France, 1 franc equals .0392
[3] Germany, 1 mark equals .2382

Comparison of death taxes in United States and Great Britain—Entire estate to widow

[Conversion unit: 1 pound equals $4.86]

Net estate before exemption	Tax		Per cent of tax to net estate	
	United States [1]	Great Britain [2]	United States	Great Britain
$1,000		$10	0	1
$5,000		150	0	3
$10,000		300	0	3
$15,000		450	0	3
$25,000		1,000	0	4
$50,000		2,500	0	5
$100,000	$1,500	9,000	1.5	9
$150,000	5,000	18,000	3.33	12
$200,000	9,500	28,000	4.75	14
$300,000	19,500	51,000	6.50	17
$400,000	30,500	76,000	7.62	19
$500,000	42,500	105,000	8.50	21
$600,000	55,500	138,000	9.25	23
$800,000	84,500	200,000	10.56	25
$1,000,000	117,500	270,000	11.75	27
$2,000,000	315,500	660,000	15.77	33
$3,000,000	553,500	1,110,000	18.46	37
$5,000,000	1,149,500	2,050,000	22.99	41
$10,000,000	3,094,500	5,100,000	30.94	51

[1] United States death tax burden is total amount borne by estates where such estates are located in States whose death taxes do not exceed 80 per cent of the Federal tax under the revenue act of 1926.

[2] The British estate tax applies to entire net estate if it exceeds £100. The legacy and succession taxes apply in case of widow to entire share. If the net estate subject to estate duty does not exceed £15,000 the share of a widow is exempt from legacy and succession taxes. Regardless of value of net estate subject to estate duty, if the share of a widow does not exceed £2,000 it is exempt from the legacy and succession taxes.

PART II. COMMENTS AND SUGGESTIONS

1. OBVIOUS CONCLUSIONS

It was stated in the foreword of this report that the principal objective was to set forth the pertinent facts and principles relating to Federal, State, and local taxation. It was also stated that no conclusions would be drawn except those plainly shown by the facts. To draw conclusions on controversial issues would plainly be beyond the scope of a preliminary report. If an attempt is eventually made to draw such conclusions, it should be made in connection with a final report after public hearings and intensive study by the committee.

What conclusions, if any, appear to be plainly shown by the facts already presented? This question may be properly considered here, but it may be more conveniently and clearly answered if the question is divided into four parts, namely, conclusions on the legislative situation, conclusions on specific taxes, conclusions on double taxation, conclusions from revenue, and expenditure data.

In stating the conclusions which may be drawn from the legislative situation in regard to the possibilities of improving our present tax system as a whole, we rely on the data presented in Part I, section 1, of this report, entitled "The power to levy taxes." This data shows that both the Federal and State Governments wield broad sovereign tax powers. It is true these Governments have limitations on their power to tax, but these limitations are not of such a character as will prevent either Government from levying nearly all the usual forms of taxes, if we exclude the limitations of certain State constitutions, which of course are always subject to change by the will of the people. From a practical standpoint, the important exceptions to this rule are as follows: The Federal Government can not levy taxes on articles exported from any State or tax State functions, and the States can not levy export or import duties, interfere with Federal functions, or with interstate or foreign commerce. The rule of apportionment and the rule of uniformity as applied to the Federal taxing power does not prevent the imposition of taxes, but merely goes to the manner in which direct and indirect taxes must be imposed.

In our opinion, therefore, the following conclusions are justified by the matter presented in this report:

First, the same objects may, in general, be legally taxed by the State governments and by the Federal Government without either government being able to prevent the imposition of such tax by the other. In other words, there is no legal bar to duplication in taxation, or to double taxation by the Federal Government and the States of the same objects.

Second, no plan has yet been devised under which the Federal Government can secure consistency or uniformity in State taxes by direct legislation on the part of the Congress.

Third, a desirable and comprehensive plan for making our taxing system as a whole more equitable, more productive, and less complicated can only be arrived at by sincere cooperation between our governmental officials, our legislators, our economists, and the public.

In the second place what may be properly concluded in regard to the various taxes which have been classified and described in this report? It is believed the following remarks are justified from the facts:

First, the general property tax is our oldest and most productive tax. It has not been substantially improved in form, equity, or administration with the passage of time. The principal change has been an increase in rates. Such increases in rates if carried much further will make the holding of real property unprofitable. Intangible personal property largely escapes tax, placing an inequitable burden on real property. In early times when most property consisted of either real property or tangible personal property, this tax operated, in some degree at least, in accordance with the principle of ability to pay, since visible property represented wealth and the tax was proportionate to such visible property. To-day, however, it can no longer be said that the tax is levied in accordance with the principle of ability to pay or the principle of benefit received. It must be concluded that this tax merits first consideration by those interested in improving our present system.

Second, privilege or franchise taxes in lieu of property taxes have been adopted by a considerable number of the States in taxing corporations in general, or in taxing certain classes of corporations, such as banks, insurance companies, investment companies, public-utility companies, common carriers, and the like. These taxes are usually far more equitable than the general property tax which they displace. Those that are based on net income or even on gross income or gross receipts evidently have some relation to the principle of ability to pay. Those that are based on par value of shares or on stock valuation are probably more in the nature of property taxes and have advantages in administration rather than in equity.

Third, privilege or franchise taxes, which are not in lieu of property taxes, have some of the elements of license taxes. Being levied in addition to property taxes, they must be justified, and in many cases undoubtedly are justified, on the ground of payment for special privileges received. For instance, public-utility companies, which are allowed, in fact, to pass these taxes on to the consumer by the adjustment of their rates, can not complain at paying for franchise privileges which are included in the price of their product or of their service. The great variation in the bases upon which the tax is computed, however, and the great variation in the rates themselves, indicate the need for uniformity and improvement in legislation on this subject. Such uniformity would be of great convenience to those corporations doing business in many States regardless of whether or not the tax itself was reduced.

Fourth, income taxes on individuals constitute one of our most satisfactory forms of taxation. With a proper scale of graduated rates, they stand in the fore of all our taxes based on the principle of ability to pay. They are open to two serious defects; first, the revenue derived is subject to severe fluctuations between times of depression and times of prosperity; second, when designed with a strict view to equity, the income-tax statutes are cumbersome, complicated, and a source of litigation and controversy. These taxes deserve study to minimize the defects noted.

Fifth, the same general remarks made in connection with income taxes on individuals hold in the case of income taxes on corporations. The corporation income tax has, however, one added defect, namely, no satisfactory system of applying the graduated rate principle to the net income of corporations has, as yet, been devised. This problem is difficult but deserves consideration.

Sixth, inheritance and estate taxes are generally recognized as being one of our best forms of taxes when properly designed. These taxes are based on the proposition of ability to pay and they are now generally imposed under a system of graduated rates. The inheritance tax, where the amount of the levy is based on the share of each beneficiary, is the most equitable form of death taxation. On the other hand, the estate tax, where the total value of the estate is the subject of the tax, is the easier of administration. In a great majority of cases death duties are applied to the value of the estate as of the decedent's death. It has recently developed that, during times of depression, where there is a sudden and great drop in values, this system may result in a confiscation of estates in extreme cases. It is probable that this defect should be considered by our legislators.

Seventh, general sales taxes have been introduced in a number of the States within the last 10 years. These taxes vary in form and in merit. In the great majority of cases the burden of these taxes is passed on to the consumer. Experience with these taxes has not been sufficiently long to judge accurately of their success. It does appear certain that these general sales taxes offer great possibilities in the way of revenue. Inasmuch as new fields of taxation are in many instances sorely needed in present conditions, it appears that the various forms of these taxes should be carefully studied.

Eighth, a very considerable number of special sales taxes on specific items are levied both by the State and the Federal Governments. It appears obvious that when these taxes are based on luxuries they are eminently proper and secure money from sources which can well afford to pay. When these taxes, however, are levied on necessities, the question of ability to pay at once arises. Sales taxes on both necessities and luxuries should be carefully examined in regard to the competitive situation which may occur in the taxed industry when such industry is partially in competition with an untaxed industry.

Ninth, poll taxes constitute one of the oldest forms of our State and local taxation. They are not, of course, levied in accordance with any scientific principle. The most that may be said in favor of such taxes is that they bring about a certain tax consciousness in every citizen, poor or rich. It would appear that if poll taxes are levied they should not be imposed at such rates as will burden the poor unduly.

Tenth, in regard to licenses, permits, and occupational taxes, it must be evident, from the fact that nearly 4,000 of these taxes exist, that they should be carefully reviewed to eliminate mere nuisance taxes which are productive of little revenue.

Eleventh, severance taxes are now imposed by a considerable number of the States. They may be justified on the ground that the State has a right to receive remuneration for the loss of its natural resources. However, from the standpoint of competition they are injurious when the natural products of one State which are taxed come in competition with the products of another State which are untaxed. A revision of these taxes, therefore, is a proper subject for cooperation among the States.

We now come to the subject of double taxation and duplication between Federal and State taxes. This subject is the most important one dealt with in the text of the report. It also, in most of its aspects, is exceedingly controversial in character. It has been shown in the report that serious double taxation and duplication occur in the case of income taxes, estate taxes, special sales taxes, and in occupational taxes. The only conclusion that can properly be drawn in this preliminary report is that the ultimate allocation of the tax field between the Federal Government and the States is a result highly to be desired.

Finally, we come to the question of what conclusions can be drawn from the data on revenues and expenditures as presented in the text of the report. We believe that the data given are ample to prove the following statements in case of the tax revenues:

First. While tax receipts of the Federal Government have decreased in the last 10 years, the rates now in force are as high or higher than they were 10 years ago. It must be evident, therefore, that the taxpayer feels as great a burden of taxation as at that prior period.

Second, State taxes have been substantially increased in the last 10 years. In order to derive this additional revenue a great many new taxes have been imposed, some of which are of doubtful merit.

Third. In the case of counties, cities, and other local jurisdictions, taxes have been greatly increased in the last 10 years, but such increase has been largely obtained by increased rates or increased valuations in connection with the general property tax.

Fourth. Large as the increase in our taxes has been, nevertheless such increase has been insufficient to meet the increase in expenditures, therefore the majority of our governments are increasing their public debt. It seems proper to conclude that this situation must be remedied at an early date, if the financial stability of our governments is to be preserved.

In regard to expenditures, which subject has not been the primary object of this report, only one conclusion will be drawn—namely, the increase in the expenditures of all our governments, collectively or separately, has been such that it is necessary to enter upon a comprehensive plan of reduction of governmental expenditures.

2. QUESTIONS WHICH SHOULD BE DISCUSSED AND SOLVED

A review of our tax system as a whole suggests at once many issues which should be discussed. As stated before, we shall not discuss these issues here, but shall merely mention those which would seem to merit attention. For instance, the following questions may well be considered:

First, which taxes are most adaptable for the use of the Federal Government and which taxes are most adaptable for the use of the State governments?

Second, what taxes may be properly imposed by both State and Federal Governments without serious objection from the standpoint of equity?

Third, what means should be adopted to set forth a model tax system for the whole country?

Fourth, what means can be adopted to bring into practical operation a model system of taxation?

3. PROPOSED HEARINGS BEFORE THE COMMITTEE ON DOUBLE TAXATION

The committee on double taxation, appointed from the membership of the Committee on Ways and Means of the House of Representatives, is composed of the following Congressmen: Hon. Fred M. Vinson, of Kentucky, chairman; Hon. Thomas H. Cullen, of New York; Hon. David J. Lewis, of Maryland; Hon. Carl R. Chindblom, of Illinois; and Hon. Frank Crowther, of New York. This committee organized in July, 1932, at which time they adopted a preliminary program which provided briefly as follows:

First, that a preliminary report should be prepared showing the necessary facts in connection with Federal and State taxation and duplications therein.

Second, that following the completion and printing of such preliminary report public hearings should be held for the purpose of obtaining the views of public officials, legislators, economists, and the interested public on methods and means of improving our tax system as a whole.

Third, that following the hearings a second report should be published which should summarize the results obtained from the preliminary report and the public hearings and should suggest a plan or plans for improving our system of taxation and for eliminating certain duplications, complexities, and inequities therein.

The first part of the program of the committee will be completed with the printing of this report. It is hoped that the report itself will be of some basic value, not only to the committee, but to those who may appear at the public hearings just mentioned. It will now be possible for the witnesses at such hearings to confine themselves to a greater extent to the problem of accomplishment in the field of taxation instead of reiterating many facts and statistics which are available in this report.

4. CONCLUDING REMARKS

The subject dealt with in this preliminary report is of such broad scope that comprehensive and accurate treatment is very difficult. It is almost inevitable that certain errors have occurred. It is hoped when these are discovered that they will promptly be called to the attention of the committee, as the corrections resulting will make the final report more valuable.

As far as this preliminary report is concerned, it is believed that sufficient has been shown to prove—

First, that our present system of taxation is complicated, cumbersome, and in many respects, inequitable.

Second, that there are many serious instances of double taxation or duplication in taxation between the Federal Government and the States.

Third, that in view of the number of taxes imposed, the tax revenues are disappointing.

Fourth, that the tax burden, especially on certain specific objects, is reaching the breaking point.

Fifth, that the expenditures have increased to such a degree as to require their investigation in order to determine whether the public is obtaining value received for their tax dollar.

This report represents the composite effort of the staff of the Joint Committee on Internal Revenue Taxation. The legal phases of the work have been under the immediate supervision of Mr. Colin F. Stam, assisted by Mr. L. L. Stratton. The study of taxation in the States and the statistics have been under the immediate supervision of Mr. W. F. Collins, assisted by Mr. H. K. Spalding and Mr. T. G. Carney. Mr. B. C. Brown has prepared the data on foreign tax systems, and Mr. L. M. Rapp, the death-duty sections. Mr. A. T. Akin, also, collaborated in the preparation of the report.

Respectfully submitted.

L. H. Parker, *Chief of Staff.*

APPENDIX

EXHIBIT 1

Surtax rates under revenue act of 1932

Column 1	Column 2	Column 3	Column 1	Column 2	Column 3
Net income bracket	Rate applicable to net income within bracket shown in column 1	Total surtax applicable to second figure in column 1	Net income bracket	Rate applicable to net income within bracket shown in column 1	Total surtax applicable to second figure in column 1
	Per cent			*Per cent*	
0 to $6,000	0	0	$62,000 to $64,000	29	$8,600
$6,000 to $10,000	1	$40	$64,000 to $66,000	30	9,200
$10,000 to $12,000	2	80	$66,000 to $68,000	31	9,820
$12,000 to $14,000	3	140	$68,000 to $70,000	32	10,460
$14,000 to $16,000	4	220	$70,000 to $72,000	33	11,120
$16,000 to $18,000	5	320	$72,000 to $74,000	34	11,800
$18,000 to $20,000	6	440	$74,000 to $76,000	35	12,500
$20,000 to $22,000	8	600	$76,000 to $78,000	36	13,220
$22,000 to $24,000	9	780	$78,000 to $80,000	37	13,960
$24,000 to $26,000	10	980	$80,000 to $82,000	38	14,720
$26,000 to $28,000	11	1,200	$82,000 to $84,000	39	15,500
$28,000 to $30,000	12	1,440	$84,000 to $86,000	40	16,300
$30,000 to $32,000	13	1,700	$86,000 to $88,000	41	17,120
$32,000 to $36,000	15	2,300	$88,000 to $90,000	42	17,960
$36,000 to $38,000	16	2,620	$90,000 to $92,000	43	18,820
$38,000 to $40,000	17	2,960	$92,000 to $94,000	44	19,700
$40,000 to $42,000	18	3,320	$94,000 to $96,000	45	20,600
$42,000 to $44,000	19	3,700	$96,000 to $98,000	46	21,520
$44,000 to $46,000	20	4,100	$98,000 to $100,000	47	22,460
$46,000 to $48,000	21	4,520	$100,000 to $150,000	48	46,460
$48,000 to $50,000	22	4,960	$150,000 to $200,000	49	70,960
$50,000 to $52,000	23	5,420	$200,000 to $300,000	50	120,960
$52,000 to $54,000	24	5,900	$300,000 to $400,000	51	171,960
$54,000 to $56,000	25	6,400	$400,000 to $500,000	52	223,960
$56,000 to $58,000	26	6,920	$500,000 to $750,000	53	356,460
$58,000 to $60,000	27	7,460	$750,000 to $1,000,000	54	491,460
$60,000 to $62,000	28	8,020	Over $1,000,000	55	

EXHIBIT 2

Estate tax rates under revenue act of 1926 (still in force in connection with 1932 act)

Column 1	Column 2	Column 3	Column 1	Column 2	Column 3
Net estate bracket (after deduction of $100,000 exemption)	Rate applicable to net estate within bracket shown in column 1	Total tax applicable to second figure in column 1	Net estate bracket (after deduction of $100,000 exemption)	Rate applicable to net estate within bracket shown in column 1	Total tax applicable to second figure in column 1
	Per cent			*Per cent*	
0 to $50,000	1	$500	$2,500,000 to $3,000,000	11	$238,500
$50,000 to $100,000	2	1,500	$3,000,000 to $3,500,000	12	298,500
$100,000 to $200,000	3	4,500	$3,500,000 to $4,000,000	13	363,500
$200,000 to $400,000	4	12,500	$4,000,000 to $5,000,000	14	503,500
$400,000 to $600,000	5	22,500	$5,000,000 to $6,000,000	15	653,500
$600,000 to $800,000	6	34,500	$6,000,000 to $7,000,000	16	813,500
$800,000 to $1,000,000	7	48,500	$7,000,000 to $8,000,000	17	983,500
$1,000,000 to $1,500,000	8	88,500	$8,000,000 to $9,000,000	18	1,163,500
$1,500,000 to $2,000,000	9	133,500	$9,000,000 to $10,000,000	19	1,353,500
$2,000,000 to $2,500,000	10	183,500	Over $10,000,000	20	

EXHIBIT 3

Estate tax rates under revenue act of 1932

Column 1	Column 2	Column 3	Column 1	Column 2	Column 3
Net estate bracket (after deduction of $50,000 exemption)	Rate applicable to net estate within bracket shown in column 1	Total tax applicable to second figure in column 1	Net estate bracket (after deduction of $50,000 exemption)	Rate applicable to net estate within bracket shown in column 1	Total tax applicable to second figure in column 1
	Per cent			*Per cent*	
$0 to $10,000	1	$100	$2,000,000 to $2,500,000	23	$441,000
$10,000 to $20,000	2	300	$2,500,000 to $3,000,000	25	566,000
$20,000 to $30,000	3	600	$3,000,000 to $3,500,000	27	701,000
$30,000 to $40,000	4	1,000	$3,500,000 to $4,000,000	29	846,000
$40,000 to $50,000	5	1,500	$4,000,000 to $4,500,000	31	1,001,000
$50,000 to $100,000	7	5,000	$4,500,000 to $5,000,000	33	1,166,000
$100,000 to $200,000	9	14,000	$5,000,000 to $6,000,000	35	1,516,000
$200,000 to $400,000	11	36,000	$6,000,000 to $7,000,000	37	1,886,000
$400,000 to $600,000	13	62,000	$7,000,000 to $8,000,000	39	2,276,000
$600,000 to $800,000	15	92,000	$8,000,000 to $9,000,000	41	2,686,000
$800,000 to $1,000,000	17	126,000	$9,000,000 to $10,000,000	43	3,116,000
$1,000,000 to $1,500,000	19	221,000	Over $10,000,000	45	
$1,500,000 to $2,000,000	21	326,000			

EXHIBIT 4

Gift tax rates under revenue act of 1932

Column 1	Column 2	Column 3	Column 1	Column 2	Column 3
Net gift bracket (after deduction of exemption taken)	Rates applicable to net estates within bracket shown in column 1	Total tax applicable to second figure in column 1	Net gift bracket (after deduction of exemption taken)	Rates applicable to net estates within bracket shown in column 1	Total tax applicable to second figure in column 1
	Per cent			*Per cent*	
0 to $10,000	¾	$75	$2,000,000 to $2,500,000	17	$324,625
$10,000 to $20,000	1½	225	$2,500,000 to $3,000,000	18½	417,125
$20,000 to $30,000	2¼	450	$3,000,000 to $3,500,000	20	517,125
$30,000 to $40,000	3	750	$3,500,000 to $4,000,000	21½	624,625
$40,000 to $50,000	3¾	1,125	$4,000,000 to $4,500,000	23	739,625
$50,000 to $100,000	5	3,625	$4,500,000 to $5,000,000	24½	862,125
$100,000 to $200,000	6½	10,125	$5,000,000 to $6,000,000	26	1,122,125
$200,000 to $400,000	8	26,125	$6,000,000 to $7,000,000	27½	1,397,125
$400,000 to $600,000	9½	45,125	$7,000,000 to $8,000,000	29	1,687,125
$600,000 to $800,000	11	67,125	$8,000,000 to $9,000,000	30½	1,992,125
$800,000 to $1,000,000	12½	92,125	$9,000,000 to $10,000,000	32	2,312,125
$1,000,000 to $1,500,000	14	162,125	Over $10,000,000	33½	
$1,500,000 to $2,000,000	15¾	239,625			

EXHIBIT 5

Average percentage of property tax burden to taxable wealth for the respective States, Territories, and subdivisions thereof for the year 1931

State	Real, personal, and franchise property taxes	Taxable wealth	Average property tax burden to wealth
			Per cent
Alabama	$35,679,323	$2,339,660,000	1.52
Arizona	21,691,047	945,333,000	2.29
Arkansas	33,707,925	1,539,536,150	2.19
California	371,914,399	18,877,776,000	1.97
Colorado	44,813,800	1,917,931 760	2.33
Connecticut	85,085,855	3,151,382,527	2.70
Delaware	5,082,912	285,117,814	1.78
District of Columbia	27,310,412	1,894,267,092	1.44
Florida	61,601,360	2,876,766,590	2.14
Georgia	46,139,717	2,606,918,668	1.77
Hawaii	13,397,502	556,548,000	2.41
Idaho	21,799,106	1,206,500,000	1.81
Illinois	385,116,153	22,520,980,000	1.71
Indiana	143,501,786	5,161,070,000	2.78
Kansas	96,675,253	3,813,033,974	2.54
Iowa	99,040,994	3,897,680,000	2.54
Kentucky	59,133,712	3,347,772,500	1.77
Louisiana	53,085,320	2,055,140,000	2.58
Maine	31,614,589	1,262,150,000	2.50
Maryland	72,313,573	3,215,397,967	2.24
Massachusetts	230,921,751	10,844,344,290	2.13
Michigan	264,626,208	11,262,856,000	2.35
Minnesota	183,490,601	6,586,720,191	2.08
Mississippi	33,203,064	1,485,000,000	2.24
Missouri	95,814,674	4,972,373,993	1.93
Montana	26,148,769	1,416,302,310	1.85
Nebraska	64,591,657	3,102,050,571	2.08
Nevada	4,768,134	246,711,000	1.93
New Hampshire	19,959,374	793,630,412	2.51
New Jersey	286,682,811	13,784,439,312	2.09
New Mexico	11,271,452	622,464,400	1.81
New York	854,129,053	35,130,628,458	2.43
North Carolina	62,714,959	2,975,029,646	2.10
North Dakota	30,800,315	1,174,144,268	2.62
Ohio	301,611,028	13,452,946,920	2.24
Oklahoma	54,882,322	2,578,397,672	2.13
Oregon	49,556,174	2,083,530,000	2.38
Pennsylvania	378,102,535	14,752,899,344	2.56
Rhode Island	29,092,160	1,423,856,205	2.04
South Carolina	31,022,794	1,384,606,009	2.24
South Dakota	30,060,208	1,494,971,377	2.01
Tennessee	56,022,941	2,371 384,000	2.36
Texas	163,690,771	8,363,108,824	1.96
Utah	22,460,633	882,660,000	2.54
Vermont	14,218,789	517,338,179	2.74
Virginia	46,741,522	2,335,500,294	2.00
Washington	76,172,314	2,502,356,430	3.04
West Virginia	53,996,328	2,033,992,789	2.65
Wisconsin	120,855,119	5,250,722,156	2.30
Wyoming	9,819,786	436,829,811	2.24
Total	5,266,122,977	240,731,911,778	2.19

EXHIBIT 6

Statement showing franchise taxes levied in lieu of property taxes

(1) IN LIEU OF ALL PROPERTY TAXES

	State	Tax
Insurance companies:		
Accident	Arkansas	2½ per cent gross receipts.
Casualty	do	2 per cent gross receipts.
Fire	do	Do.
Foreign	South Dakota	2½ per cent gross receipts.
Do	Tennessee	Do.
Do	West Virginia	2 per cent gross receipts.
Health	Arkansas	2½ per cent gross receipts.
Life	do	Do.
Surety	do	2 per cent gross receipts.
Mining companies	South Carolina	Average property rate on gross receipts.
	Wyoming	Various rates on gross receipts. Tax range based on kind of business.
Public-utility companies:		
All	Hawaii	¹⁄₁₀ of 1 per cent gross receipts and ¹⁄₁₀ of 1 per cent stock valuation.
Bus and truck	California	4¼ per cent to 5 per cent gross receipts. Tax range on kind of business.
Express	California	1 per cent gross receipts.
	Minnesota	8 per cent gross receipts.
	North Dakota	¾ of 1 per cent gross receipts.
	Pennsylvania	⁸⁄₁₀ of 1 per cent gross receipts.
	South Dakota	6 per cent gross receipts.
	Vermont	$16 per mile of route.
	Wyoming	5 per cent gross receipts.
Freight-line and equipment companies.	Minnesota	6 per cent gross receipts.
	North Dakota	Do.
	Wisconsin	Do.
Gas and electric companies	California	7½ per cent gross receipts.
	Hawaii	½ to 2½ per cent of gross receipts. Tax range size of business.
Railroad companies	California	7 per cent gross receipts.
	Connecticut	3½ per cent gross receipts.
	Hawaii	0 to 2½ per cent gross receipts. Tax range size of business.
	Illinois	7 per cent gross receipts.[1]
	Minnesota	5 per cent gross receipts.
	Vermont	1¼ per cent stock valuation.
Sleeping, dining, and other car companies.	California	5¼ per cent gross receipts.
	Minnesota	5 per cent gross receipts.
	Ohio	1⁸⁵⁄₁₀₀ per cent gross receipts.
	Texas	5 per cent gross receipts.
Street-railway companies	California	5¼ per cent gross receipts.
	Connecticut	3 per cent gross receipts.
	Hawaii	2½ per cent gross receipts.
Telegraph companies	California	5¼ per cent gross receipts.
	Oklahoma	4 per cent gross receipts.
	Vermont	$1 per mile of 1 line plus 75 cents each additional line
Telephone companies	Minnesota	4 per cent gross receipts.
	North Dakota	50 cents per phone, mutual.
	Wisconsin	2½ per cent to 6 per cent gross receipts of exchange and 2½ per cent to 8 per cent gross receipts of toll service. Tax range based on volume.

(2) IN LIEU OF PERSONAL PROPERTY TAXES

Banks, etc.:		
All	California	4 per cent net income.
	Kansas	½ of 1 per cent stock valuation.
	Pennsylvania	⁴⁄₁₀ of 1 per cent stock valuation.
	Vermont	1 per cent stock valuation.
	Wisconsin	Do.
	Wyoming	Various rates on fair value of stock.
Building and loan	District of Columbia	2 per cent gross receipts.
	Indiana	3 per cent gross receipts, foreign.
	Iowa	¹⁄₁₀ of 1 per cent share valuation.
	Kentucky	Do.
	Nebraska	⁴⁄₁₀ of 1 per cent gross receipts.
	New Hampshire	¾ of 1 per cent share valuation.
	Pennsylvania	⁴⁄₁₀ of 1 per cent share valuation.
	Rhode Island	⁴⁄₁₀ of 1 per cent capital paid in by residents of foreign company.
National	Connecticut	1 per cent stock valuation.
	District of Columbia	6 per cent gross receipts.
	Florida	⅕ of 1 per cent stock valuation
	New Hampshire	1 per cent par value stock
	New Jersey	¾ of 1 per cent stock valuation.
	Vermont	⁸⁄₁₀ of 1 per cent deposits.

[1] Applies to Illinois Central only.

Statement showing franchise taxes levied in lieu of property taxes—Continued

(2) IN LIEU OF PERSONAL PROPERTY TAXES—Continued

	State	Tax
Banks, etc.—Continued.		
Savings—		
All	Connecticut	¼ of 1 per cent deposits.
	New Hampshire	1 per cent stock valuation.
	Vermont	9/10 of 1 per cent deposits.
Incorporated	District of Columbia	4 per cent gross receipts.
Mutual	do	1½ per cent capital invested.
Trust companies	do	6 per cent gross receipts.
	Minnesota	5 per cent gross receipts.
	New York	1/10 of 1 per cent stock valuation or 4½ per cent net income receipts.
	Pennsylvania	½ of 1 per cent stock valuation.
	Vermont	7/10 of 1 per cent deposits.
Corporations: All	Connecticut	2 per cent net receipts.[3]
	Iowa	½ of 1 per cent stock valuation.
	Massachusetts	1/20 to ½ per cent stock valuation. Range based on kind of business.[3]
	New York	1/10 of 1 per cent stock valuation or 4½ per cent net income receipts.[3]
	North Carolina	¼ of 1 per cent stock valuation.
	Pennsylvania	3/10 to 1 per cent stock valuation; range based on kind of business.[4]
	Rhode Island	4/10 of 1 per cent stock valuation.[1]
	Vermont	¾ of 1 per cent stock valuation.
Cotton manufacturers	Oklahoma	1/10 of 1 per cent gross receipts.
Insurance companies:		
All	California	2.6 per cent gross receipts.
	Idaho	2 per cent gross receipts.[5]
	Minnesota	Do.
	New Hampshire	1 per cent capital invested.
	South Dakota	1 per cent gross receipts.
	Vermont	2 per cent gross receipts.
Fire	Nebraska	Tangible property rate on gross income for domestic corporations.
	North Dakota	2½ per cent gross receipts.
Foreign countries:	Connecticut	2 per cent gross receipts.
	North Dakota	2½ per cent gross receipts.
Liability and surety	Nebraska	4/10 of 1 per cent gross receipts on domestic companies.[3]
Life	Connecticut	9/10 of 1 per cent capital invested.
	Nebraska	4/10 of 1 per cent gross receipts.
Mutual	Connecticut	3 per cent gross receipts.[3]
Title	Pennsylvania	½ of 1 per cent stock valuation.
Investment companies and brokers.	Connecticut	1 per cent choses in action.
Public utility companies:		
All	Rhode Island	1 to 3 per cent gross receipts. Tax range based on kind of business.[3]
Barge	District of Columbia	6 per cent gross receipts.
Bus	do	9/10 of 1 per cent per mile.
	Rhode Island	4/10 of 1 per cent capital employed by foreign company.
Cable	Connecticut	3 per cent gross receipts.
Car companies other than railroads and street railways:	do	Do.
	Montana	5 per cent gross receipts.
Electric	District of Columbia	4 per cent gross receipts.
	New Jersey	Average property rate on gross income.
Express	Connecticut	2 per cent gross receipts.
	Maine	4 per cent gross receipts.
	New Mexico	5 per cent gross receipts.
Gas	District of Columbia	Do.
	New Jersey	Average property rates on gross income.
Railroads	Maine	3½ to 5½ per cent of gross receipts. Range based on size of gross receipts.
	Oklahoma	2½ to 2 47/80 of gross receipts per mile. Tax range based on trackage.
Street railways	New Jersey	Average property rate for State on gross receipts.
Telephone	Connecticut	4 per cent gross receipts.
	District of Columbia	4 per cent gross receipts.
	Maine	1¼ to 6 per cent gross receipts. Tax range based on volume.
Terminal	District of Columbia	1½ per cent stock valuation less real estate.

[1] In lieu of intangible personal property.
[3] Applies to all corporations not otherwise taxed.
[4] Excludes banks.
[5] If 50 per cent of assets are invested in Idaho securities, than the tax is 1 per cent.

EXHIBIT 7

Privilege or franchise taxes, not in lieu of property taxes

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(A) CORPORATIONS—GENERAL			
Corporations, domestic	4	$1 to $100	Flat rate.
Do	18	$5 to $25,000	Capital stock issues.
Do	12	5 mills to 25 cents per $100	Do.
Do	4	1/10 to 1/15 of 1 per cent	Capital stock value.
Do	2	1/20 to ⅛ of 1 per cent	Capital and surplus.
Do	1	3 cents to 2½ mills	Per share nonpar stock; amount issued.
Do	1	40 cents per $100	Corporate excess.
Do	1	60 cents per $1,000	Gross assets.
Corporations, foreign	5	$1 to $200	Flat rates.
Do	15	$2 to $25,000	Capital stock issued.
Do	8	5 mills to 25 cents per $100	Do.
Do	5	1/20 to ⅕ of 1 per cent	Capital stock, value.
Do	2	1/20 to ⅛ of 1 per cent	Capital and surplus.
Do	1	2½ mills to 3 cents	Per share nonpar stock; amount issued.
Do	1	40 cents per $100	Corporate excess.
Do	1	60 cents per $1,000	Gross assets.
Corporations, cooperative marketing associations.	7	$5 to $10	Flat rates.
Do	1	$5 to $100	Capital stock issued.
(A) CORPORATIONS—COMMON CARRIERS			
Automobile, passenger carriers.	3	$10 to $100 each bus	Flat rates.
Do	5	¼ cent to 2 cents	Per mile.
Do	7	1/10 to ¼ cent	Per passenger mile.
Do	1	$30 to $180 each truck plus ¼ cent to 1½ cents.	Per passenger mile; capacity of busses.
Do	3	½ mill to 2½ mills	Per ton mile.
Do	9	1 to 6 per cent	Gross receipts.
Do	1	$5 to $480	Do.
Automobile, property carriers.	5	$10 to $100 each truck	Flat rates.
Do	4	¼ cent to 3 cents	Per mile.
Do	8	½ mill to ⅔ cent	Per ton mile.
Do	1	$12 each truck plus 5 to 30 mills per mile.	Weight of trucks.
Do	1	⅜ cent per mile plus $17.50 to $500 each truck.	Do.
Do	8	1 to 6 per cent	Gross receipts.
Do	1	$5 to $480	Do.
Do	1	$25 to $500 each truck	Capacity of trucks.
Express companies	1	$12	Flat rate.
Do	3	$2.50 to $500	Population of cities.
Do	1	5 cents per $1,000	Capital stock.
Do	1	$375 to $6,000	Miles over which operating.
Do	2	$1.50 to $6 per mile	Do.
Do	1	$18 to $25 per mile	Ratio net income to investment.
Do	18	9/10 of 1 to 6 per cent	Gross earnings.
Do	1	$27 to $7,500	Gross receipts.
Do	1	1 mill per $1 of assets plus ½ per cent.	Gross earnings.
Ferries, steam	2	$25 to $100	Flat rates.
Do	1	12 cents per $1,000	Gross assets.
Do	2	1 to 1.35 per cent	Gross earnings.
Do	1	1 mill per $1 of assets plus ½ per cent.	Do.
Railroads, steam	1	15 cents per $1,000	Capital stock.
Do	1	12 cents per $1,000	Gross assets.
Do	1	$100 to $50,000	Do.
Do	1	¾ of 1 per cent	Value of gross assets.
Do	1	1 mill per $1 of assets plus ½ per cent.	Gross earnings.
Do	7	45/100 of 1 to 4 per cent	Do.
Do	1	5½ per cent	Net operating income.
Do	2	$5 to $85	Per mile of trackage.
Ships	1	$10 to $50 per ship	Capacity.
Do	1	$1 per ton	Net tonnage.
Ships (tugboats)	1	1.35 per cent	Gross earnings.

Privilege or franchise taxes, not in lieu of property taxes—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(A) CORPORATIONS—COMMON CARRIERS—contd.			
Sleeping and parlor car companies.	2	$5,500 to $20,000	Flat rates.
Do	1	$3 to $5 per mile	Length of trackage.
Do	1	1½ per cent	Car-mile value.
Do	1	1 mill per $1 of assets plus ½ per cent.	Gross earnings.
Do	8	1 to 10 per cent	Gross receipts.
Supply cars, shipping	1	$110	Flat rate.
Do	6	1 to 7 per cent	Gross receipts.
Do	1	1 mill per $1 of assets plus ½ per cent.	Gross earnings.
Street railways	1	$50	Per car.
Do	1	12 cents per $1,000 of assets plus $2.	Per mile of track.
Do	1	$5 to $15 per mile of track	Population of cities.
Do	9	¼ of 1 to 5 per cent	Gross earnings.
Do	1	1 mill per $1 of assets plus ½ per cent.	Do.
Do	1	2 per cent	Net earnings.
(A) CORPORATIONS—TRANSMISSION			
Telegraph companies	1	$300 plus $12 city franchise	Flat rates.
Do	2	$5 to $500	Population of cities.
Do	1	20 to 60 cents	Per mile of wire; number of miles.
Do	3	$1 to $6	Per pole mile, flat rates.
Do	1	2 per cent	Net earnings.
Do	14	³⁄₁₀ of 1 to 3 per cent	Gross receipts.
Do	1	$27 to $7,500	Do.
Do	1	$1 per mile of wire plus 2¼ per cent.	Do.
Do	1	$2.25 per mile of wire plus 3¼ per cent.	Do.
Do	1	65 cents per mile of wire plus 1¼ per cent.	Do.
Do	1	$1 to $3,000	Gross operating income.
Telephone companies	15	³⁄₁₀ of 1 to 5 per cent	Gross receipts.
Do	1	$27 to $7,500	Do.
Do	1	2 per cent	Net earnings.
Do	1	5 to 10 cents per phone plus 1¼ per cent.	Gross receipts.
Do	1	25 cents to $1 per mile of line plus 2½ per cent.	Do.
Do	1	$2.25 per pole mile plus 1¼ to 2¼ per cent.	Do.
Do	1	25 cents per phone plus 20 to 60 cents.	Per mile of wire; number of miles.
Do	1	$1 to $3,000	Gross operating income.
Do	1	2½ to 8 per cent gross receipts	Local or toll lines and gross receipts.
(A) CORPORATIONS—UTILITIES			
General	3	³⁄₁₀ of 1 to 2 per cent	Gross receipts, flat rates.
Do	1	2 per cent	Net earnings.
Do	1	2 to 5 per cent	Gross receipts, volume.
Do	1	35 to 65 cents per $1,000	Do.
Do	2	$1 to $5,000	Gross earnings.
Electric light and power	1	$22 to $7,500	Gross receipts.
Do	1	$10 to $450	Population of cities.
Do	1	$15	Per pole mile.
Gas plants, heating and lighting.	1	$300	Flat rate.
Do	2	$25 to $400	Population of cities.
Do	7	1 to 5 per cent	Gross earnings.
Do	1	2 per cent	Net earnings.
Do	1	$27 to $7,500	Gross receipts.
Do	1	³⁄₁₀ of 1 per cent	Do.
Do	1	½ to 1 per cent	Gross receipts; population of cities.
Do	1	½ of 1 per cent gross earnings plus 3 per cent of dividends.	In excess of 4 per cent.

Privilege or franchise taxes, not in lieu of property taxes—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(A) CORPORATIONS—UTILITIES—continued			
Refrigerating companies	2	$112.50 to $500	Flat rates.
Do	1	3 per cent	Gross earnings.
Tramways	1	$10	Per mile.
Water companies	2	$10 to $500	Population of cities.
Do	6	¼ of 1 to 5 per cent	Gross earnings.
Do	1	$27 to $7,500	Gross receipts.
Do	1	½ to 1 per cent	Gross receipts, population of cities.
Do	1	¼ of 1 per cent gross earnings plus 3 per cent of dividends in excess of 4 per cent.	
(B) FINANCIAL INSTITUTIONS			
State banks, saving banks, and trust companies.	15		State corporation license fee.
Do	1	$250	Flat rate.
Do	1	$15 to $200	Assets.
Do	1	1/100 of 1 per cent	Capital stock, value.
Do	2	$10 to $500	Do.
Do	1	$250 to $750	Population of cities.
Do	1	$10 to $300	Capital; cities may levy one-half of State license.
Do	1	50 cents per $1,000	Capital and surplus.
Do	1	$50 to $11,000	Capital and surplus; cities may levy equal license.
Do	1	½ of 1 per cent	Average deposits.
Do	1	$500 State license of $50 each county.	
Bank shares (national)	2	0.2 per cent	Book value.
Do	1	do	Full cash value.
Do	1	0.4 per cent	Book value; depreciation adjustment.
Do	1	1 per cent	Par value.
Building and loan associations, various.			Corporation license in those States.
Do	3	$20 to $400	Gross assets.
Do	4	$2.50 to $20 each $100,000 of gross assets.	Flat rates.
Do	1	¼ of 1 per cent	Capital dues paid in.
Do	1	$24 to $1,011.60 plus $111 per $100,000 over $500,000 of paid-in capital.	
Do	3	6 to 13 cents per $100	Book value of capital stock.
Building and loan associations (domestic).	20	$2 to $100	Flat rates in addition to other fees.
Do	2	0.4 to 2 per cent	Gross earnings.
Building and loan associations (foreign).	19	$5 to $300	Flat rates in addition to other fees.
Do	1	2 per cent	Gross earnings.
Do	2	$3 to $100	Gross assets.
Credit unions	2	$10 to $50	Flat rates.
Do	1	¼ of 1 per cent	Deposits.
Do	1	$5 to $60	Do.
Depositaries (not banks)	1	$50	Flat rate.
Finance companies (auto)	2	$100	Do.
Do	1	$150 to $375	Population of cities.
Loan companies (small)	15	$25 to $250	Flat rates.
Do	1	½ of 1 per cent	Gross earnings.
Do	3	$50 to $2,000	Capital.
Do	1	$150 to $400	Population of cities.
Surety companies	1	$100	Flat rate.

Privilege or franchise taxes, not in lieu of property taxes—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(c) INSURANCE COMPANIES			
Insurance companies	20	$5 to $350	Flat rates, kind.
Domestic life	11	5/10 to 2½ per cent	Gross premium, less dividends and reinsurance.
Do.[1]	6	1 to 2½ per cent	Do.
Do.	1	1½ per cent surplus plus 2 per cent	Gross premium less dividends.
Do.	1	$125 first $5,000 plus 2 per cent excess.	Do.
Do.	1	$140 to $21,600	Do.
Do.	1	1 per cent surplus [2] 5/100 of 1 per cent	Gross premiums.
Do.	1	¼ of 1 per cent	Net value of policies in State.
Do.	1	3/10 of 1 per cent value of capital stock plus 3 per cent.	Investment income.
Do.	1	3½ per cent	Gross income.
Foreign life	24	1½ to 3 per cent	Gross premiums less dividends and reinsurance.
Do.	6	1¼ to 2½ per cent	Gross premiums less reinsurance.
Do.[1]	2	1 to 2 per cent	Gross premiums less dividends and reinsurance.
Do.[1]	5	1½ to 3 per cent	Gross premiums less reinsurance.
Do.[1]	1	1 per cent gross premium plus 2 per cent.	Gross premiums less dividends and reinsurance.
Do.	1	$125 first $5,000, plus 2 per cent excess.	Do.
Do.	1	$140 to $21,600	Gross premiums less reinsurance.
Do.	1	2 per cent	Gross premiums less death losses.
Do.	1	do	Gross premiums.
Do.	1	¼ of 1 per cent	Net value policies in State.
Do.	2		Retaliatory rates only.
Domestic fire insurance companies.	22	½ of 1 to 2½ per cent	Gross premiums less reinsurance, less return premiums.
Do.[1]	4	1½ to 2 9/10 per cent	Do.
Do.[1]	1	2½ per cent	Gross premiums.
Do.	1	1½ per cent	Net premiums.
Do.	1	2¾ per cent	Net receipts less reinsurance, less return premiums.
Do.	1	$180 to $9,000	Gross premium less reinsurance and return premiums.
Foreign fire insurance companies.	36	⅜ of 1 to 3 per cent	Do.
Do.[1]	6	½ of 1 to 2 9/10 per cent	Do.
Do.[1]	1	2½ per cent	Gross premiums.
Do.	1	1½ per cent	Net premiums.
Do.	1	2¾ per cent	Net receipts less reinsurance and return premiums.
Do.	1	$180 to $9,000	Gross premiums less reinsurance and return premiums.
Foreign fire (fire marshall's tax).	21	⅛ of 1 to 2 per cent	Do.
Do.	1	¼ of 1 per cent	Net premiums.
Fraternal benefit societies (domestic).	16	$5 to $27	Flat rates.
Do.	1	$150 to $375	Volume of business.
Fraternal benefit societies (foreign).	18	$5 to $27	Flat rates.
Do.	1	$150 to $375	Volume of business.

[1] Rate of tax in these States is decreased measurably if assets or part of assets of company are invested in State or local bonds or real estate.

EXHIBIT 8

Income tax on individuals

	Arkansas	Delaware	Georgia	Hawaii	Idaho	Illinois	Massachusetts[1]	Mississippi	Missouri[2]	New Hampshire	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon[3 4]	South Carolina	Tennessee[4 6]	Utah	Vermont[7]	Virginia	Wisconsin[8 9]
Exemption:																						
Single person	$1,500	$1,000	$1,500	$1,000	$1,000	$1,000	$2,000	$1,500	$1,000	$200	$2,500	$1,000	$1,000	None.	$750	$1,500	$1,200	$1,500	$1,000	$1,000	$1,250	......
Married person	2,500	2,000	3,500	2,000	2,500	2,500	2,500	3,500	2,000	200	4,000	2,000	2,000	None.	1,500	2,500	2,200	2,500	2,000	2,000	2,800	......
Each dependent	400	200	400	200	300	300	250	400	200	......	400	200	300	None.	750	400	400	300	400	250	400	......
Filing fee	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	1	......	......	......
Income-tax brackets excess over exemptions	Rates of tax applicable to each bracket																					
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent		Per cent	Per cent	Per cent	Per cent	Per cent	Per cent		Per cent	Per cent	Per cent	Per cent	Per cent		Per cent	Per cent
0 to $1,000	1	1	1	2	1	1	(10)	2½	1	(11)	2	2	1	(12)	2	1	1	1	1	(13)	1½	1
$1,000 to $2,000	1	1	1	2	1	2	(10)	2½	1½	(11)	2	2	1	(12)	2	2	1	1	1¼	(13)	1½	1¼
$2,000 to $2,500	1	1	1	2	2	2	(10)	3½	2	(11)	2	3	2	(12)	2	3	2	1	1½	(13)	1½	1½
$2,500 to $3,000	1	1	1	2	2	2	(10)	3½	2	(11)	2	3	2	(12)	2	3	2	1½	1½	(13)	1½	1¾
$3,000 to $3,500	2	2	1	2	2	2	(10)	3½	2½	(11)	2	3	2	(12)	2	4	2	1½	1¾	(13)	2½	2
$3,500 to $4,000	2	2	1	2	2	2	(10)	3½	2½	(11)	2	3	2	(12)	2	4	2	1½	1¾	(13)	2½	2
$4,000 to $4,500	2	2	1	2	3	3	(10)	3½	2½	(11)	2	4	3	(12)	2	5	3	1½	2	(13)	2½	2¼
$4,500 to $5,000	2	2	1	2	3	3	(10)	3½	2½	(11)	2	4	3	(12)	2	5	3	1½	2	(13)	2½	2½
$5,000 to $5,500	2	2	2	2½	3	3	(10)	4½	3	(11)	2	4	3	(12)	2	5	3	2	2½	(13)	3	3
$5,500 to $6,000	2	2	2	2½	3	3	(10)	4½	3	(11)	2	4	3	(12)	2	5	3	2	2½	(13)	3	3
$6,000 to $6,500	3	2	2	2½	4	3	(10)	4½	3	(11)	2	5	4	(12)	2	5	4	2	3	(13)	3	3¼
$6,500 to $7,000	3	2	2	2½	4	3	(10)	4½	3	(11)	2	5	4	(12)	2	5	4	2	3	(13)	3	3½
$7,000 to $7,500	3	2	2	2½	4	3	(10)	4½	3½	(11)	2	5	4	(12)	2	5	4	2	3½	(13)	3	4
$7,500 to $8,000	3	2	2	2½	4	3	(10)	4½	3½	(11)	2	5	4	(12)	2	5	4	2½	3½	(13)	3	4
$8,000 to $8,500	3	2	2	2½	4	3	(10)	4½	3½	(11)	2	5½	5	(12)	2	5	5	2½	4	(13)	3	4¼
$8,500 to $9,000	3	2	2	2½	4	3	(10)	4½	3½	(11)	2	5½	5	(12)	2	5	5	2½	4	(13)	3	4½
$9,000 to $9,500	3	2	2	2½	4	4	(10)	4½	4	(11)	2	5½	5	(12)	2	5	5	2½	4	(13)	3	5
$9,500 to $10,000	3	2	2	2½	4	4	(10)	4½	4	(11)	2	5½	5	(12)	2	5	5	2½	4	(13)	3	5
$10,000 to $10,500	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	3	4	(13)	3	5¼
$10,500 to $11,000	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	3	4	(13)	3	5½
$11,000 to $11,500	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	3	4	(13)	3	6
$11,500 to $12,000	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	3	4	(13)	3	6
$12,000 to $12,500	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	3	4	(13)	3	7
$12,500 to $13,000	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	4	4	(13)	3	7
$13,000 to $13,500	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	4	4	(13)	3	7
$13,500 to $14,000	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	4	4	(13)	3	7

$14,000 to $14,500	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	4	4	(13)	3	7
$14,500 to $15,000	4	3	3	3	4	4	(10)	4½	4	(11)	4	6	6	(12)	3	5	5	4	4	(13)	3	7
$15,000 to $16,000	4	3	4	3	4	4	(10)	5½	4	(11)	4	6	6	(12)	3	5	5	5	4	(13)	3	7
$16,000 to $17,000	4	3	4	3	4	5	(10)	5½	4	(11)	4	6	6	(12)	3	5	5	5	4	(13)	3	7
$17,000 to $18,000	4	3	4	3	4	5	(10)	5½	4	(11)	4	6	6	(12)	3	5	5	5	4	(13)	3	7
$18,000 to $19,000	4	3	4	3	4	5	(10)	5½	4	(11)	4	6	6	(12)	3	5	5	5	4	(13)	3	7
$19,000 to $20,000	4	3	4	3	4	5	(10)	5½	4	(11)	4	6	6	(12)	3	5	5	5	4	(13)	3	7
$20,000 to $21,000	4	3	5	3½	4	5	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$21,000 to $22,000	4	3	5	3½	4	5	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$22,000 to $23,000	4	3	5	3½	4	5	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$23,000 to $24,000	4	3	5	3½	4	5	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$24,000 to $25,000	4	3	5	3½	4	5	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$25,000 to $30,000	5	3	5	3½	4	6	(10)	5½	4	(11)	4	6	6	(12)	4	5	16	5	4	(13)	3	7
$30,000 to $40,000	5	3	5	3½	4	6	(10)	5½	4	(11)	4	6	6	(12)	4	5	5	5	4	(13)	3	7
$40,000 to $50,000	5	3	5	4	4	6	(10)	5½	4	(11)	4	6	6	(22)	4	5	5	5	4	(13)	3	7
$50,000 to $70,000	5	3	5	4	4	6	(10)	5½	4	(11)	6	6	6	(12)	4	5	5	5	4	(13)	3	7
$70,000 to $100,000	5	3	5	4½	4	6	(10)	5½	4	(11)	6	6	6	(12)	4	5	5	5	4	(13)	3	7
Over $100,000	5	3	5	5	4	6	(10)	5½	4	(11)	6	6	6	(12)	5	5	5	5	4	(13)	3	7

[1] Except in case of income from interest, dividends, and annuities, in which case the exemption is only $1,000 and is subject to certain limitations based on total income.

[2] Missouri rates are figured differently from other States, using what is known as totality income rather than bracketed income. Example: A person's net income is $2,000; rate of 1½ per cent would be applied on total net income instead of 1 per cent on first $1,000 of net income and 1½ on next $1,000 of net income. Against the tax computed there are allowed certain credits, as follows: Income—$1,000 and under $2,000, tax less $5; $2,000 and under $3,000, tax less $15; $3,000 and under $5,000, tax less $30; $5,000 and under $7,000, tax less $55; $7,000 and under $9,000, tax less $90; in excess of $9,000, tax less $135.

[3] Income from interest and dividends is taxed separately, and the exemption allowed against this tax on investment income can not exceed $500 for a single person and $800 for a married person. In cases where the taxpayer has ordinary net income in addition to income from investments, then the exemption allowed against the investment income is further limited by the excess of $1,500 or $2,500, as the case may be, over the ordinary net income.

[4] Other than income from interest and dividends; on such income, there is a separate tax at a flat 8 per cent rate. This is in lieu of tax on intangible property.

[5] Not allowed against income from intangibles.

[6] 5 per cent tax on income from intangibles; taxpayer allowed to offset tax on intangibles against income tax.

[7] If total income is from intangibles, exemptions are—single person, $400; married person, $800.

[8] Credit against normal tax in lieu of exemptions; single persons, $8; married persons, $17.50; each dependent child, $6.

[9] Teachers' fund surtax adds in effect one-sixth to tax computed under rates shown in table.

Emergency surtax for unemployment doubles the rates of tax shown in table. Therefore, at the present time, it is possible for a taxpayer to pay a tax of as much as 15⅙ cents per dollar of net income.

[10] 1½ per cent on income from annuities, professions, employment, trade, or business; 3 per cent on net gains from dealings in intangible personal property; 6 per cent on income from interest and dividends.

[11] Average rate of tax on other property except polls, saving deposits, and property specially taxed. (For 1931, 2.90 per cent on $100.)

[12] 5 per cent on all income from productive investments.

[13] 2 per cent on all income, exclusive of income from intangibles, such income being taxed at 4 per cent.

EXHIBIT 9

Comparative statement of income taxes on corporations as of July 1, 1932

Jurisdiction	Rate (per cent)	Corporations subject to tax *	Credits and exemptions	Remarks
United States	13¾ separate; 14½ consolidated	All	Foreign taxes (subject to limitations).	
Alaska	1	Real estate	None	
Arkansas	2	All	$1,500	
California	4 [1]	do.[2]	10 per cent of real property taxes and 100 per cent of personal property taxes up to 75 per cent of corporate income tax.	[1] Minimum tax, $25. [2] Public utilities paying on basis of gross receipts are exempt.
Connecticut	2 [1]	do.[2]	$3,000	[1] Minimum tax, $10. [2] Public utilities or corporations paying on basis of gross earnings are exempt.
Georgia	One-third of United States	do.[1]	Amount of sales tax and income tax paid to other States and countries.	[1] Banks and trust companies, and insurance companies paying on gross premiums, are exempt.
Hawaii	5	do	None	
Idaho	1 on first $2,000, 2 on second $2,000, 3 on third $2,000, and 4 on balance.	do	do	
Massachusetts	2½ [1]	Business and manufacturing[2]	Income earned outside State; property taxes paid; in case of foreign corporation, dividends paid to Massachusetts residents.	[1] Tax must not be less than 1/20 of 1 per cent of fair cash value of corporate stock or 1/20 of 1 per cent of gross receipts from intangible personal property. [2] Public utilities and insurance companies exempt.
	1½ on business income, 3 on security gain, and 6 on dividends received.	Security corporations (not including brokers).[1]		[1] Minimum total tax on this special group must not be less than on financial corporations. Also not less than ½ of 1 per cent of fair value of corporate stock.
	6	National banks and trust companies.		
Mississippi	2½ on first $2,000, 3½ on next $3,000, 5 on next $10,000, and 6 on balance.	All	$750 and income earned outside State.	
Missouri	2	do.[1]	None	[1] Express companies paying tax on gross receipts are exempt.
Montana	1	do	$2,500 to domestic companies	
New York	4½ [1]	do.[2]	None	[1] Minimum tax, $25, and not less than 1 mill per $1 of face value of issued capital stock [2] Public utilities, banks, trust companies, and insurance companies exempt.
North Carolina	5½	do.[1]	do	[1] Foreign insurance companies paying gross premium tax exempt.
North Dakota	3	do.[1]	do	[1] Banks and insurance companies paying on gross premiums, exempt.

Oklahoma	2 on first $10,000, 3 on next $10,000, 4 on next $80,000, and 5 on balance.	do	do.[1]	[1] The premium income of insurance companies not taxable.
Oregon	8[1]	do.[2]	Personal property taxes up to 90 per cent of the corporate tax.	[1] Minimum tax $10. [2] Corporations, with 95 per cent of income from real estate, are exempt.
South Carolina	4½ [1]	do	None	[1] Not less than 2 per cent on entire net income, plus officers' salaries, owning more than 5 per cent of stock less $6,000 and any deficit.
Tennessee	4	do	Franchise taxes paid on basis of net earnings.[1] Taxes paid on income from stocks and bonds.	[1] And other privilege taxes.
Utah	3[1]	do	Property taxes not in excess of one-third of income tax.	[1] Minimum tax $1. Tax not less than one-twentieth of fair value of tangible property.
Vermont	2	do.[1]	None	[1] Railroads; street railroads; sleeping, dining, and parlor car companies; insurance companies; express companies; telephone and telegraph companies are exempt.
Virginia	3	do.[1]	do	[1] Public service companies; insurance companies; banking and nonprofit associations are exempt.
Washington [1]	5	Banks, financial, and insurance companies.	Taxes paid in State on tangible personal property and on premiums.	[1] Tax held unconstitutional.
Wisconsin	2 on first $1,000, 2½ on next $1,000, 3 on next $1,000, 3½ on next $1,000, 4 on next $1,000, 5 on next $1,000, and 6 on balance.	All [1]		[1] Steam railroads; freight line companies; dining, sleeping, and parlor car companies; and insurance companies are taxed otherwise and are exempt. Tax based on average income for 3 years; after Jan. 1, 1933, average method abolished.
	Surtax in addition	(2)		[2] Surtax equals total normal tax less $75 divided by 6.

* When the word "all" is used in this column it denotes those corporations subject to taxes under the Federal revenue act.

EXHIBIT 10

Present status of State death taxes as of July 1, 1932—Part 1, rates of tax

State	Inheritance taxes: Application of tax	Résumé of rates on— Surviving spouse and children	Brothers and sisters	Uncles and aunts	Strangers	Amount beyond which there is no graduation in rates	Community property	Estate taxes: Application of tax	Rates of tax (Applied to entire net estate)
		Per cent	Per cent	Per cent	Per cent				
Alabama	None						No	Residents and nonresidents	80 per cent of Federal tax under revenue act of 1926.
Arizona	Direct and collateral heirs	1–5	2–10	3–15	5–25	$500,000	Yes	None	
Arkansas	do	1–10	2–20	4–40	4–40	1,000,000	No	do	
California	do	[1] 1–10	3–12	4–12	5–12	500,000	Yes	Residents and nonresidents	Difference between 80 per cent of Federal tax under 1926 act and California inheritance tax.
Colorado	do	2–7.5	3–10	4–14	7–16	500,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Connecticut	do	1–4	2–5	5–8	5–8	200,000	No	do	Do.
Delaware	do	1–4	2–5	2–5	5–8	200,000	No	do	Do.
District of Columbia	None						No	None	
Florida	None						No	Residents and nonresidents	1 to 20 per cent, but tax limited to amount of Federal credit under 1926 act.
Georgia	Nonresidents only	2	2	2	2	(²)	No	Residents only	80 per cent of Federal tax under 1926 act on property taxable in Georgia.
Idaho	Direct and collateral heirs	1–10	2–15	3–20	5–20	500,000	Yes	None	
Illinois	do	2–14	2–14	6–16	10–30	500,000	No	do	
Indiana	do	1–10	5–15	7–20	7–20	1,500,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Iowa	do	1–8	5–10	10–15	10–15	300,000	No	Residents and nonresidents	Do.
Kansas	do	[3] 1–5	3–12½	5–15	5–15	500,000	No	do	Difference between 80 per cent of Federal tax under 1926 act and Kansas inheritance tax.
Kentucky	do	1–16	2–16	2–16	6–16	10,000,000	No	None	
Louisiana	do	2–3	5–7	5–7	5–10	20,000	Yes	Residents and nonresidents[4]	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Maine	do	1–2	4–5	4–5	5–7	100,000	No	Residents only	Do.

Maryland	Collateral heirs only		5	5	5	(2)	No	do	Do.
Massachusetts	Direct and collateral heirs	1–7	3–12	5–12	5–12	1,000,000	No	Residents and nonresidents	Do.
Michigan	do	1–8	1–8	5–15	5–15	750,000	No	Residents only	Do.
Minnesota	do	[5] 1–4	3–12	4–16	5–20	100,000	No	do	Do.
Mississippi	None						No	Residents and nonresidents	80 per cent of Federal tax under revenue act of 1926.
Missouri	Direct and collateral heirs	1–6	3–18	3–18	5–30	400,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Montana	do	1–4	2–8	3–12	4–16	100,000	No	Residents and nonresidents	Do.
Nebraska	do	1	1	4	4–12	50,000	No	Residents only	Do.
Nevada	None						Yes	None	
New Hampshire	Collateral heirs only		5	5	5	(2)	No	Residents only	Do.
New Jersey	Direct and collateral heirs	1–16	5–16	8–16	8–16	3,700,000	No	None	
New Mexico	do	1	5	5	5	(2)	Yes	do	
New York	None						No	Residents and nonresidents	0.8 to 16 per cent (equal to 80 per cent of Federal rates under 1926 act).
North Carolina	Direct and collateral heirs	1–10	3–23	3–23	8–25	3,000,000	No	do	Difference between 80 per cent of Federal tax under 1926 act and North Carolina inheritance tax.
North Dakota	None						No	do	1 to 7 per cent.
Ohio	Direct and collateral heirs	1–4	5–8	7–10	7–10	200,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Oklahoma	do	1–16	1–16	6–16	6–16	10,000,000	No	None	
Oregon	Collateral heirs only		1–15	1–15	2–25	50,000	No	Residents and nonresidents	1 to 10 per cent.
Pennsylvania	Direct and collateral heirs	2	10	10	10	(2)	No	do	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Rhode Island	do	0.5–3	0.5–3	5–8	5–8	1,000,000	No	do	Estate tax: 1 per cent. Additional estate tax: 1.4 to 14.92 per cent, but total tax not less than 80 per cent of Federal tax under 1926 act.
South Carolina	do	1–6	2–7	2–7	4–14	300,000	No	None	
South Dakota	do	[6] 1–4	3–12	4–16	5–20	100,000	No	do	
Tennessee	do	1–5	5–10	5–10	5–10	500,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Texas	do	1–6	3–10	4–15	5–20	1,000,000	Yes	None	
Utah	None						No	Residents and nonresidents	3 to 5 per cent.
Vermont	Direct and collateral heirs	1–5	5	5	5	250,000	No	Residents only	Difference between 80 per cent of Federal tax under 1926 act and total of all other death taxes.
Virginia	do	1–5	2–10	5–15	5–15	1,000,000	No	do	Do.
Washington	do	1–5	3–12	3–12	10–25	200,000	Yes	Residents and nonresidents	Do.
West Virginia	do	2–10	4–10	7–10	9–10	500,000	No	None	
Wisconsin	do	2–10	4–20	6–30	8–40	500,000	No	Residents only	Do.
Wyoming	do	2	2	6	6	(2)	No	None	

[1] Widow, 4 to 8 per cent.
[2] Flat rate.
[3] Widow, 0.5 to 2.5 per cent.
[4] Louisiana estate tax effective July 27, 1932.
[5] Husband, 1.5 to 6 per cent.
[6] Husband, 2 to 3 per cent.

Present status of death taxes as of July 1, 1932—Part II, exemptions

State	Under inheritance taxes: Widow	Child (adult)	Brother or sister	Uncle or aunt	Stranger	Under estate taxes
Alabama						Estate tax not applicable to net estates of $100,000 or less.
Arizona	$10,000	$2,000	$500	$250	$100	
Arkansas	6,000	2,000	2,000	0	0	
California	50,000	10,000	5,000	1,000	500	Do.
Colorado	20,000	10,000	2,000	0	0	Estate tax not applicable to net estates of $1,000,000 or less.
Connecticut	10,000	10,000	3,000	500	500	Estate tax not applicable to net estates of $100,000 or less.
Delaware	20,000	3,000	1,000	1,000	0	Do.
Florida						$100,000 exemption against entire net estate, allowed to residents only.
Georgia	[1] 0	[1] 0	[1] 0	[1] 0	[1] 0	Estate tax not applicable to net estates of $100,000 or less.
Idaho	10,000	4,000	2,000	1,000	500	
Illinois	20,000	20,000	10,000	500	100	
Indiana	15,000	2,000	500	100	100	Do.
Iowa	[2] 40,000	15,000	0	0	0	Do.
Kansas	75,000	15,000	5,000	0	0	Do.
Kentucky	20,000	5,000	2,000	2,000	500	
Louisiana	5,000	5,000	1,000	1,000	500	Do.
Maine	10,000	10,000	500	500	500	Do.
Maryland	(3)	(3)	0	0	0	Do.
Massachusetts	10,000	10,000	1,000	1,000	1,000	Do.
Michigan	30,000	5,000	5,000	0	0	Do.
Minnesota	10,000	10,000	1,000	250	100	Do.
Mississippi						$100,000 exemption against entire net estate.
Missouri	[2] 20,000	5,000	500	250	0	Estate tax not applicable to net estates of $100,000 or less.
Montana	17,500	2,000	500	0	0	Estate tax not applicable to net estates of $1,000,000 or less.
Nebraska	[2] 10,000	10,000	10,000	2,000	0	Estate tax not applicable to net estates of $100,000 or less.
New Hampshire	(3)	(3)	0	0	0	Do.
New Jersey	5,000	5,000	0	0	0	
New Mexico	(4)	(4)	(4)	(4)	(4)	
New York						Variable exemption [5]; net estates of $2,000 or less, after deducting exemptions, not taxed.
North Carolina	10,000	2,000	0	0	0	Estate tax not applicable to net estates of $100,000 or less.
North Dakota	20,000	3,000	0	0	0	Variable exemption.[6]
Ohio	5,000	3,500	500	0	0	Estate tax not applicable to net estates of $100,000 or less.
Oklahoma	15,000	10,000	1,000	500	500	
Oregon	(3)	(3)	1,000	1,000	0	$10,000 exemption against entire net estate.
Pennsylvania	0	0	0	0	0	Estate tax not applicable to net estates of $100,000 or less.
Rhode Island	25,000	25,000	25,000	1,000	1,000	Estate tax: $10,000 exemption against entire net estate. Additional estate tax: Not applicable to net estates of $250,000 or less.
South Carolina	10,000	5,000	500	500	200	
South Dakota	10,000	10,000	500	200	100	
Tennessee	10,000	10,000	1,000	1,000	1,000	Estate tax not applicable to net estates of $100,000 or less.
Texas	25,000	25,000	10,000	1,000	500	

Utah						$10,000 exemption against entire net estate.
Vermont	10,000	10,000	0	0	0	Estate tax not applicable to net estates of $100,000 or less.
Virginia	10,000	10,000	4,000	1,000	1,000	Do.
Washington	10,000	5,000	5,000	0	0	Do.
West Virginia	25,000	15,000	0	0	0	
Wisconsin	15,000	2,000	500	250	100	Do.
Wyoming	10,000	10,000	10,000	0	0	

1 Georgia inheritance tax applies to nonresidents only.
2 Plus marital rights.
3 Not taxed.
4 In New Mexico there is a $10,000 exemption against the entire net estate where it passes to the widow, children, brothers and sisters, and certain others, and $500 where it passes to uncles and aunts, strangers, and certain others. Where the estate passes to both groups, a proportionate exemption is allowed.
5 Property passing to widow exempt up to $20,000; children and brothers and sisters up to $5,000 in each case.
6 Property passing to widow exempt up to $10,000; minor child, up to $5,000, and other lineal issue, up to $2,000, in each case; brothers and sisters, up to $250 in each case.

EXHIBIT 11

General sales taxes

Number of States imposing tax	Range of rates	Measure of tax
Manufacturers' sales tax:		
Connecticut	$1 on each $1,000 or fraction thereof.	Gross income from all sources on unincorporated businesses. Minimum, $5.
Delaware	$5 plus 1/50 of 1 per cent	Gross receipts.
Mississippi	1/4 to 1 per cent	Gross sales. Kind of product. Exemption, $1,200.
Missouri (St. Louis, Kansas City).	1/10 of 1 per cent	Manufacturers' output.
West Virginia	21/100 of 1 per cent	Gross proceeds of sales. Exemption, $10,000.
Louisiana	$5 to $4,000	Volume gross sales.
Wholesale dealers' sales tax:		
Connecticut	25 cents each $1,000 or fraction thereof.	Gross income from all sources on unincorporated businesses. Minimum, $5.
Delaware	$5 plus $1 up to $1,000 plus 10 cents per $100 excess.	Aggregate cost value of goods purchased.
Mississippi	1/8 of 1 per cent	Gross sales; exemption, $1,200.
Missouri (St. Louis, Kansas City).	1/10 of 1 per cent	Domestic sales.
North Carolina	$12.50 to $400	Volume of gross sales.
Pennsylvania	$3 plus 1/2 mill on $1	Gross value of sales.
West Virginia	1/20 of 1 per cent	Gross income; exemption, $10,000.
Louisiana	$25 to $6,000	Volume gross sales.
General retail sales tax:		
Connecticut	$1 on each $1,000 or fraction	Gross income all sources on unincorporated businesses. Minimum, $5.
Delaware	$5 plus $1 up to $1,000 plus 10 cents per $100 excess thereof.	Aggregate cost value of goods purchased.
Kentucky	1/20 to 1 per cent	Volume of gross sales.
Mississippi	1 to 2 per cent	Gross receipts from sales. Kinds of business. Exemption, $1,200.
Missouri (St. Louis, Kansas City).	1/10 of 1 per cent	Domestic sales.
North Carolina	$5 to $500 and up	Volume of gross sales.
Pennsylvania	1 per cent plus $2; 1 mill on $1	Gross sales.
West Virginia	3/10 of 1 per cent	Gross sales. Exemption, $10,000.
Louisiana	$10 to $6,000	Volume of gross sales.

EXHIBIT 12

Special sales tax on specific items

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(a) Tangibles:			
Adding machines	1	(See under (B) (4) (b) Retail Dealers.)	Gross sales.
Books (school text)	1	1 per cent	Gross receipts.
Burglar alarms	1	(See under (B) (4) (b) Retail Dealers.)	Gross sales.
Cash registers	1	do	Do.
Convict-made goods	1	15 per cent	Gross receipts.
Electric refrigerators	1	(See under (B) (4) (b) Retail Dealers.)	
Home-lighting systems	1	do	Gross sales.
Fuel oil	1	1 cent per gallon	Volume.
Do	1	1/2 of 1 per cent	Gross wholesale sales.
Minerals (all kinds)	1	2 to 2 1/2 per cent	Producers' gross sales value.
Do	1	45/100 of 1 per cent	Gross sales.
Milk powder (imitation).	1	5 per cent	Gross sales at wholesale.
Office equipment	1	(See under (B) (4) (b) Retail Dealers.)	Gross sales.
Oil burners	1	do	Do.
Trading stamps	2	3 to 10 per cent	Gross receipts—flat rates.

Special sales tax on specific items—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(a) Tangibles—Continued.			
Typewriters	1		Gross sales.
Vacuum cleaners	1	(See under (B) (4) (b) Retail Dealers.)	Do.
Washing machines	1	do	Do.
Carbon black	2	⅛ to ½ cent per pound	Flat rates.
Cement	2	1¼ cents per hundredweight to 4 cents per barrel.	Per barrel. Flat rates.
Commercial feed	6	8 to 25 cents per ton	Flat rates.
Fertilizer	9	6 to 35 cents per ton	Do.
Fish	2	2½ to 54 cents per hundredweight	Flat rates. Kind.
Fish, salmon	1	¼ cent to 11 cents each	Kind.
Fish oil	1	40 to 50 cents per barrel	Do.
Gypsum	1	5 cents per ton	Flat rates.
Kerosene	3	1 cent per gallon	Do.
Do	1	5 per cent	Gross sales over $5,000.
Lard substitutes	1	5 cents per pound	Flat rates.
Lime	2	1 cent to 5 cents per ton	Do.
Livestock remedy	1	2 cents per hundredweight	Do.
Milk powder	1	5 cents per pound	Do.
Do	1	5 per cent	Gross wholesale sales.
Skins and hides	1	1 cent to 25 cents each	Kind and size.
(b) Intangibles: Personal services.	1	2 per cent	Gross receipts; exemption $1,200.

EXHIBIT 13

Poll taxes

Purpose of tax	Number of States imposing tax	Range of rates	Measure of tax
State (general expenses)	1	$2	Males over 20.
Do	1	$2.50	All 21 to 70; 95 per cent to State, 5 per cent to local authorities.
Do	1	$3	Unmarried males 21 to 60.
State schools	1	$5	Males 21 to 50.
Do	1	$1	All 21 to 60.
Do	1	$1	Males over 21.
State (two-thirds to general expenses and one-thirds to schools).	1	$1.50	Males 21 to 50.
State, (two-thirds to schools and one-third to general expenses).	1	$1.50	All 21 to 60.
State (two-thirds to schools and one-third to local general expenses).	1	$1.50	All over 21.
County (general expenses) [1]	1	25 cents to $1.25	All over 21; varies.
Do	1	50 cents	All over 21.
Do	1	$1.50	Males 21 to 70.
Do	2	25 cents to $1.50	All 21 to 60; flat rates.
County roads	20	$1 to $12	Males from 18 and 21 to 45 and 60.
County schools	8	$1 to $5	All over 21, and all from 21 to 50 and 60.
Do	4	$1 to $2.50	Males from 21 to 50 and 70.
County poor	1	$2 to $5	Males 21 to 60; single or married.
Municipal (general expenses)	11	$1 to $3	All over 21; all 21 to 50 and 70; males over 21; and males 21 to 60 and 70.
Municipal schools	1	$1	All over 21.
Municipal streets	21	$1 to $10	All males over 21 and males from 16 and 21 to 45 and 60.

[1] Inhabitants of incorporated towns exempt from county poll taxes.

EXHIBIT 14

Licenses and permits

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(A) AMUSEMENTS			
(1) Facilities:			
Amusement parks	11	$10 to $800	Flat rates.
Do	2	$10 to $300	Population of cities.
Amusement park devices	1	$50 per day	Flat.
Do	1	$25 per day	Per unit.
Do	1	$12 to $20 per week	Kind.
Do	3	$5 to $75	Do.
Bagatelle tables	1	$25 plus $10 each additional	Table.
Baseball parks	3	$3 to $100	Flat rates.
Do	4	$10 to $400	Population of cities.
Billiard rooms	5	$5 to $40	Flat rates.
Do	6	$10 to $500	Population of cities.
Billiard tables	18	$5 to $37.50	Flat, per table.
Do	8	$5 to $50 first table and $5 to $25 each additional table.	Per table per year.
Do	1	$100 flat plus $50 per table over 6 tables.	
Do	1	$50-$500 population, plus $75 per table over 7 tables.	
Bowling alleys	9	$5 to $100	Flat rates.
Do	3	$12.50 to $250	Population of cities.
Do	17	$5 to $40	Per alley.
Do	6	$5 to $40 first alley plus $5 to $25 each additional alley.	
Card tables—gambling	1	$300	Flat.
Checkers and domino boards (public).	1	$3 to $8	Population of cities.
Dance halls	12	$5 to $150	Flat rates.
Do	5	$5 to $250	Population of cities.
Do	2	$5 to $250	Capacity of hall.
Do	1	$10	Per day operating.
Gymnasiums	1	$12	Flat.
Merry-go-rounds	7	$10 to $100	Flat rates.
Do	2	$10 to $75	Population of cities.
Miniature golf	1	$10 to $200	Do.
Moving-picture theaters	6	$5 to $200	Flat rates.
Do	7	$5 to $850	Population of cities.
Do	8	$10 to $500	Seating capacity.
Do	1	20 cents per seat	Do.
Do	1	50 cents to $12 per day	Do.
Penny arcade	2	$1 to $150	Population and number of devices.
Pool room	5	$5 to $40	Flat rate.
Do	4	$10 to $500	Population of cities.
Pool tables	26	$5 to $150 per table	Number of tables.
Punch boards	1	$2.50 to $10	Population of cities.
Race tracks (horses)	1	$1,500 to $2,500 per day	Population of city.
Do	1	$250 to $1,000 per day	Gross receipts.
Do	1	One-sixth of pari-mutuel commissions.	
Do	4	$10 to $300	Size of track and population of city.
Recreation camps	1	$10	Flat.
Roulette wheels	1	$600	Do.
Shooting galleries	11	$5 to $50	Flat and population of cities.
Skating rinks	8	$5 to $200	Population of cities.
Slot machines	5	$2 to $15	Flat rates.
Do	2	$2.50 to $15	Population of cities.
Do	5	$1 to $50	Merchandise or amusement.
Do	3	$1 to $60	Value of coin to operate.
Slot machines (gambling)	1	$120	Flat.
Do	1	$200 to $500	Value of coin.
Slot machine (postage stamps)	2	$2 to $4	Flat rates.
Swimming pools	6	$3 to $200	Population of cities.
Vaudeville theaters	9	$5 to $200	Flat rates.
Do	9	$5 to $850	Population of cities.
Do	5	$10 to $600	Seating capacity.
Do	1	50 cents to $12 per day	Do.
Do	1	20 cents per seat	Do.
Do	1	$15 first 100 seats, $4 each additional 100.	Do.
Weighing machines, penny	2	$2 to $4	Flat rates.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(A) AMUSEMENTS—continued			
(2) Participants:			
Boxing (referees, seconds, judges, etc.).	14	$5 to $50	Flat rates.
Jugglers	2	$5 to $25	Flat, each performance.
(3) Performances:			
Athletic exhibitions	3	$10 to $150	Do.
Boxing exhibitions	16	$10 to $750 each exhibition	Flat, population of cities.
Circuses	8	$5 to $300	Flat, per day.
Do	10	$5 to $1,000 per day	Number of circus cars.
Do	5	$10 to $500 per day	Population of cities.
Do	3	$50 to $300 per day	Seating capacity.
Do	4	$15 to $50 each side show per day. Additional.	
Do	2	$5 to $200 per day by cities in addition to State license.	
Circus parades	2	$22.50 to $300 each	Population of cities.
Dog and horse shows	4	$3 to $25 per day	Flat.
Do	6	$10 to $500 per day	Size and seating capacity.
Do	2	$10 to $50 per day	Population of cities.
Do	1	$20	Flat, annual license.
Legerdemain	9	$1 to $25	Flat, each performance.
Menageries	8	$5 to $125	Per day, flat rate.
Do	5	$5 to $500 per day	Size and seating capacity.
Do	2	$10 to $200 per day	Population of cities.
Do	1	$25 flat	Each county.
Do	1	$1 per 100 people in county	Each performance.
Do	1	$100	Flat, annual State license.
Shows, transient	5	$3 to $100 per day	Flat rates.
Do	8	$5 to $300 per day	Size and seating capacity.
Do	2	$20 to $100	Flat, annual license.
Miscellaneous (carnivals, exhibitions, etc.).	23	$1 to $300 per day	Flat rates.
Do	8	$50 to $100	Flat, annual.
Do	1	$2,500 to $5,000	Annual, population of cities.
(4) General (all States provide that cities may issue permits for amusements of all kinds).			
(B) BUSINESS LICENSES			
(1) Chain stores:			
Taxation	8	$1 to $150 per store	Number of stores.
Do	1	1/10 of 1 per cent to 1 per cent gross sales.	Volume of gross.
Do	1	1/4 of 1 per cent	Gross sales.
Do	1	$10, plus 10 cents per $100 of aggregate purchases in excess of $5,000.	
Do	1	15 cents per $100	Average capital invested.
(2) Merchants' license tax	5	$1 to $5	Flat rate, retail.
Do	2	$5 to $600 each	Nature of merchandise.
Do	4	$5 to $500 each	Volume of business.
Do	1	$5 to $4,000	Volume of business, retail stores only.
Do	1	$50 per $20,000 over $100,000	Gross sales, retail stores only.
Do	1	$10 to $20 plus 1/10 of 1 per cent to 1/4 of 1 per cent.	Excess of purchases over $2,000.
(3) Manufacturers:			
Automobiles	4	$20 to $500	Flat rates.
Do	1	$10 to $100	Population of cities.
Boats	1	$10 to $25	Do.
Bottling works	21	$2 to $500	Flat rates.
Do	4	$10 to $862.50	Capacity.
Do	1	$100 to $600 per machine	Do.
Do	1	4 cents per pound carbonic gas used.	
Do	1	5 cents per barrel of 31 gallons	

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(3) Manufacturers—Continued.			
Brooms	2	$10 to $50	Flat rates.
Candy	2	$2 to $20	Population of cities.
Canneries (fruits and vegetables).	8	$1 to $100	Flat rates.
Canneries—			
Clams	2	3 and 10 cents per case and per bushel, respectively.	
Oysters	2	$5 to $100	Do.
Do	1	$1.50 to $100	Volume.
Salmon	1	3 to 20 cents per case	Do.
Do	1	$25	Flat rates.
Sardines	1	1 cent a case plus $50	Flat.
Shrimp	2	$2.50 to $25	Flat rates.
Fish	1	2½ cents per 100 pounds	
Do	1	¼ to ½ cent per pound	Volume.
Canvas goods	3	$10 to $20	Flat rates.
Cigars	1	$25	Do.
Do	1	$5 to $50	Number of employees.
Coffins	3	$50 to $150	Flat rates.
Commercial feed	1	$50 to $500	Capacity.
Cotton mills	1	$100	Flat.
Do	1	$15 to $300	Capital.
Cotton oil	1	$25	Flat.
Do	1	$15 to $300	Capital.
Do	2	$15 to $1,250	Capacity.
Do	1	$12.50 to $37.50 plus 25 cents a ton over 150 tons.	Volume.
Fertilizer	2	$22.50 to $25	Flat rates.
Do	1	$2.50 per 100 tons	Volume.
Do	1	40 to 50 cents per ton	Do.
Do	1	$75 to $375	Capital.
Do	2	$15 to $700	Capacity.
Do	6	$10 to $25 per brand	Flat rates.
Furniture	2	$10 to $100	Do.
Harness	1	$5	Do.
Hosiery	1	$15 to $300	Capital.
Ice	1	$50	Flat rate.
Do	1	$10 to $50	Population of cities.
Do	5	$5 to $500	Capacity.
Ice cream	16	$1 to $100	Flat rates.
Do	5	$5 to $100	Population of cities.
Do	1	$50 plus one-half cent per gallon.	Flat and volume.
Lightning rods	2	$20 to $50	Flat rates.
Macaroni	1	$10	Flat rate.
Malt	1	$100	Do.
Mattresses	3	$10 to $50	Flat rates.
Do	1	$20 to $100	Population of cities.
Milk, condensed	1	$250 to $1,000	Capacity.
Milk products	18	$1 to $1,000	Flat rates.
Millwork	2	$5 to $200	Kind and capacity.
Moss fiber	1	$10	Flat rate.
Packing plants	4	$10 to $225	Flat rates.
Do	2	$25 to $500	Population of cities.
Paints	1	$25	Flat.
Paper	1	$250	Flat rates.
Paper bags	1	$100	Flat rate.
Peanut mill	1	$15 to $300	Capital.
Pencils	1	$10 to $25	Number of employees.
Phosphate, fuller's earth	1	$15 to $75	Capacity.
Pickles	1	$150	Flat rate.
Prepared palms	1	$10	Do.
Rubber goods	1	$50	Do.
Sirups	1	$50	Do.
Tile, sewer pipes	1	$100 to $200	Capacity.
Tractors	1	$25	Flat rate.
Turpentine, distilleries	3	$20 to $150	Capacity.
Do	1	10 cents per 400 pounds	Volume.
Virus serum	1	$25	Flat rate.
Wagons, carriages	3	$10 to $25	Flat rates.
Wall boards	1	$50 to $200	Veneer or beaver.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(4) Retail dealers:			
(a) Foodstuffs—			
Bakeries	8	$1 to $10	Flat rate.
Do	1	$5 up	Volume.
Do	1	$1 to $25	Number of employees.
Beer, near	1	$5 to $15	Population of cities.
Candy	6	$1 to $12	Flat rates.
Do	1	$5 to $1,000	Volume.
Cider	1	$50	Flat.
Cider, imitation	1	$500	Do.
Coffee, roasting	1	$25 to $50	Population of cities.
Dairy products	20	$1 to $20	Flat rates.
Delicatessens	1	$15	Flat rate.
Drugs	14	$1 to $50	Flat rates.
Patent medicines	1	$25 to $1,000	Volume.
Eggs	7	$1 to $5	Flat rates.
Egg separators	1	$50	Flat.
Fish	4	$5 to $50	Flat rates.
Do	1	$5 to $150	Residents or nonresidents.
Fruit	5	$1 to $25	Flat rates.
Grocers	2	$1 to $5	Do.
Hot tamales	1	$16	Flat.
Ice	1	$5 to $150	Population of cities.
Ice from railroad cars	2	$25 to $50	Flat rates.
Ice cream	5	$3 to $15	Do.
Do	1	$5 to $1,000	Volume.
Ice cream, imitation	2	$50	Flat rates.
Market stands	1	$5	Flat rate.
Meats	11	$1 to $100	Flat rates.
Do	3	$5 to $40	Population of cities.
Do	1	$50 to $500	Volume.
Mineral water	3	$15 to $50	Flat rates.
Produce	3	$5 to $50	Do.
Soft drinks—			
Bottled	12	$2 to $25	Do.
Fountain	9	$1 to $15	Do.
Do	8	$2.50 to $50	Population of cities.
Do	1	$5 to $1,000	Volume.
Soft drinks, fountain	1	$5 per draught	
(b) General—			
Adding machines	3	$10 to $100	Flat rates.
Do	3	$25 to $187.50	Population of cities.
Do	1	$100 plus 1 per cent of	Gross sales.
Alcohol	4	$1 to $500	Flat rates.
Do	1	$5 to $1,000	Volume.
Alligators	1	$10	Flat rates.
Automobiles	1	$20	Do.
Do	8	$10 to $275	Population of cities.
Auto accessories	2	$10 to $25	Flat rates.
Do	6	$5 to $100	Population of cities.
Barber supplies	1	$50	Flat rate.
Bicycles	7	$5 to $25	Population of cities.
Bicycles (repairing)	1	$250	Flat rates.
Books	1	$15	Do.
Building material	3	$5 to $25	Do.
Do	1	$25 to $100	Population of cities.
Bullfrogs	1	$5 to $75	Residents or nonresidents.
Burglar alarms	2	$25 to $100	Flat rates.
Do	1	$100 plus 1 per cent	Gross sales.
Cards, playing	5	$2.50 to $30	Flat rates.
Carriages	1	$5	Flat.
Cash registers	3	$100	Flat rates.
Do	3	$15 to $187.50	Population of cities.
Do	1	$100 plus 1 per cent	Gross sales.
Cigarettes	15	$5 to $60	Flat rates.
Do	10	$2 to $100	Population of cities.
Cigars	9	$5 to $50	Flat rates.
Do	5	$2 to $50	Population of cities.
Coal or coke	2	$2 to $5	Flat rates.
Do	6	$5 to $100	Population of cities.
Coffins	3	$10 to $150	Do.
Commercial feed	15	$2 to $25 per brand	Flat rates.
Convict goods	2	$500	Do.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(4) Retail dealers—Continued.			
(b) General—Continued.			
Crossties	1	$10	Flat.
Curios	1	$10	Do.
Do	1	$20 to $50	Population of cities.
Directories, compilers	4	$10 to $100	Flat rates.
Druggist (liquor licenses).	7	$1 to $100	Do.
Do	1	50 cents	Each prescription.
Electrical appliances	1	$100 to $250	Flat; kind.
Do	2	$50 to $100	Population of cities.
Do	1	$100 plus 1 per cent	Gross sales.
Endless chain	2	$1 to $25	Flat rates.
Explosives	5	$1 to $10	Do.
Eyeglasses	1	$7.50	Flat.
Fertilizers	14	$5 to $25 per brand	Flat rates.
Fire engines and apparatus.	1	$100	Flat.
Fireworks	1	$500 State license; $250 local	Flat rate.
Do	3	50 cents to $100	Flat rates.
Do	1	$15 to $75	Population of cities.
Florists	4	$5 to $100	Do.
Furniture	1	$10 to $50	Capital.
Game birds	2	$5 to $10	Flat rates.
Gasoline	11	$1 to $10	Do.
Do	7	$1 to $20 per pump	Do.
Do	2	$7.50 to $75	Population of cities.
Do	1	$2.50 plus 5 per cent	Gross sales over $5,000.
Guns, etc	5	$5 to $100	Flat rates.
Do	3	$15 to $75	Population of cities.
Do	1	$25 to $200	Volume of business.
Hides and furs	11	$1 to $50	Flat rates.
Do	2	$10 to $100	Population of cities.
Do	1	$10 to $250	Kinds of fur.
Home lighting systems	2	$25 to $50	Flat rates.
Do	1	$100 plus 1 per cent	Gross sales.
Horses	2	$25 to $30	Flat rates.
Do	1	$25 to $100	Population of cities.
Do	1	$250	Per carload.
Do	1	$250 plus $10, or $20 each additional carload.	Residence.
Do	1	$25 or $100 plus $10 or $20 each additional carload.	County license; residence.
Insecticides	2	$20 to $50	Flat rates.
Do	1	$1 to $5 per brand	Kind.
Jewelry	1	$25	Flat.
Junk	7	$1 to $50	Flat rates.
Do	6	$10 to $225	Population of cities.
Lightning rods	5	$20 to $50 State	Flat rates.
Do	7	$10 to $50	Flat rates; per county.
Do	1	$225 plus $75 per wagon	Per county.
Do	1	$50 plus ½ per cent	Gross receipts.
Livestock	4	$10 to $15	Flat rates.
Do	1	$10 to $25	Population of cities.
Livestock remedies	3	$5 to $20 per brand	Flat rates.
Lumber	5	$10 to $200	Population of cities.
Machinery (farm-road)	4	$50 to $200	Flat rates.
Mattresses	1	$10	Flat.
Do	1	1 cent each	
Merchandise—			
Ball games	1	$100	Cities over 40,000.
On trains	1	20 cents per mile operating the concession.	
Millinery	1	$5 up	Volume.
Mining products	2	$25 to $100	Flat rates.
Monuments	5	$5 to $100	Population of cities.
Motion pictures, distributors.	3	$100 to $1,000	Flat rates.
Navy stores	1	$25 to $500	Capital.
Nursery stock	17	$1 to $25	Flat rates.
Do	3	$1 to $50	Acreage.
Office equipment	1	$25 to $50	Kinds.
Do	1	$100 plus 1 per cent	Gross sales.
Oil burners	1	do	Do.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(4) Retail dealers—Continued.			
(b) General—Continued.			
Oils and kerosene	4	$1 to $25	Flat rates.
Do	1	$2.50 plus 5 per cent plus $25 to $50.	Gross sales over $5,000; State licenses; population of cities; city licenses.
Oriental goods	2	$20 to $25	Flat rates.
Do	1	$500	Sold at auction.
Patent rights	4	$10 to $50 each county	Flat rates.
Pianos and organs	4	$50 to $150	Do.
Do	1	$10 to $50	Population of cities.
Pistols	5	$5 to $200	Flat rates.
Do	2	$50 to $225	Population of cities.
Pistols, toy	1	$500	Flat rates.
Poultry	4	$1	Do.
Radios	5	$10 to $100	Population of cities.
Safes, vaults	2	$25 to $100	Flat rates.
Scales	3	$3 to $100	Do.
Secondhand autos	6	$3 to $40	Do.
Do	4	$22.50 to $200	Population of cities.
Secondhand clothes	4	$10 to $500	Flat rates.
Secondhand furniture	1	$25 to $75	Population of cities.
Seeds—			
Agricultural	3	$1 to $25	Flat rates.
Cotton	1	$200 to $500	Population of counties.
Sewing machines	6	$10 to $500	Flat rates.
Do	1	$250 plus 1 per cent	Gross sales.
Slot machines	3	$15 to $37.50	Flat rates.
Talking machines	5	$12 to $150	Population of cities.
Trading stamps	9	$200 to $6,000	Flat rates.
Do	3	$1,000 to $6,000	Per county; flat rates.
Do	1	$4,000 to $7,000 per county	Population of county.
Do	1	$5,000 to $10,000	Volume.
Typewriters	3	$5 to $100	Flat rates.
Do	2	$25 to $150	Population of cities.
Do	1	$100 plus 1 per cent	Gross sales.
Vacuum cleaners	1	do	Do.
Washing machines	1	do	Do.
Witness scrip	1	$37.50	Flat.
Wood	2	$10	Flat rates.
(5) Wholesale dealers—			
Auto accessories	2	$200	Do.
Do	1	$25 to $125	Population of cities.
Beer, near	1	$100	Flat.
Bread	1	$10 to $100	Population of cities.
Cigarettes	3	do	Flat rates.
Do	1	$15 to $100	Volume.
Cigars	1	do	Do.
Coal or coke	1	$75	Flat rates.
Do	1	$10 plus $2 each additional place of business.	
Commercial feed	1	$25 per brand	Do.
Eggs	1	$20	Do.
Fish	8	$2.50 to $50	Do.
Do	1	$10 plus $1 per 1,000 pounds	
Do	1	1/10 of 1 per cent	Gross sales.
Furs—			
Resident dealers	17	$1 to $75	Flat rates.
Nonresident dealers	17	$1 to $400	Do.
Ice cream	1	$10 to $100	Population of cities.
Lumber	1	$150	Flat.
Do	1	$10 to $100	Population of cities.
Oils and kerosene	1	$25	Flat.
Do	1	$50 to $600	Population of cities.
Do	1	$50 to $250	Storage capacity.
Oysters	1	$10 to $25	Volume handled.
Produce	2	$5 to $10	Flat rates.
Seeds, agricultural	1	$200	Do.
Soft drinks	7	$10 to $300	Do.
Do	2	$62.50 to $350	Population of cities.
Do	2	$5 to $25	Each brand.
Do	1	$100 per delivery truck	
Tobacco	2	$10 to $25	Flat rate.
Do	2	$2 to $50	Population of county.
Do	1	$50 to $500	Volume.
Do	1	$500 county license	Flat.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(6) Peddlers:			
(a) General—			
Merchants (temporary stores)	23	$15 to $2,400	Flat rates.
Do	1	$50 to $2,000	Value of stock.
Do	2	Cities may levy $10 to $50 per day.	Flat rates.
Do	1	$800 plus city license $100 to $350.	Population of cities.
On foot—			
State licenses	25	$6 to $250	Flat rates.
County licenses	18	$5 to $300	Do.
Do	3	$4 to $26	Population of counties.
With pushcart	2	$15 to $30	Flat rates.
Peddlers by vehicle—			
State licenses	12	$12 to $500	Do.
Do	16	$15 to $300	Flat rates; kind of vehicle.
County licenses	8	$20 to $1,200	Flat rates.
Do	10	$4 to $350	Flat rates; kind of vehicle.
Do	1	$20 to $100 per day	Population of county.
River traders—			
State licenses	4	$30 to $200	Flat rates.
Do	1	$25 to $75	Kind of merchandise.
County licenses	2	$50 to $100	Flat rates.
Do	1	$15 to $50	Size of boat.
(b) Specific goods—			
Books	2	$10 to $50	Flat rates.
Do	1	$5	Each county.
Bread and staples	2	$25 to $100	Flat rates; kind of food.
Clocks	2	$100	Flat rates.
Do	1	$150 to $200	Volume.
Clocks (county licenses)	5	$25 to $200	Flat rates.
Do	3	$10 to $150	Population of county.
Coal	1	$50	Cities over 40,000.
Cosmetics	3	$25 to $100	Flat rates.
Do	1	$100 State; $50 each county	
Cosmetics (practitioners).	2	$10 to $100	Do.
Drugs	7	$25 to $375	Do.
Do	2	$25 to $50	Per county.
Do	1	$15 to $125	Population of county.
Eyeglasses	4	$25 to $100	Flat rates.
Do	5	$10 to $60	Per county; flat rates.
Do	1	$15 to $125	Population of county.
Fish	2	$5 to $10	Flat rates.
Do	2	$10 to $50	Each vehicle; flat rates.
Fruit	4	$22.50 to $200	Flat rates.
Do	3	$50 to $60	Per county; flat rates.
Do	2	$5 to $125	Population of county.
Do	1	$50	Each vehicle; flat.
Fuel	1	$5	Do.
Gypsy traders	4	$25 to $750	Flat rates.
Do	10	$40 to $1,000	Per county; flat rates.
Do	1	$15 to $125	Population of county.
Horse traders	8	$10 to $50	Per county; flat rates.
Do	1	$15 to $125	Population of county.
Do	1	$100 State license plus $50	Per county.
Jewelry	1	$50	Do.
Do	1	$15 to $50	Population of county.
Lightning rods	2	$10 to $50	Flat rates.
Do	1	$150 to $200	Volume of business.
Meat	1	$250	Flat rates.
Medicine, patent	8	$50 to $125	Do.
Do	6	$25 to $100	Per county; flat rates.
Do	2	$15 to $150	Population of counties.
Do	1	$25 city license plus $100 county.	
Medicine, patent (with a show).	1	$500	Flat rates.
Pianos and organs	3	$20 to $100	Do.
Do	4	$50 to $100	Do.
Do	1	$15 to $125	Population of county.
Do	1	$100 State; $50 each city.	
Produce—Hucksters	1	$12	Each vehicle.
Do	1	$10	Per county.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(E) BUSINESS LICENSES—continued			
(6) Peddlers—Continued.			
(b) Specific goods—Continued.			
Produce from railroad cars.	1	$5	Flat.
Do	1	$37.50	Per car.
Do	1	$150	Per car; per county.
Do	1	$1,200	Per county.
Stoves	2	$10 to $100	Flat rates.
Do	1	$150 to $200	Per county; flat rates.
Do	1	$100 State license plus $50	Each town.
Do	5	$25 to $200	Per county; flat rates.
Do	1	$15 to $125	Population of county.
Wagons and buggies	2	$25 to $125	Flat rates.
Do	1	$100 State license plus $50	Each town.
Do	2	$50 to $60	Per county; flat rates.
Do	1	$15 to $125	Population of county.
Wood	3	$10 to $50	Flat rates.
(7) Miscellaneous concerns:			
Abstract companies	3	$5 to $50	Flat rates.
Do	4	$7.50 to $150	Population of cities.
Do	1	1½ per cent	Gross earnings.
Advertising companies, outdoor.	6	$10 to $100	Flat rates.
Do	1	$100 to $250	Population of cities.
Do	1	$75 to $200	Number of counties doing business.
Advertising, billboards	6	$1 to $100 each	Flat rates.
Do	5	$5 to $150 each	Population of cities.
Do	2	50 cents to $9.25 each	Size.
Do	1	3 cents per square foot	Do.
Do	1	State license, $25 to $100 each	Number.
Do	1	City license, $5 to $150 each	Population of city.
Do	1	County, $25 each	Flat.
Advertising, picture slides	4	$2 to $125	Population of cities.
Advertising, street cars	2	$5	Each car.
Do	1	$10 to $125	Population of cities.
Apartment houses	1	$15	Flat.
Do	1	$1	Each 10 rooms.
Do	1	$2 to $5	Number of rooms.
Appraisal companies	1	$10 to $50	Population of cities.
Aquariums	1	$10	Flat.
Automobile-battery stations	2	$5 to $50	Population of cities.
Automobile-body builders	1	$3 to $20	Do.
Automobile motor clubs	2	$10 to $100	Flat rates.
Automobile tourist camps	1	$2	Do.
Do	3	$1 to $50	Size and number of cabins.
Automobile travel bureaus	1	$20 to $50	Population of cities.
Barber shops	5	$1 to $10	Flat rates.
Do	3	$1 to $3.75	Per chair; flat rates.
Do	3	$1 to $20	Per chair; population of cities.
Do	1	$2 to $15	Number of chairs.
Beauty parlors	11	$1 to $15	Flat rates.
Do	4	$2 to $5	Per room; flat rates.
Do	2	$5 to $25	Population of cities.
Blue prints; photostats	1	$20	Flat rates.
Bookbinders	1	$10	Do.
Bootblack stands	1	$10	Flat.
Do	1	$1	Per chair.
Do	2	$2 to $30	Number of chairs.
Do	1	$1.50 to $5	Population of cities.
Brickyards	1	$10	Flat rates.
Do	1	$25 to $500	Capacity.
Broadcasting stations	1	$10	Flat rate.
Do	1	$15 to $100	Watt power.
Business colleges	2	$10	Flat rates.
Check rooms	1	$50 flat plus $2 each device	
Do	1	25 cents each device	
Do	2	$15 to $40	Rate of charges.
Cemeteries, private	1	$100	County license.
Do	1	$25 to $50	Population of cities.
Cleaning and pressing establishment.	6	$5 to $25	Flat rates.
Do	4	$5 to $25	Population of cities.
Do	4	$5 to $100	Number of employees.
Do	1	$10	Per machine.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(7) Miscellaneous concerns—Contd.			
Cold-storage plants	11	$5 to $50	Flat rates.
Do	3	$10 to $500	Capacity.
Do	4	$7.50 to $250	Population of cities.
Do	1	$25 plus 1/10 of 1 per cent	Gross receipts; county license.
Construction companies	6	$10 to $100	Flat rates.
Do	2	$5 to $250	Volume of business.
Do	1	$15 to $375	Per contract; amount.
Do	1	$25 plus 50 cents per $1,000	Contracts over $3,000.
Do	2	$100 plus $100 to $1,250 each	Contract over $10,000; amount of contract.
Cotton compresses	1	$250	Flat.
Do	2	$50 to $1,000	Volume.
Do	1	$75 to $150	Capacity.
Do	1	$27 to $7,500	Gross receipts.
Cotton gins	2	2½ to 3 cents	Per bale.
Do	1	$6 to $8 each	Size.
Cotton ginners	2	$5 to $10	Flat rates.
Creosoting plants	1	$200 per cylinder	Do.
Dairies	1	$160	Flat rate.
Dead animals, disposal plants	2	$25 to $50	Flat rates.
Dredging boats, companies	1	$25	Flat.
Drilling companies, oil	2	$10	Do.
Dry docks	1	$15 to $50	Size.
Electrical contractors	1	$25	County license.
Feather renovating	3	$10 to $150	Flat rates.
Do	2	$12 to $150	Population of cities.
Foundries	2	$20 to $25	Flat rates.
Garage—			
Repairing	2	$5 to $15	Do.
Do	1	$5 to $200	Size by square feet.
Do	1	$5 to $60	Number of employees.
Do	6	$5 to $150	Population of cities.
Do	1	$5 to $480	Gross receipts.
Storage	4	$5 to $200	Capacity.
Do	1	$5 to $480	Gross receipts.
Do	7	$10 to $200	Population of cities.
Hospitals, private	6	$1 to $25	Flat rates.
Do	1	$2 to $5	Size.
Do	1	$25 to $100	Population of cities.
Hotels	4	$3.50 to $10	Flat rates.
Do	15	$2 to $300	Number of rooms; flat rates.
Do	8	10 cents to $8 per room	Size, prices, and population of cities.
Do	2	$5 to $6,000	Volume of business.
Hotels (sailors' boarding houses)	2	$20 to $250	Flat rate.
House movers	1	$5 to $30	Population of cities.
Kennels	2	$10	Flat rates.
Do	2	$10 to $25	Number of dogs.
Knitting mills	1	$20	Flat.
Do	1	$10 to $150	Size.
Laboratories	1	$25	Flat.
Laundries—			
Hand	6	$5 to $40	Flat rates.
Do	6	$2.50 to $100	Population of cities.
Do	2	$15 to $2,000	Volume of business.
Do	2	$5 to $100	Number of employees.
Steam	5	$10 to $25	Flat rates.
Do	9	$5 to $150	Population of cities.
Do	2	$15 to $2,000	Volume of business.
Do	2	$5 to $100	Number of employees.
Livery stables	5	$5 to $50	Flat rates.
Do	2	$5 to $25	Number of stalls.
Machine shops	1	$5 to $50	Kind and employees.
Do	1	$25 to $100	Population of cities.
Mattress renovating	3	$10 to $75	Flat rates.
News companies	1	$50	Flat.
News companies, daily papers	1	$50 to $250	Population of cities.
News companies, subscriptions	1	$200 per contest	Daily papers.
News companies, other contests	1	$100 per contest	Other papers.
News butchers, trains	2	$500	Flat rates.
Do	1	20 cents per mile	
Do	2	$50 to $1,000	Mileage operated.
News stands	2	$5 to $7.50	Flat rates.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(7) Miscellaneous concerns—Contd.			
Pig-iron storage	1	$75	Flat.
Pile drivers	1	$10	Do.
Planing mills	1	$50	Do.
Do	2	$10 to $100	Capacity.
Pressing clubs	1	$5	Flat.
Do	1	$10 to $40	Number of employees.
Do	2	$5 to $22.50	Population of cities.
Printing, job	1	$10	Flat.
Do	1	$10 to $25, plus $3 per machine.	Capacity.
Public baths	4	$5 to $15	Flat rates.
Public messengers	3	$25 to $50	Do.
Do	1	$15 to $50	Population of cities.
Public messengers (public utilities).	1	1.35 per cent	Gross earnings.
Public scales	1	$5	Flat.
Repair shops (shoes, etc.)	4	$5 to $50	Kind and population of cities.
Restaurants	12	$1 to $15	Flat rates.
Do	6	50 cents to $50	Size.
Do	1	$7.50 to $75	Capital and population of cities.
Do	4	$2.50 to $250	Size and population of cities.
Do	2	50 cents to $1 per chair	$5 and $10 minimum.
Do	1	$20 to $60	Gross receipts.
Do	1	$5 to $10, plus 20 cents per $100 of purchases.	Population of cities.
Restaurants using oleomargarine.	3	$25 to $100	Flat rates.
Retort plants	1	$10 to $25	Capacity.
Rock-crushing plants	1	$15	Flat.
Roofing companies	1	$10 and up	Number of employees.
Sawmills	4	$2 to $1,000	Capacity.
Do	1	10 cents per 1,000 feet	Lumber cut.
Schools—			
Aviation	1	$25	Flat.
Barber	1	$2 to $1,000	Flat rates.
Cosmetology	13	$5 to $150	Do.
Dancing	1	$10	Flat.
Do	1	$20 to $100	Population of cities.
Shipyards	2	$15 to $25	Flat rates.
Slaughterhouses	4	$3 to $100	Do.
Do	3	$5 to $200	Population of cities.
Do	3	$1 to $80	Number of animals killed.
Do	1	½ per cent	Gross earnings.
Do	1	$27 to $7,500	Do.
Slaughterhouses (horses, etc.)	1	$50	Flat.
Stevedores, contracting	1	$5	Do.
Do	1	$15 to $25	Population of cities.
Stock exchanges	2	$100 to $500	Flat rates.
Tanneries	1	$10	Flat.
Title guarantors	1	$50 to $350	Population of cities.
Toilets, pay	1	$10 each, plus 2 per cent	Gross receipts.
Do	1	$7.50 each	Flat rate.
Toll bridges	13	$1 to $500	Population of counties.
Do	1	4 per cent	Gross fares.
Toll road	1	2 per cent	Net earnings.
Do	1	$200	Flat.
Toll ferries	2	$10 to $25	Flat rates.
Do	1	$50 to $300	Size.
Towel-renting service	1	$25	Flat.
Do	1	$25 to $150	Population of cities.
Vulcanizing	2	$5 to $15	Flat rates.
Do	1	$10 to $25	Population of cities.
Warehouses	11	$2 to $50	Flat rates.
Do	4	$5 to $150	Population of cities.
Do	1	$20 to $150	Capacity.
Warehouses (cotton)	3	$10 to $200	Do.
Warehouses (grain)	6	$1 to $10	Flat rates.
Do	2	$1 per 1,000 cubic feet or per 1,000 bushels.	Size or capacity.
Warehouses (grain terminals)	1	$50	Flat.
Do	1	$10	Per elevator.
Warehouses (picture films)	2	$25 to $65	Flat rates.
Warehouses (sugar and molasses).	1	$90 to $1,200	Gross receipts.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(B) BUSINESS LICENSES—continued			
(7) Miscellaneous concerns—Contd.			
Warehouses (tobacco)	1	$30 to $60	Capacity.
Warehouses (tobacco)	1	$1 per 500-pound hogshead	Capacity.
(Ungraded tobacco)	1	$5,000	Flat rate.
Wood yards	1	$5 to $20	Population of cities.
(C) OCCUPATIONAL			
(1) Agencies:			
Collection	12	$5 to $200	Flat rates.
Do	2	$25 to $150	Population of cities.
Do	2	$5 to $750	Collections.
Do	1	½ of 1 per cent	Do.
Commercial mercantile	11	$10 to $300	Flat rates.
Do	2	$37.50 to $150	Population of cities.
Do	1	$500 State license, $50 each	County license.
Detective	8	$10 to $200	Flat rates.
Do	3	$25 per operator	Do.
Do	2	$25 to $350	Population of cities.
Do	1	$50 each operator, $100 for firm.	
Employment	21	$2 to $500	Flat rates.
Do	1	$50	County license.
Do	1	$10	Each office.
Do	1	$75 to $150	Sex of laborers.
Do	10	$5 to $500	Population of cities.
Do	1	$25 to $150	Gross receipts.
Labor, emigrant	8	$300 to $5,000	Flat rates.
Do	3	$500 to $2,000	County licenses, flat rates.
Do	1	$1,000 State license plus $100 to $300 per county.	Population of county.
(2) Agents:			
Building and loan associations	10	$1 to $25	Flat rates.
Do	1	$10 to $200	Resident or nonresident.
Canvassers	2	$5 to $200	Flat rates.
Do	1	$5 to $100	Population of cities.
Furs, buyers	3	$3 to $25	Flat rates.
Insurance	20	$1 to $40	Do.
Do	9	50 cents to $5	Domestic companies; flat rates.
Do	12	$2 to $25	Foreign companies; flat rates.
Do	3	$5 to $25	General agents, flat rates.
Do	1	$5 to $50	Kinds of insurance.
Insurance adjusters	13	$1 to $50	Flat rates.
Insurance adjusters (fire losses)	3	$2 to $50	Flat rates.
Itinerant—			
Various articles	3	$5 to $50	County licenses, flat rates.
Picture enlargement	2	$50 to $150	State licenses, flat rates.
Legislative (lobbyists)	1	$250	Each client, registered.
Lightning rods	1	$2	Flat.
Do	2	$50 to $100. State license plus $10 to $50 county license.	Flat fees.
Motor transportation (not common carriers).	2	$10 to $25	Flat rates.
Nursery stock	8	$1 to $5	Do.
Pianos, organs	1	$10	Do.
Do	1	$5	County licenses.
Real estate	9	$5 to $50	Flat rates.
Do	3	$7.50 to $125	Population of cities.
Do	1	$25 State license plus $5 to $25	Do.
Real-estate salesmen	17	$1 to $15	Flat rates.
Do	3	$2 to $12.50	Population of cities.
Do	1	$20 State license plus $5 to $12.50.	Do.
Copy and copyright	1	$1,000	Flat rates.
Sewing machines	4	$10	Do.
Do	1	$10	Per county.
Do	1	$10 first agent, $5 each additional age t of same company.	County licenses.
Tailors, foreign	1	$10	Flat rates.
Talking machines	1	$10	Do.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(C) OCCUPATIONAL—continued			
(3) Brokers:			
Commission merchants	15	$2 to $30	Flat rates.
Do	4	$7.50 to $500	Population of cities.
Do	1	$25 up	Volume of business.
Do	1	$50 to $1,000; receipts over $1,000, $100 plus 1 per cent of excess. Farm produce excepted.	
Cotton	5	$10 to $50	Flat rates.
Do	1	$25 to $100	Volume of business.
Do	1	(With ticker) $100 to $600	Population of cities.
Do	2	$15 to $150	Do.
Do	1	$10 plus $5 each $100; commission over $200 up to $1,000. Over $1,000, $50 additional plus 1 per cent of excess.	
Cotton buyers	1	$100 plus 2 cents per bale over 1,000 bales.	
Cotton (factors)	1	$100 plus 2 per cent commissions in excess of $1,000.	
Cotton (long cotton)	1	$50	County license.
Cotton (merchants)	1	$50 to $380	Population of cities.
Cotton (seed buyers)	1	$10	Flat.
Cotton (unpacked lint)	1	$1 to $500	Population of counties.
Cotton (weighers)	1	$10 to $35	Volume of business.
Fish	1	$50	Flat rates.
Foreign exchange	3	$25 to $100	Do.
Do	1	$100 to $2,000	Volume of business.
Foreign real estate	1	$750	Flat rates.
General (dealers in futures)	7	$50 to $200	Do.
Do	2	$10 to $4,000	Volume of business.
Do	1	$100 to $525	Population of cities.
Insurance	17	$10 to $100	Flat rates.
Do	2	$5 to $100	Population of cities.
Merchandise	4	$10 to $250	Flat rates.
Do	8	$3.75 to $50	Population of cities.
Do	1	$50 first $1,000 profits. $50 additional, plus 1 per cent of excess over $1,000.	
Mill supplies	2	$25 to $37.50	Flat rates.
Mine supplies	1	$37.50	Do.
Negotiable paper	3	$25 to $100	Do.
Do	1	$25 to $150	Population of cities.
Do	1	$100 plus one-fourth of 1 per cent of face value of paper.	
Oil and gas royalties	1	$10	Flat.
Real estate	22	$5 to $150	Flat rates.
Do	6	$5 to $50	Population of cities.
Salary and wage buyers	1	$100	Per office.
Do	1	$75 to $750	Population of cities.
Securities, "blue sky"	9	$25 to $200	Flat rates.
Do	2	$25 to $300	Population of cities.
Do	1	$50 to $100	Number of salesmen.
Do	1	$25 to $500	Assets.
Do	2	$25 to $500	Volume of sales.
Securities, "blue sky" (registration of securities).	5	$15 to $50 plus $10 to $200	Flat rates, face value.
Securities, "blue sky" (registration of securities and sale).	1	$50 plus $25 to $600 plus $10 to $100.	Face value of securities.
Securities, "blue sky" (salesmen).	17	$1 to $100	Flat rates.
Ship	4	$10 to $75	Do.
Silver and gold bullion	2	$100	Do.
Silver and gold bullion	2	$12 to $2,000	Volume of business.
Stocks and bonds	12	$2 to $100	Flat rates.
Do	1	$100	City license.
Do	1	$100 to $250	Each office—population of cities.
Do	1	$12 to $400	Volume of business.
Tickets	2	$25 to $100	Flat rates.
Do	1	$75 to $150	Population of cities.
Tickets:			
Railroad	4	$3 to $25	Flat rates.
Steamship	1	$50	Do.
Theater	1	$10 to $100	Population of cities.
Tax titles	1	15 per cent	Purchases.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(C) OCCUPATIONAL—continued			
(4) Professions affecting public health:			
Chiropodists	21	$1 to $25	Flat rates.
Chiropractors	23	$1 to $25	Do.
Dentists	35	$1 to $25	Do.
Do	1	$5 to $25	Population of cities.
Do	1	$10 to $25	Resident or nonresident.
Do	1	$10 to $15	Licensed less or more than 5 years.
Doctors	18	$1 to $25	Flat rates.
Do	1	$5 to $25	Population of cities.
Do	1	$10 to $25	Resident or nonresident.
Embalmers	35	$1 to $15	Flat rates.
Do	2	$10 to $100	Population of counties.
Funeral parlors	11	$2 to $25	Flat rates.
Do	6	$5 to $250	Population of cities.
Do	1	$10 to $2,000	Gross receipts.
Healers, mental	4	$2 to $200	Flat rates.
Naturopaths	3	$2 to $15	Do.
Nurses	16	50 cents to $10	Do.
Oculists	4	$2 to $25	Do.
Do	2	$5 to $25	Population of cities.
Optometrists	35	$1 to $25	Flat rates.
Do	1	$10 to $25	Resident or nonresident.
Osteopaths	14	$1 to $25	Flat rates.
Pharmacists	30	$1 to $10	Do.
Veterinarians	21	$1 to $25	Do.
Itinerant physicians	5	$50 to $1,200	Do.
(5) Professions, under State boards:			
Accountants	16	$1 to $25	Do.
Accounting firms	1	$25 to $100	Number of employees.
Attorneys	12	$3 to $25	Flat rates.
Do	1	$1 to $2	Population of county.
Do	1	$5 to $15	Practiced more or less than 5 years.
Architects	21	$1 to $25	Flat rates.
Do	2	$5 to $50	Population of cities.
Do	1	$10 to $25	Income over $500.
Barbers	22	$1 to $10	Flat rates.
Chemists	1	$10	Flat.
Cosmeticians	17	$1 to $5	Flat rates.
Cosmetology instructors	1	$5	Flat.
Engineers	19	$1 to $25	Flat rates.
Do	2	$1 to $7	Kind.
Do	1	$25 to $50	Population of cities.
Do	1	$5 to $15	Licensed less or more than 5 years.
Hairdressers	19	$1 to $5	Flat rates.
Do	1	$5 to $10	Population of cities.
Manicurists	18	$1 to $10	Flat rates.
Masseurs	1	$5	Do.
Surveyors	1	$3	Do.
(6) Miscellaneous occupations:			
Auctioneers, general	8	$5 to $150	Do.
Do	9	$5 to $600	Population of cities.
Do	1	$5 plus $2 per 1,000 residents	Do.
Do	3	$10 to $1,200	Volume of sales.
Do	2	$5 to $100	Per county, flat rates.
Do	2	$2 to $20	Nature of goods.
Do	2	$10 to $300	Resident or nonresident.
Do	1	75 cents to $2 per $100 gross receipts.	Volume.
Do	1	$25 each sale	Nonresidents.
Do	1	$10 to $300 plus 10 per cent to 20 per cent gross sales.	Population of cities.
Auctioneers (horses)	1	$500	Flat; nonresidents.
Do	1	$100	Per day.
Auctioneers (jewelry)	1	$100	Flat.
Auctioneers (livestock)	1	$50 plus 1 per cent profits in excess of $1,000.	
Auctioneers (real estate)	1	$50 plus $1 per $1,000 of sales	
Bankers, private	6	$25 to $500	Flat rates.
Blacksmiths	2	$1 to $5	Do.
Do	1	$3 to $10	Population of county.
Bondsmen	4	$10 to $150	Flat rates.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(C) OCCUPATIONAL—continued			
(6) Miscellaneous occupations—Contd.			
Bondsmen (civil)	1	$50 to $150	Population of cities.
Bondsmen (criminal)	1	$250	Flat rate.
Card writers (itinerant)	1	$25	Do.
Chauffeur's	32	75 cents to $5	Do.
Conveyancers	1	$5 to $10	Volume of business.
Dog trainers	1	$10	Flat.
Electrical	3	$1 to $10	Flat rates.
Electrical (jobbers)	1	$10 to $75	Population of cities.
Fortune tellers, etc	6	$75 to $500	Flat rates.
Do	6	$20 to $500, per county	Do.
Guides (hunting)	8	$1 to $10	Do.
Do	2	$20	Flat rates (nonresident)
Guides (sight-seeing)	1	$10	Flat rates.
Insect exterminators	1	$7.50 to $25	Population of cities.
Locksmiths	1	$1 to $5	Flat.
Money lenders	18	$25 to $500	Flat rates.
Do	1	$100 to $200	Population of cities.
Do	1	$2,000	Interest over 20 per cent.
Do	2	$10 to $400	Volume of business.
Notary publics	1	$5 to $10	Population of cities.
Operators, moving-picture machines.	5	$3 to $10	Flat.
Do	1	50 cents to $2	Size and kind of machine.
Painters and paper hangers	1	$5 to $25	Population of cities.
Pawnbrokers	24	$15 to $500	Flat rates.
Do	6	$30 to $240	Population of cities.
Do	1	$350 to $5,000	Capital.
Photographers	2	$25 to $100	Flat rates.
Do	2	$5 to $10	Each place. Flat rates.
Do	1	$5 to $10	Each place. Resident or nonresident.
Do	1	$20 to $25	Volume of business.
Do	5	$5 to $112.50	Population of cities.
Photograph developers	1	$10	Flat rate.
Piano tuners	1	$3	Do.
Pilots, airplanes (practically all States require that United States Department of Commerce regulations be complied with).	3	$5 to $10	Do.
Pilots, boats	4	$1 to $5	Do.
Plumbers, gas fitters	10	50 cents to $15	Flat rates. Master or journeyman.
Do	4	$5 to $37.50	Population of cities.
Plumbers, contractors	2	$5 to $75	Do.
Do	1	$20 to $100	Number of employees.
Do	1	$5 to $250	Volume of business.
Public scavengers	2	$1 to $50	Flat rates.
Sign painters	1	$100 State license, $10 each county license.	
Stenographers, public	1	$2.50	Do.
Tailors	1	$10	Do.
Taxidermists	15	$1 to $15	Do.
Do	1	$5 to $25	Resident or nonresident.
Testers, dairy products	18	$1 to $240	Flat rates.
Tinsmiths	1	$3 up	Number of employees.
Do	1	$5 to $25	Population of cities.
Upholsterers	1	$3 to $15	Do.
Watchmakers	1	$5	Flat.
Window washers	1	$12.50 to $25	Population of cities.
(D) FISH AND GAME			
(a) Commercial licenses:			
Fish	1	$25	Flat rate.
Do	3	$1 to $100	Kind of fish.
Do	1	$10 to $25	Resident or nonresident.
Fish (bullheads)	1	10 per cent	Gross sales.
Fish (crabs)	1	$1 plus 1 cent per pound	
Fish (menhaden)	1	$25 to $200	Size of boats used.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(D) FISH AND GAME—continued			
(a) Commercial licenses—Continued.			
Fish (minnows)	1	$10	Flat rate.
Fish (mussels)	1	$5	Do.
Do	1	$10 plus $25 per dredge	
Fish (mussels), resident licenses	7	$2 to $10	Flat rates.
Fish (mussels), nonresident licenses.	7	$15 to $50	Do.
Fish (mussels)	1	$1.25 to $25.25 resident $2.75 to $25.25 nonresident	Bar or dredge method.
Fish (oysters)	2	$2.50 to $10	Flat rates.
Do	1	5 cents per gallon	Shucked catch.
Do	4	2 to 15 cents per barrel	Volume of catch.
Do	1	$3.50 per ton	Flat rate.
Do	1	2 cents per bushel	Do.
Fish (oyster beds)	3	25 cents to $1 per acre	Flat rates.
Fish (shrimp)	1	$10	Flat rate.
Do	2	¼ to 1 cent per pound	Flat rates.
Do	2	10 to 12 cents per barrel	Do.
Fish boats	4	$1 to $10	Do.
Do	11	$2 to $400	Size, residence of owner.
Do	5	$1.50 to $4 per ton	Flat rates.
Fish boats (for hire)	2	50 cents to $10	Size of boats.
Fish seines, traps	18	50 cents to $200	Kind and size.
Hunting and trapping	1	$50 to $250	Resident or nonresident.
Trapping	1	$1 to $10 residents $15 to $25 nonresidents	Number of traps. Do.
Trapping (beavers)	2	$1 to $10 plus $1.50 to $2 each beaver.	Flat rates.
(b) Sporting licenses:			
Fishing	3	25 cents to $5	Do.
Fishing (residents)	30	50 cents to $3	Do.
Fishing (nonresidents)	40	$2 to $10.25	Do.
Fishing and hunting (residents)	18	$1 to $7.50	Do.
Fishing and hunting (nonresidents).	12	$1 50 to $300	Do
Fishing and hunting clubs	2	$5 to $10	Do.
Do	1	$5 to $100	Members resident or nonresident.
Foxhound pack	1	$2 each dog	Pack of 25 or more.
Hunting (residents)	17	$1 to $4.50	Flat rates.
Hunting (nonresidents)	19	$10 to $50	Do.
Hunting (deer, big game)	1	$1	Flat rate.
Do	7	$1 to $7.50 residents $10 to $50 nonresidents	Flat rates.
Hunting (wild duck)	1	$50	Flat rate.
Hunting and trapping	2	$5.25 to $15	Flat rates.
Hunting and trapping (residents).	8	$1 to $5	Do.
Hunting and trapping (nonresidents.	7	$5 to $25	Do.
Trapping (residents)	6	$1 to $5	Do.
Trapping (nonresidents)	4	$10 to $50	Do.
(E) VEHICLES			
(1) Private:			
Passenger autos (gasoline)	6	$1 to $10	Do.
Do	7	$8 to $130	Weight.
Do	1	$10 plus 90 cents to $1.10 per hundredweight.	Weight over 1,700 pounds.
Do	4	$5 to $13, plus 15 to 60 cents per hundredweight.	Weight over 1 ton.
Do	6	30 to 70 cents per hundredweight.	Flat rates.
Do	4	28-60 cents to 50-75 cents per hundredweight.	Weight.
Do	2	$5 to $42 plus 50 cents to $2 per hundredweight.	Age and weight over 1 ton.
Do	7	$3 to $37.50	Horsepower.
Do	4	32 to 68 cents per horsepower	Flat rates.
Do	1	40 to 50 cents per horsepower	Horsepower.
Do	1	$5 to $10	Horsepower and weight.
Do	3	10 to 19 cents per horsepower plus 30 to 65 cents per hundredweight.	Flat rates.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(E) VEHICLES—continued			
(1) Private—Continued.			
Passenger autos (gasoline)	1	25 cents per horsepower plus 25 cents per hundredweight plus 3 to 23 mills on list price.	Age.
Do	1	$12.50 plus 1½ per cent of value over $500.	20 per cent annual depreciation.
Do	1	1 per cent value plus 40 cents per hundredweight.	
Do	1	2.4 per cent of value	10 per cent annual depreciation.
Do	1	8 cents per cubic inch	Piston displacement.
Passenger autos (electric)	15	$1 to $25	Flat rates.
Do.[1]	1	75 cents per horsepower	Do.
Passenger autos (steam)	4	$1 to $25	Do.
Do.[1]	1	75 cents per horsepower	Do.
Tractors	4	$15 to $100	Do.
Do.[2]	2	$20 to $180	Weight.
Trailers	1	$5	Flat.
Do	7	$1 to $500	Capacity.
Do	1	$20 plus $16 per ton	Do.
Do	1	$1 per hundredweight	Do.
Do	2	$2 to $10 per ton capacity	Flat rates.
Do	5	$1 to $10, plus $3.75 to $20 per ton over 1 ton.	Capacity. Flat rates.
Do	1	$8.25 to $18, plus $3 per ton over 8 tons.	Capacity.
Do	1	15 to 75 cents per hundredweight.	Do.
Do	1	$6 to $175	Gross weight.
Do	2	20 to 50 cents per hundredweight.	Gross weight, flat rates.
Do	2	15 cents to $6 per hundredweight.	Gross weight.
Do	1	$1 per hundredweight	Net weight, flat.
Do	1	50 cents to $1 per hundredweight.	Net weight.
Do.[2]	1	$7.50 to $112.50	Do.
Trucks[3]	3	$1 to $15	Flat rates.
Do	15	$10 to $1,125	Capacity.
Do	6	$5 to $500 up to 5 tons, plus $25 to $200 per ton over 5 tons.	Do.
Do	3	$8 to $225	Net weight.
Do	8	$5.50 to $10, plus 35 cents to $4 per hundredweight.	Do.
Do	1	80 cents per hundredweight	Do.
Do	3	$10 to $250	Gross weight.
Do	5	15 to 60 cents per hundredweight.	Gross weight, flat rates.
Do	1	35 to 60 cents per hundredweight.	Gross weight.
Do	1	40 cents per hundredweight, plus 80 cents per hundredweight.	Net weight and capacity.
Do	1	$10 to $26, plus $1 to $2 per hundredweight.	Age and gross weight.
Do	1	32 cents per horsepower	Flat rate.
Do	2	50 to 68 cents per horsepower, plus $9 to $50.	Horsepower and capacity.
Do	1	2.4 per cent of value	10 per cent annual depreciation.
(2) Public carriers:			
Passenger[4]	12	$10.50 to $800	Capacity.
Do	12	50 cents to $20 per seat	Excess passenger seats.
Do	14	$2 to $12.50 per seat	Flat rates; all seats.
Do	22	35 cents to $6 per hundredweight.	Weight.
Do	7	12½ cents to 68 cents per horsepower.	Horsepower.
Do	2	1 per cent to 10 per cent	Value.

[1] Other States employ same measure as for gasoline cars.
[2] Other States employ same rates imposed on trucks. Most States impose only nominal rate on farm tractors.
[3] In practically all States rates for vehicles equipped with tires other than pneumatic, range from 10 to 100 per cent higher than ordinary rates.
[4] The apparent duplication in the number of States results from the employment by some States of two or more measures of computation for determining license fees.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(E) VEHICLES—continued			
(2) Public carriers—Continued.			
Property carriers [4]	22	$6 to $1,000	Capacity.
Do	1	$2 per hundredweight	Do.
Do	9	$3 to $100	Flat rates plus capacity rates.
Do	5	$15 to $225	Weight.
Do	2	$30 to $50 per ton	Weight. Flat rates.
Do	9	15 cents to $1 per hundredweight.	Do.
Do	11	35 cents to $1 and $1 to $4 per hundredweight.	Weight.
Do	3	32 to 68 cents per horsepower	Horsepower.
Do	1	$8 to $25	Do.
Do	2	1 to 10 per cent	Value.
(3) Motor cycles	45	$1.50 to $12.50	Flat rates.
Do	1	50 cents	Per horsepower.
Do	1	$2 to $5	Weight.
Do	1	$5 up	Piston displacement.
Motor cycles (side cars)	14	$1 to $5	Flat rates.
(4) Miscellaneous vehicles:			
Airplanes	8	$2 to $50	Do.
Airplanes (landing fields)	3	$25 to $100	Do.
Boats	1	$1	Flat.
Do	1	$1 per ton	Do.
Do	1	$10 to $30	Weight.
Do	1	$1	Per cylinder.
Demonstrators (autos)	3	$5 to $100	Flat rate.
Do	1	$5 up	Weight.
Nonmotor vehicles	6	50 cents up to $25	Kind and population of cities.
(5) Dealers, vehicles:			
Automobiles	1	$50	Flat rate.
Do	1	$25	Each type car sold.
Do	1	$1 to $5 each set of plates	Number.
Do	3	$3 to $10 each set of plates	Flat rates.
Do	2	$15 to $25 plus $1 to $5 each set	Do.
Do	13	$15 to $60 for 1 set plus $1 to $12.50 each additional set.	Do.
Do	1	$25	3 sets of plates.
Do	7	$21 to $30 for 2 sets plus $2 to $10.50 each additional set.	Flat rates.
Do	2	$30 to $45 for 3 sets plus $5 to $10 each additional set.	Do.
Do	1	$30 for 4 sets plus $2 each additional set.	Do.
Do	2	$50 to $75 for 5 sets plus $2 to $5 each additional set.	Do.
Motor cycles	2	$5 to $22.50	Do.
Do	4	$5 to $50	Population of cities.
Do	1	$15 first make, $20 each additional make of machine.	
Do	2	$5 per set of plates	Flat rates.
Do	5	$5 to $25 first set plus $1 to $5 each additional set of plates.	Do.
Do	1	$5 for 2 sets of plates	Do.
Do	2	$10 for 2 sets plus $1 to $5 each additional set of plates.	Do.
Do	2	$15 to $25 for 3 sets of plates	Do.
Do	1	$20 first 4 sets plus $5 each additional set.	Do.
U-Drive-It Establishments	2	$5	Flat rate.
Do	1	$5 to $20	Population of cities.
Do	1	Autos, $1.90 per 100 pounds each. Motorcycles, $12 to $18 each	Flat rate. With or without side-cars.
Do	1	$10 to $150	Number of cars.
(F) MISCELLANEOUS			
Airplane beacons	1	$25	Flat rate.
Animal stud licenses	18	$1 to $75	Do.
Bee colonies	4	10 to 25 cents per colony	Do.
Do	2	$1 to $15	Number of colonies.
Boathouses	2	$5 to $10	Flat rates.
Dogs	38	50 cents to $6	Do.
Game and fish breeders	24	$1 to $25 (various kinds)	Do.
Grazing licenses	1	5 to 20 cents a head	Kind.

[4] Licenses measured by mileage or by gross receipts or earning of public carriers are excluded in this chart because they have been treated as franchise or privilege taxes.

Licenses and permits—Continued

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
(F) MISCELLANEOUS—continued			
Grazing licenses:			
Sheep	1	35 cents a head	Each over 1,000.
Cattle	1	$1 a head	Each over 500.
Irrigation systems, private	2	$25	Flat rates.
Livestock disease eradication:			
Cattle	2	5 to 15 cents a head	Do.
Do	4	2 to 6 mills on actual value	Do.
Hogs	1	3½ mills	Assessed value.
Horses	2	¼ mill to 3½ mills	Assessed value; flat rates.
Sheep	1	7 mills	Actual value.
Do	1	1 cent on the $1	Assessed value.
Peanut carts	1	$2	Flat.
Peanut brokers	1	$10 to $100 on commissions up to $1,000 plus 1 per cent of excess over $1,000.	
Sales:			
Auction	3	$10 to $1,000	Flat rates.
Auction—			
Personal property	1	1½ per cent	Gross receipts.
Real property	1	½ of 1 per cent	Do.
Bankrupt	5	$2 to $250	Flat rates.
Damaged goods	1	$200 plus 1/10 of 1 per cent	Cost of goods sold.
Fire	1	$75 State license plus $25 per day.	City license.

EXHIBIT 15

Miscellaneous taxes

Object of tax	Number of States imposing tax	Range of rates	Measure of tax
SEVERANCE TAXES ON NATURAL RESOURCES			
Coal	4	2½ to 15 cents per ton	Flat rates.
Do	1	42 cents per $100	Gross sales. Exemption $10,000.
Iron ore	2	4½ to 5 cents per ton	Flat rates.
Do	1	6 per cent	Value of ores mined.
Iron (manganese)	2	1 mill per ton	Flat rates.
Marble	1	10 cents per ton	Do.
Minerals (general)	1	2½ per cent	Cash value of production.
Do	2	1 to 1¾ per cent	Net income, volume.
Do	1	¼ of to 1 per cent	Value of products.
Minerals (metals)	1	½ of 1 per cent	Cost value of production.
Do	1	1/10 of 1 per cent	Assessed value.
Natural gas	1	2 mills	Per 1,000 cubic feet.
Do	2	2 to 3 per cent	Value of production; flat rates.
Do	1	$1.85 per $100	Gross sales; exemption $10,000.
Oil	1	1 cent per barrel	Excess of 5,000 barrels per well.
Do	4	2 to 3 per cent	Gross value; flat rates.
Do	1	4 to 11 cents per barrel	Gravity.
Do	1	½ cent	Per barrel.
Do	1	1 per cent	Gross sales; exemption $10,000.
Petroleum	2	1 to 3 per cent	Market value.
Do	1	Per barrel rates	Fixed annually, and varies.
Do	1	1 mill per barrel plus 2 per cent	Gross value of product.
Salt	1	4 cents per ton	Flat rate.
Sand—Gravel	1	1 to 1½ cents per ton	Kind.
Do	1	3 per cent	Net value extracted.
Do	1	$50–$200	Capacity of pit.
Sulphur	2	15 to 75 cents per ton	Flat rates.
Timber	1	7 cents per 1,000 feet	Do.
Do	1	7 to 26 cents per 1,000 feet	Kind.
Do	4	6 to 12½ per cent	Value cut.
Do	1	45 cents per $100	Gross sales; exemption $10,000.
Water power	1	¼ to ½ of 1 per cent	Gross receipts, time of use.
Do	1	$10 per horsepower	Developed horse power.
Water	1	$5 to $100 per well	Size of well.

EXHIBIT 16

Federal revenue, classified, fiscal years 1913 to 1933, inclusive

[In millions of dollars]

Class of tax	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923
Income tax:											
Individual or partnership		28	41	68	180	[2] 742	[2] 806	[2] 1,464	[2] 1,388	[2] 1,064	[2] 778
Corporation	[3] 35	43	39	57	[4] 207	[2] 2,111	[2] 1,795	[2] 2,493	[2] 1,840	[2] 1,023	[2] 913
Estate, inheritance, or gift tax—Total					6	48	82	103	154	139	127
(a) Estate tax					(6)	(48)	(82)	(103)	(154)	(139)	(127)
Special sales tax on specific items—Total	302	301	321	371	392	760	1,116	1,234	1,114	872	706
(a) Sales tax on liquor, beer, etc	(223)	(220)	(218)	(241)	(279)	(440)	(480)	(137)	(82)	(45)	(30)
(b) Sales tax on tobacco	(77)	(80)	(78)	(86)	(102)	(156)	(205)	(295)	(254)	(270)	(308)
(c) Sales tax on other tangible articles (autos, matches, etc.)	(2)	(1)	(5)	(6)	(3)	(41)	(90)	(355)	(313)	(226)	(211)
(d) Sales tax on intangibles (stocks, bonds, admissions, club dues, transportation, telephone and telegraph, electrical energy, etc.)			(20)	(38)	(8)	(123)	(341)	(447)	(465)	(331)	(157)
Licenses and permits (occupational taxes)	7	7	14	16	13	8	11	17	14	13	12
Miscellaneous taxes—Total	1	1	1	1	11	30	40	97	85	86	86
(a) Capital stock tax					(10)	(25)	(29)	(93)	(81)	(80)	(82)
(c) Other miscellaneous	(1)	(1)	(1)	(1)	(1)	(5)	(11)	(4)	(4)	(6)	(4)
Total revenue from taxes	345	380	416	513	809	3,699	3,850	5,408	4,595	3,197	2,622
Other revenue—Total	379	355	282	267	309	478	807	1,289	1,029	896	1,382
(a) Customs	(319)	(293)	(210)	(213)	(226)	(183)	(183)	(323)	(309)	(356)	(562)
(b) Miscellaneous receipts	(60)	(62)	(72)	(54)	(83)	(295)	(624)	(966)	(720)	(540)	(820)
Grand total revenue [5]	724	735	698	780	1,118	4,177	4,657	6,697	5,624	4,093	4,004

Class of tax	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933 [1]
Income tax:										
Individual or partnership	[2] 792	845	879	912	883	1,095	1,147	834	427	628
Corporation	[2] 1,050	916	1,095	1,308	1,292	1,236	1,263	1,026	630	551
Estate, inheritance, or gift tax—Total	103	109	119	100	60	62	65	48	47	52
(a) Estate tax	(103)	(101)	(116)	(100)	(60)	(62)	(65)	(48)	(47)	(47)
(b) Gift tax		(8)	(3)							(5)
Special sales tax on specific items—Total	747	601	636	531	542	536	561	517	451	1,027
(a) Sales tax on liquor, beer, etc	(27)	(25)	(26)	(20)	(15)	(12)	(11)	(10)	(8)	(8)
(b) Sales tax on tobacco	(325)	(344)	(370)	(376)	(396)	(435)	(450)	(444)	(399)	(398)
(c) Sales tax on other tangible articles (autos, matches, etc.)	(228)	(154)	(164)	(74)	(59)	(13)	(10)	(7)	(5)	(423)
(d) Sales tax on intangibles (stocks, bonds, admissions, club dues, transportation, telephone and telegraph, electrical energy, etc.)	(167)	(78)	(76)	(61)	(72)	(76)	(90)	(56)	(39)	(198)
Licenses and permits (occupational taxes)	12	10	8	3	3	3	3	2	2	2
Miscellaneous taxes—Total	92	103	99	12	11	7	1	1	1	79
(a) Capital stock tax	(87)	(90)	(97)	(9)	(9)	(6)				
(b) Checks and drafts										(78)
(c) Other miscellaneous	(5)	(13)	(2)	(3)	(2)	(1)	(1)	(1)	(1)	(1)
Total revenue from taxes	2,796	2,584	2,836	2,866	2,791	2,939	3,040	2,428	1,558	2,339
Other revenue—Total	1,217	1,191	1,125	1,260	1,247	1,095	1,139	888	560	787
(a) Customs	(546)	(548)	(579)	(606)	(569)	(602)	(587)	(379)	(328)	(327)
(b) Miscellaneous receipts	(671)	(643)	(546)	(654)	(678)	(493)	(552)	(509)	(232)	(460)
Grand total revenue [5]	4,013	3,775	3,961	4,126	4,038	4,034	4,179	3,316	2,118	3,126

[1] All revenue figures for 1933, estimated.
[2] Distribution between individual and corporate income tax, estimated; total of two correct.
[3] Excise tax on net income of corporations.
[4] Includes excess-profits tax and munitions tax.
[5] On account internal revenue figures being taken from collections, Bureau of Internal Revenue, and other revenue being taken from daily Treasury statements, unrevised, there is a slight discrepancy between total revenue figures as shown here and in the Treasury reports; however, the discrepancy is inconsequential for comparative purposes.

EXHIBIT 17

Actual or estimated tax collections by the United States, the States, and the subdivisions thereof, classified by sources for the years 1930 or 1931 as available

	(1) General property tax	(2) Privilege or franchise tax in lieu of general property tax	(3) Privilege or franchise tax (not in column 1)	(4) Income tax individual or partnership	(5) Income tax, corporations	(6) Estate or inheritance tax	(7) General manufacturers' sales tax	(8) General retail sales tax	(9) Special sales tax on specific articles	(10) Poll tax	(11) Licenses or permits	(12) Special assessments	(13) Miscellaneous taxes	(14) Total revenue from taxes
ALABAMA														
State	$8,192,811	$1,565,312	$1,561,363						$5,140,361		$3,982,924	$410,257	$6,980	$20,860,008
Counties	14,741,000		174,000						3,572,000		1,219,000			19,706,000
Municipalities	9,220,200		372,680						621,300	$25,584	1,880,947	2,624,715	325,860	15,071,286
Other civic divisions	1,960,000									160,000				2,120,000
Total	34,114,011	1,565,312	2,108,043						9,333,661	185,584	7,082,871	3,034,972	332,840	57,757,294
ARIZONA														
State	5,731,255		246,737			$79,844			1,878,150		854,207	20,543		8,810,736
Counties	8,967,722													8,967,722
Municipalities	2,712,567		4,595								86,531	845,712	76,105	3,725,510
Other civic divisions	4,279,503													4,279,503
Total	21,691,047		251,332			79,844			1,878,150		940,738	866,255	76,105	25,783,471
ARKANSAS														
State	5,016,949	636,976	549,427	$1,189,951	(1)	297,322			8,773,090		4,711,251		74,792	21,249,758
Counties														
Municipalities										46,220	580,380	3,154,533	223,137	4,004,270
Other sources	28,054,000													28,054,000
Total	33,070,949	636,976	549,427	1,189,951		297,322			8,773,090	46,220	5,291,631	3,154,533	297,929	53,308,028
CALIFORNIA														
State	3,273	50,420,937			(2)	13,735,792			27,068,797	39	7,946,252	75,194		99,250,284
Counties	114,637,888										539,441		998,266	116,175,595
Municipalities	106,210,624										7,645,937	18,344,248		132,200,809
Other civic divisions	100,641,677													100,641,677
Total	321,493,462	50,420,937				13,735,792			27,068,797	39	16,131,630	18,419,442	998,266	448,268,365

COLORADO														
State	5,050,622					995,264			6,112,341		2,588,224	152,888	15,771	14,915,110
Counties	8,733,128													8,733,128
Municipalities	8,753,895										479,774	1,892,766	94,103	11,220,538
Other civic divisions	22,326,155													22,326,155
Total	44,813,800					995,264			6,112,341		3,067,998	2,045,654	109,874	57,194,931
CONNECTICUT														
State	2,752,156	7,830,762	1,559,892		3,534,787	4,827,397			4,631,378		8,677,936	1,134,924		34,949,222
Counties	1,122,540										273,258			1,395,798
Municipalities	73,221,638	86,102								1,134,053	2,590,460			77,032,253
Other civic divisions	72,667													72,667
Total	77,169,001	7,916,854	1,559,892		3,534,787	4,827,397			4,631,378	1,134,053	11,541,654	1,134,924		113,449,940
DELAWARE														
State			5,407,083	1,924,203		1,770,924			1,035,878		2,559,692			12,697,780
Counties	1,593,760													1,593,760
Municipalities	2,841,761													2,841,761
Other civic divisions	647,391													647,391
Total	5,082,912		5,407,083	1,924,203		1,770,924			1,035,878		2,559,692			17,780,692
DISTRICT OF COLUMBIA	27,310,412								1,740,921		1,587,598	455,001	416,184	31,510,116
FLORIDA														
State	7,740,200		891,487						14,453,908		6,072,899		240,915	29,399,409
Counties	22,772,188													22,772,188
Municipalities	11,768,582								72,642	21,694	703,193	1,920,297	223,471	14,709,879
Other civic divisions	19,320,390													19,320,390
Total	61,601,360		891,487						14,526,550	21,694	6,776,092	1,920,297	464,386	86,201,868
GEORGIA														
State	6,222,367		992,786	1,378,597	(1)	277,580	(2)	$953,884	12,947,272	233,091	5,473,444	1,010,325		29,489,346
Counties	14,934,850													14,934,850
Municipalities	23,347,000									99,300	889,172	624,370	172,115	25,131,957
Other civic divisions	1,635,500													1,635,500
Total	46,139,717		992,786	1,378,597	(1)	277,580		953,884	12,947,272	832,391	6,362,616	1,634,695	172,115	71,191,653
HAWAII														
State	6,500,502			2,016,372	(1)	174,793				183,679	311,145	27,922	87,058	9,300,471
Counties														
Municipalities	6,887,000									119,000	998,000	48,000		8,052,000
Other civic divisions														
Total	13,387,502			2,016,372		174,793				302,679	1,309,145	75,922	87,058	17,352,471

1 Included in column 4. 2 Included in column 2. 3 Included in column 8.

Actual or estimated tax collections by the United States, the States, and the subdivisions thereof, classified by sources for the years 1930 or 1931 as available—Continued

	(1) General property tax	(2) Privilege or franchise tax in lieu of general property tax	(3) Privilege or franchise tax (not in column 1)	(4) Income tax individual or partnership	(5) Income tax, corporations	(6) Estate or inheritance tax	(7) General manufacturers' sales tax	(8) General retail sales tax	(9) Special sales tax on specific articles	(10) Poll tax	(11) Licenses or permits	(12) Special assessments	(13) Miscellaneous taxes	(14) Total revenue from taxes
IDAHO														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	$21, 587, 063	$212, 043		(4)		$40, 569			$3, 002, 900		$2, 025, 557		$25, 822	$26, 893, 954
Total	21, 587, 063	212, 043				40, 569			3, 002, 900		2, 025, 557		25, 822	26, 893, 954
ILLINOIS														
State	42, 026, 153		$899, 445			10, 708, 107			28, 846, 193		28, 146, 406		32, 597	110, 658, 901
Counties														
Municipalities														
Other civic divisions														
Other than State	343, 090, 000													343, 090, 000
Total	385, 116, 153		899, 445			10, 708, 107			28, 846, 193		28, 146, 406		32, 597	453, 748, 901
INDIANA														
State	14, 515, 804	84, 324	1, 843, 382			1, 943, 492			17, 828, 395	$600, 454	6, 890, 298			43, 706, 149
Counties	28, 188, 913									235, 471	1, 729, 461	$1, 117, 710		31, 271, 555
Municipalities	44, 857, 349									199, 223	1, 106, 884	11, 044, 856		57, 208, 312
Other civic divisions	55, 855, 396									240, 076				56, 095, 472
Total	143, 417, 462	84, 324	1, 843, 382			1, 943, 492			17, 828, 395	1, 275, 224	9, 726, 643	12, 162, 566		188, 281, 488
IOWA														
State	9, 051, 768		1, 700, 192			812, 555			8, 820, 697		12, 500, 000			32, 885, 212
Counties	31, 301, 444								4, 114, 000		784, 321			36, 199, 765
Municipalities	13, 116, 548		173, 188						242, 926	129, 915	185, 041	1, 504, 556		15, 352, 174
Other civic divisions	45, 571, 234													45, 571, 234
Total	99, 040, 994		1, 873, 380			812, 555			13, 177, 623	129, 915	13, 469, 362	1, 504, 556		130, 008, 385

KANSAS														
State	8,854,481		423,335			546,859			8,610,549		7,746,810	748,683		28,930,717
Counties														
Municipalities														
Other civic divisions														
Other than State	87,446,955	373,817	1,006,503			546,859			9,417,194	18,131	5,658,753	6,237,656	326,522	111,032,390
Total	96,301,436	373,817	1,429,838			1,093,718			18,027,743	18,131	13,405,563	6,986,339	326,522	137,963,107
KENTUCKY														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	59,023,012	110,700	4,883,435			1,075,142		[4]83,560	9,094,991	600,000	8,531,235	1,525,000		84,927,075
Total	59,023,012	110,700	4,883,435			1,075,142		83,560	9,094,991	600,000	8,531,235	1,525,000		84,927,075
LOUISIANA														
State	12,704,132		45,843			28,474			11,636,132		4,296,836		1,005	28,712,422
Parishes														
Municipalities														
Other civic divisions														
Other than State	40,381,188													40,381,188
Total	53,085,320		45,843			28,474			11,636,132		4,296,836		1,005	69,093,610
MAINE														
State	5,300,178	2,065,715	1,941,374			2,840,167			4,500,000	660,735	3,394,575			20,702,744
Counties	1,567,816													1,567,816
Municipalities	22,491,703										1,350,000			23,841,703
Other civic divisions	189,177													189,177
Total	29,548,874	2,065,715	1,941,374			2,840,167			4,500,000	660,735	4,744,575			46,301,440
MARYLAND														
State	6,774,873		3,131,275			2,269,710			7,621,580		9,964,352		175,561	29,937,351
Counties	14,000,000													14,000,000
Municipalities	51,538,700										4,006,400	1,535,500	2,603,200	59,683,800
Other civic divisions														
Total	72,313,573		3,131,275			2,269,710			7,621,580		13,970,752	1,535,500	2,778,761	103,621,151
MASSACHUSETTS														
State			24,996,578			11,943,450			14,026,563	2,522,304	22,087,800		1,277,398	76,854,093
Counties											3,048,043			3,048,043
Municipalities	223,310,196	7,611,555		[4]22,554,074							29,030,184			282,508,009
Other civic divisions														
Total	223,310,196	7,611,555	24,996,578	22,554,074		11,943,450			14,026,563	2,522,304	54,166,027		1,277,398	362,408,145

[4] Not in effect in 1930.

Actual or estimated tax collections by the United States, the States, and the subdivisions thereof, classified by sources for the years 1930 or 1931 as available—Continued

	(1) General property tax	(2) Privilege or franchise tax in lieu of general property tax	(3) Privilege or franchise tax (not in column 1)	(4) Income tax individual or partnership	(5) Income tax, corporations	(6) Estate or inheritance tax	(7) General manufacturers' sales tax	(8) General retail sales tax	(9) Special sales tax on specific articles	(10) Poll tax	(11) Licenses or permits	(12) Special assessments	(13) Miscellaneous taxes	(14) Total revenue from taxes
MICHIGAN														
State	$29,500,000	$14,639	$14,257,456			$5,420,200			$25,220,243		$35,092,664		$65,865	$109,571,067
Counties	34,950,736													34,950,736
Municipalities	94,569,129													94,569,129
Other civic divisions	105,591,704													105,591,704
Total	264,611,569	14,639	14,257,456			5,420,200			25,220,243		35,092,664		65,865	344,682,636
MINNESOTA														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	123,522,889	9,967,712	42,405			2,362,340			14,062,639		11,009,002	$8,652,637	320,000	169,939,624
Total	123,522,889	9,967,712	42,405			2,362,340			14,062,639		11,009,002	8,652,637	320,000	169,939,624
MISSISSIPPI														
State	5,470,121		1,099,838	$1,015,815	(1)	30,146		$192,981	4,482,452		1,632,332	3,804,805	20,318	17,748,808
Counties	20,561,843								3,323,115	$1,258,141	2,253,307			27,396,406
Municipalities	7,171,100													7,171,100
Other civic divisions														
Total	33,203,064		1,099,838	1,015,815		30,146		192,981	7,805,567	1,258,141	3,885,639	3,804,805	20,318	52,316,314
MISSOURI														
State	2,313,248	1,277,502	1,974,731	4,608,933	(1)	3,841,045	$76,076				44,741			14,136,276
Counties														
Municipalities														
Other civic divisions														
Other than State	92,537,172													92,537,172
Total	94,537,172	1,277,502	1,974,731	4,608,933		3,841,045	76,076				44,741			106,360,200

MONTANA														
State	2,253,979	64,860	355,013		$437,908	114,901			3,801,887		249,849			7,278,397
Counties	9,411,170									240,852	1,500,000			11,152,022
Municipalities	2,982,091									50,000	1,263	1,410,000	13,841	4,457,195
Other civic divisions	11,436,669					114,901					102,500	896,852		12,550,922
Total	26,083,909	64,860	355,013		437,908	229,802			3,801,887	290,852	1,853,612	2,306,852	13,841	35,438,536
NEBRASKA														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	59,367,281	5,224,376	271,774			191,035			9,108,439	428,222	4,237,733	117,503		78,946,363
Total	59,367,281	5,224,376	271,774			191,035			9,108,439	428,222	4,237,733	117,503		78,946,363
NEVADA														
State	1,377,401		66,261						724,298		446,993	120,851	1,393	2,737,107
Counties	1,310,365													1,310,365
Municipalities	1,180,413													1,180,413
Other civic divisions	899,955													899,955
Total	4,768,134		66,261						724,298		446,993	120,851	1,393	6,127,930
NEW HAMPSHIRE														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	17,790,268	2,199,106		630,682		470,131			2,539,504	477,908	2,931,210		14,610	27,053,419
Total	17,790,268	2,199,106		630,682		470,131			2,539,504	477,908	2,931,210		14,610	27,053,419
NEW JERSEY														
State	37,367,746		30,406			8,983,687			17,248,400		21,281,086		80,162	84,991,487
Counties	47,297,201													47,297,201
Municipalities	119,534,303	5,652,460	7,783,191							659,050		28,504,641		162,133,645
Other civic divisions	76,831,101											226,099		77,057,200
Total	281,030,351	5,652,460	7,813,597			8,983,687			17,248,400	659,050	21,281,086	28,730,740	80,162	371,479,533
NEW MEXICO														
State	1,560,000		220,288			23,047			1,252,575		543,111		13,051	3,620,072
Counties	7,247,339													7,247,339
Municipalities	968,886													958,886
Other civic divisions	1,505,227													1,505,227
Total	11,271,452		229,288			23,047			1,252,575		543,111		13,051	13,332,824

[1] Included in column 4.

Actual or estimated tax collections by the United States, the States, and the subdivisions thereof, classified by sources for the years 1930 or 1931 as available—Continued

	(1) General property tax	(2) Privilege or franchise tax in lieu of general property tax	(3) Privilege or franchise tax (not in column 1)	(4) Income tax individual or partnership	(5) Income tax, corporations	(6) Estate or inheritance tax	(7) General manufacturers' sales tax	(8) General retail sales tax	(9) Special sales tax on specific articles	(10) Poll tax	(11) Licenses or permits	(12) Special assessments	(13) Miscellaneous taxes	(14) Total revenue from taxes
NEW YORK														
State		$55,695,702	$31,644,485	$81,474,929	$3,497,907	$52,781,363			$56,264,862		$55,013,535			$336,372,783
Counties													$6,180,264	6,180,264
Municipalities	$755,527,902											$47,376,943		802,904,845
Other civic divisions	42,905,449													42,905,449
Total	798,433,351	55,695,702	31,644,485	81,474,929	3,497,907	52,781,363			56,264,862		55.013,535	47,376,943	6,180,264	1,188,363,341
NORTH CAROLINA														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	62,714,959		4,688,351	1,780,307	5,692,706	1,193,528			12,895,061	$1,108,457	11,700,905			101,774,166
Total	62,714,959		4,688,351	1,780,307	5,692,706	1,193,528			12,895,061	1,108,457	11,700,805			101,774,166
NORTH DAKOTA														
State			416,743	433,293	(1)	19,703			2,266,314		1,872,307			5,008,360
Counties														
Municipalities														
Other civic divisions														
All sources	30,800,315													30,800,315
Total	30,800,315		416,743	433,293		19,703			2,266,314		1,872,307			35,808,675
OHIO														
State	4,990,452	116,677	19,875,277			3,788,937			25,708,630		9,661,996			64,150,969
Counties	61,067,044													61,067,044
Municipalities	94,445,993													94,445,993
Other civic divisions	140,981,862													140,981,862
All sources												46,405,351		46,405,351
Total	301,494,351	116,677	19,875,277			3,788,937			25,708,630		9,661,996	46,405,351		407,051,219

OKLAHOMA														
State	4, 297, 772		1, 131, 475	(5)	356, 219	226, 652			18, 022, 511		6, 327, 381		82, 787	30, 444, 797
Counties	7, 201, 050													7, 201, 050
Municipalities	26, 983, 500										995, 400	6, 893, 000		34, 871, 900
Other civic divisions	16, 400, 000													16, 400, 000
Total	54, 882, 322		1, 131, 475		356, 219	226, 652			18, 022, 511		7, 322, 781	6, 893, 000	82, 787	88, 917, 747
OREGON														
State														
Counties														
Municipalities														
Other civic divisions														
All sources	49, 556, 174		1, 156, 414	(5)	673, 377	1, 000, 311			4, 542, 602		8, 131, 932			65, 060, 810
Total	49, 556, 174		1, 156, 414		673, 377	1, 000, 311			4, 542, 602		8, 131, 932			65, 060, 810
PENNSYLVANIA														
State	45, 053, 235		9, 009, 473			38, 640, 159			32, 769, 079		33, 990, 526		882, 659	160, 345, 131
Counties	33, 675, 000													33, 675, 000
Municipalities	182, 260, 000									3, 753, 300	4, 310, 000	9, 856, 600		200, 179, 900
Other civic divisions	117, 114, 300													117, 114, 300
Total	378, 102, 535		9, 009, 473			38, 640, 159			32, 769, 079	3, 753, 300	38, 300, 526	9, 856, 600	882, 659	511, 314, 331
RHODE ISLAND														
State	1, 227, 433	1, 447, 765	1, 400, 233			992, 040			1, 732, 497		3, 590, 593			10, 390, 561
Counties														
Municipalities														
Other civic divisions														
Other than State	26, 416, 962													26, 416, 962
Total	27, 644, 395	1, 447, 765	1, 400, 233			992, 040			1, 732, 497		3, 590, 593			36, 807, 523
SOUTH CAROLINA														
State	3, 227, 339		340, 906	1, 715, 204	(1)	131, 630			7, 672, 168		4, 742, 918		45, 854	17, 876, 019
Counties	8, 225, 078													8, 225, 078
Municipalities	8, 650, 000									50, 000	853, 300	730, 000	243, 300	10, 526, 600
Other civic divisions	10, 920, 377													10, 920, 377
Total	31, 022, 794		340, 906	1, 715, 204		131, 630			7, 672, 168	50, 000	5, 596, 218	730, 000	289, 154	47, 548, 074
SOUTH DAKOTA														
State	4, 933, 543	22, 499	344, 759			163, 169			5, 849, 831		1, 330, 021			12, 643, 822
Counties	6, 867, 047					18, 130					2, 175, 420			9, 060, 597
Municipalities	3, 515, 465									414, 525				3, 929, 990
Other civic divisions	14, 741, 649													14, 741, 649
Total	30, 057, 704	22, 499	344, 759			181, 299			5, 849, 831	414, 525	3, 505, 441			40, 376, 058

[1] Included in column 4.

[5] Included in column 5

Actual or estimated tax collections by the United States, the States, and the subdivisions thereof classified by sources for the years 1930 or 1931 as available—Continued

	(1) General property tax	(2) Privilege or franchise tax in lieu of general property tax	(3) Privilege or franchise tax (not in column 1)	(4) Income tax individual or partnership	(5) Income tax, corporations	(6) Estate or inheritance tax	(7) General manufacturers' sales tax	(8) General retail sales tax	(9) Special sales tax on specific articles	(10) Poll tax	(11) Licenses or permits	(12) Special assessments	(13) Miscellaneous taxes	(14) Total revenue from taxes
TENNESSEE														
State	$3,016,841		$1,460,800	$699,480	$522,632	$885,180			$14,257,808		$6,338,490	$300,041		$27,481,272
Counties	19,361,300													19,361,300
Municipalities	29,790,000										785,000	1,770,000	$196,000	32,541,000
Other civic divisions	3,854,800													3,854,800
Total	56,022,941		1,460,800	699,480	522,632	885,180			14,257,808		7,123,490	2,070,041	196,000	83,238,372
TEXAS														
State	25,084,246		6,109,987			775,532			38,836,699	$1,613,721	6,681,010			79,101,195
Counties	35,383,000										9,016,996			44,399,996
Municipalities	81,880,725													81,880,725
Other civic divisions	21,342,800													21,342,800
Total	163,690,771		6,109,987			775,532			38,836,699	1,613,721	15,698,006			226,724,716
UTAH														
State	5,102,994		409,453	(4)		296,447			2,110,559		1,096,216	630,993		9,646,062
Counties	2,153,884													2,153,884
Municipalities	3,990,640													3,990,640
Other civic divisions	11,213,115													11,213,115
Total	22,460,633		409,453			296,447			2,110,559		1,096,216	630,993		27,004,301
VERMONT														
State	450,528	$2,347,721		(4)		509,210			1,885,811	669,304	2,676,770		55,271	8,594,615
Counties														
Municipalities														
Other civic divisions														
All other sources	11,420,540													11,420,540
Total	11,871,068	2,347,721				509,210			1,885,811	669,304	2,676,770		55,271	20,015,155
VIRGINIA														
State	3,735,215	6,758,178		2,047,943	2,065,454	1,090,356			10,879,514	901,232	9,190,491		671,501	37,339,884
Counties	15,156,257									35,185				15,191,442

Municipalities	19,560,973		339,345							170,198	2,634,704	313,990	29,292	23,038,502
Other civic divisions	1,540,899											628,761	2,169,660
Total	39,983,344	6,758,178	339,345	2,047,943	2,065,454	1,090,356			10,879,514	1,106,615	11,825,195	313,990	1,329,554	77,739,488
WASHINGTON													
State													
Counties													
Municipalities													
Other civic divisions													
All sources	76,172,314		1,498,998			839,748			7,483,067		8,136,073			94,130,200
Total	76,172,314		1,498,998			839,748			7,483,067		8,136,073			94,130,200
WEST VIRGINIA													
State	3,626,906		1,291,801			1,073,951		$3,064,747	5,383,048	248,145	5,577,334			20,465,932
Counties	16,647,141													16,647,141
Municipalities	6,425,501									87,500	242,500	802,500		7,558,001
Other civic divisions	27,096,778													27,096,778
Total	53,996,326		1,291,801			1,073,951		3,064,747	5,383,048	335,645	5,819,834	802,500		71,767,852
WISCONSIN													
State	4,342,564		10,315,192	9,453,195	(1)	2,599,450			9,912,603		11,522,032			48,145,036
Counties	31,203,073		1,387,675	1,832,953		210,766					32,731			34,667,198
Municipalities	44,061,521		5,850,761	9,526,291							161,590		23,386	59,623,549
Other civic divisions	41,247,961													41,247,961
Total	120,855,119		17,553,628	20,812,439		2,810,216			9,912,603		11,716,353		23,386	163,683,744
WYOMING													
State	1,747,820	5,298	248,582			42,247			1,566,730		840,671		64,904	4,516,252
Counties	2,549,067													2,549,067
Municipalities	1,419,734													1,419,734
Other civic divisions	4,097,867													4,097,867
Total	9,814,488	5,298	248,582			42,247			1,566,730		840,671		64,904	12,582,920
Total, State sources	5,104,430,249	161,792,728	177,835,673	144,281,222	16,780,992	183,744,242	$76,076	4,295,172	557,613,094	19,394,709	506,089,154	215,268,462	17,030,081	7,108,631,854
1931, Federal				833,647,798	1,026,392,699	48,078,327			517,396,207		1,961,055		752,668	[4]2,428,228,754
Grand total of estimated tax collections from all sources	5,104,430,249	161,792,728	177,835,673	977,929,020	1,043,173,691	231,822,569	76,076	4,295,172	1,075,009,301	19,394,709	508,050,209	215,268,462	17,782,749	9,536,860,608

[1] Included in column 4.
[2] Not in effect in 1930.
[3] Effective Jan. 1, 1931.
[4] This total includes taxes collected in the Philippine Islands in the amount of $332,612.

Note: In some instances it was impossible to ascertain the actual taxes collected, thereby necessitating the use of assessments for 1930, the collections of which fall in the year 1931.

EXHIBIT 18

Taxes collected, taxable wealth, population, and percentages of taxes to wealth and population

State or Territory	Taxes collected by States, Territories, and subdivisions thereof[1]	Taxes collected by United States	Total taxes collected by the United States, States, Territories, and subdivisions thereof	Estimated taxable wealth in States, Territories, and subdivisions thereof	Populations, by States and Territories, 1930	Tax percentage to wealth: Of collections by State, Territory, or subdivision thereof	Tax percentage to wealth: Of collections by United States	Tax percentage to wealth: Of all taxes collected	Per capita burden: Of taxes of State, Territory, or subdivision thereof	Per capita burden: Of United States taxes	Per capita burden: Of all taxes
Alabama	$57,757,294.00	$4,614,078.00	$62,371,372.00	$2,339,660,000.00	2,646,248	2.47	0.20	2.67	$21.83	$1.74	$23.57
Alaska—No data available											
Arizona	25,783,471.00	2,262,619.00	28,046,090.00	945,333,000.00	435,573	2.73	.24	2.97	59.19	5.19	64.38
Arkansas	53,308,028.00	1,913,706.00	55,221,734.00	1,538,536,150.00	1,854,482	3.46	.12	3.58	28.75	1.03	29.78
California	448,268,365.00	113,066,013.00	561,334,378.00	18,877,776,000.00	5,677,251	2.37	.60	2.97	78.96	19.92	98.88
Colorado	57,194,931.00	15,667,230.00	72,862,161.00	1,917,931,760.00	1,035,791	2.98	.82	3.80	55.22	15.12	70.34
Connecticut	113,449,940.00	37,886,348.00	151,336,288.00	3,151,362,527.00	1,606,903	3.60	1.20	4.80	70.60	23.58	94.18
Delaware	17,780,692.00	34,041,865.00	51,822,557.00	285,117,814.00	238,380	[2] 6.24	[2] 11.94	[2] 18.18	74.59	[2] 142.80	[2] 217.39
District of Columbia	31,510,116.00	[2] 13,457,521.00	44,967,637.00	1,894,267,092.00	486,869	1.66	.71	2.37	64.72	27.64	92.36
Florida	86,201,866.00	11,507,028.00	97,708,894.00	2,876,766,590.00	1,468,211	3.00	.40	3.40	58.71	7.84	66.54
Georgia	71,191,653.00	6,712,840.00	77,904,493.00	2,606,918,666.00	2,908,506	2.73	.26	2.99	24.48	2.31	26.79
Hawaii	17,352,471.00	4,816,475.00	22,168,946.00	566,548,000.00	368,336	3.12	.86	3.98	47.11	13.08	60.19
Idaho	26,893,954.00	716,388.00	27,610,342.00	1,206,500,000.00	445,032	2.23	.06	2.29	60.43	1.61	62.04
Illinois	453,748,901.00	190,787,171.00	644,536,072.00	22,520,980,000.00	7,630,654	2.01	.89	2.90	59.46	25.00	84.47
Indiana	188,281,488.00	21,431,225.00	209,712,713.00	5,161,070,000.00	3,238,503	3.65	.42	4.07	58.14	6.62	64.76
Iowa	130,008,385.00	10,395,971.00	140,404,356.00	3,897,680,000.00	2,470,939	3.33	.27	3.60	52.64	4.21	56.85
Kansas	137,963,107.00	13,690,543.00	151,653,650.00	3,813,033,974.00	1,880,999	3.62	.36	3.98	73.35	7.28	80.62
Kentucky	84,927,075.00	28,485,734.00	113,412,809.00	3,347,772,500.00	2,614,589	2.54	.85	3.39	32.48	10.89	43.38
Louisiana	69,093,610.00	8,898,995.00	77,992,605.00	2,055,140,000.00	2,101,593	3.36	.43	3.79	32.88	4.23	37.11
Maine	46,301,440.00	6,749,853.00	53,051,293.00	1,262,150,000.00	797,423	3.67	.53	4.20	58.06	8.46	82.76
Maryland	103,621,151.00	31,400,881.00	135,022,032.00	3,215,397,967.00	1,631,526	3.22	.98	4.20	63.51	19.25	82.76
Massachusetts	362,408,145.00	88,495,515.00	450,903,660.00	10,844,344,230.00	4,249,614	3.34	.82	4.16	85.28	20.82	106.10
Michigan	344,682,636.00	107,364,630.00	452,047,266.00	11,262,856,000.00	4,842,325	3.06	.95	4.01	71.18	22.17	93.35
Minnesota	169,939,624.00	23,283,386.00	193,223,010.00	6,586,720,191.00	2,563,953	2.58	.35	2.93	66.28	9.08	75.36
Mississippi	52,316,314.00	1,568,796.00	53,885,110.00	1,485,000,000.00	2,009,821	3.52	.11	3.63	26.03	.78	26.82
Missouri	106,360,200.00	51,736,695.00	158,096,895.00	4,972,373,993.00	3,629,367	2.14	1.04	3.18	29.31	14.26	43.56
Montana	35,438,536.00	1,792,532.00	37,231,068.00	1,416,302,310.00	537,606	2.50	.13	2.63	65.92	3.33	69.25
Nebraska	78,946,363.00	4,778,868.00	83,725,231.00	3,102,050,571.00	1,377,963	2.54	.15	2.69	57.29	3.47	60.76
Nevada	6,127,930.00	1,346,061.00	7,473,991.00	246,711,000.00	91,058	2.48	.55	3.03	67.30	14.78	82.08
New Hampshire	27,053,419.00	3,555,177.00	30,608,596.00	793,630,412.00	465,293	3.40	.45	3.85	58.14	7.64	65.78
New Jersey	371,479,533.00	97,600,650.00	469,080,183.00	13,784,439,312.00	4,041,334	2.69	.71	3.40	91.92	24.15	116.07

New Mexico	13, 332, 524. 00	689, 925. 00	14, 022, 449. 00	622, 464, 400. 00	423, 317	2. 14	. 11	2. 25	31. 50	1. 63	33. 13
New York	1, 188, 363, 341. 00	672, 171, 400. 00	1, 860, 534, 741. 00	35, 130, 628, 458. 00	12, 588, 066	3. 38	[4] 1. 91	5. 29	94. 40	[4] 53. 40	[4] 147. 80
North Carolina	101, 774, 166. 00	262, 849, 306. 00	364, 623, 472. 00	2, 975, 029, 646. 00	3, 170, 276	3. 42	[5] 8. 84	[5] 12. 26	32. 10	[5] 82. 91	[5] 115. 01
North Dakota	35, 808, 675. 00	365, 232. 00	36, 173, 907. 00	1, 174, 144, 268. 00	680, 845	3. 05	. 03	3. 08	51. 13	. 54	53. 13
Ohio	407, 051, 219. 00	112, 931, 178. 00	519, 982, 397. 00	13, 452, 946, 926. 00	6, 646, 697	3. 03	. 84	3. 87	61. 24	16. 99	78. 23
Oklahoma	88, 917, 747. 00	14, 922, 127. 00	103, 839, 874. 00	2, 578, 397, 672. 00	2, 396, 040	3. 45	. 58	4. 03	37. 11	6. 23	43. 34
Oregon	65, 060, 810. 00	4, 432, 215. 00	69, 493, 025. 00	2, 083, 630, 000. 00	953, 786	3. 12	. 21	3. 33	68. 21	4. 65	72. 86
Pennsylvania	511, 314, 331. 00	190, 262, 184. 00	701, 576, 515. 00	14, 752, 899, 344. 00	9, 631, 350	3. 47	1. 29	4. 76	53. 09	19. 75	72. 84
Rhode Island	36, 807, 523. 00	11, 281, 238. 00	48, 088, 761. 00	1, 423, 866, 205. 00	687, 497	2. 59	. 79	3. 38	53. 54	16. 41	69. 95
South Carolina	47, 548, 074. 00	1, 977, 960. 00	49, 526, 034. 00	1, 384, 666, 000. 00	1, 738, 765	3. 43	. 14	3. 57	27. 35	1. 14	28. 49
South Dakota	40, 376, 058. 00	749, 687. 00	41, 125, 745. 00	1, 494, 971, 327. 00	692, 849	2. 70	. 05	2. 75	58. 28	1. 08	59. 36
Tennessee	83, 238, 372. 00	13, 132, 299. 00	96, 370, 671. 00	2, 371, 384, 000. 00	2, 616, 556	3. 51	. 55	4. 06	31. 81	5. 02	36. 83
Texas	226, 724, 716. 00	32, 799, 807. 00	259, 524, 523. 00	8, 363, 108, 824. 00	5, 824, 715	2. 70	. 39	3. 09	38. 92	5. 63	44. 55
Utah	27, 004, 301. 00	2, 380, 720. 00	29, 385, 021. 00	882, 660, 000. 00	507, 847	3. 06	. 27	3. 33	53. 17	4. 69	57. 86
Vermont	20, 015, 155. 00	1, 751, 011. 00	21, 766, 166. 00	517, 338, 179. 00	359, 611	3. 87	. 34	4. 21	55. 66	4. 87	60. 53
Virginia	77, 739, 488. 00	113, 761, 587. 00	191, 501, 075. 00	2, 335, 506, 284. 00	2, 421, 851	3. 33	[5] 4. 87	[5] 8. 20	32. 10	[5] 46. 97	[5] 79. 07
Washington	94, 130, 200. 00	[6] 11, 501, 520. 00	105, 631, 720. 00	2, 502, 356, 430. 00	1, 563, 396	3. 76	. 46	4. 22	60. 21	7. 36	67. 57
West Virginia	71, 767, 852. 00	11, 151, 400. 00	82, 919, 252. 00	2, 033, 992, 789. 00	1, 729, 205	3. 53	. 55	4. 08	41. 50	6. 45	47. 95
Wisconsin	183, 683, 744. 00	28, 163, 949. 00	211, 847, 693. 00	5, 250, 722, 156. 00	2, 939, 006	3. 50	. 54	4. 04	62. 50	9. 58	72. 08
Wyoming	12, 582, 920. 00	596, 603. 00	13, 179, 523. 00	436, 828, 811. 00	225, 565	2. 88	. 14	3. 02	55. 78	2. 64	58. 42
Grand total	7, 108, 631, 854. 00	[7] 2, 427, 896, 142. 00	9, 536, 527, 996. 00	239, 731, 911, 778. 00	123, 143, 382	2. 97	1. 01	3. 98	57. 73	19. 71	77. 44

[1] "Taxes collected" have been based on actual collections where available. In some instances, especially in the case of local taxes, it was impossible to ascertain collections, and in those cases an estimate was made based on assessment and rate of levy applicable thereto.

[2] The rate shown herein appears exceedingly high as compared with other States. The reason therefor is due to the abnormal number of corporations located in this State but doing business in other parts of the country. The Federal income tax on corporations in this State is especially high.

[3] Tax collections of United States taxes from Maryland and District of Columbia have been estimated at 70 per cent for former and 30 per cent for latter.

[4] By comparison with other States, it will be noted that Federal tax collections per taxable wealth and per capita for this State appear in excess. The reason for this condition is that a great number of corporations located outside of the State but having principal head offices within the State elect to file their returns in the Federal collection districts located in the State of New York.

[5] The high rate shown herein is due to abnormal conditions wherein a large proportion of the taxes collected by the Federal Government on tobacco comes from business located in this State. The real tax burden from these tobacco taxes is distributed throughout the country.

[6] Includes a small amount of United States taxes applicable to Alaska.

[7] This item excludes collections from the Philippine Islands of $332,612. This item also excludes the cents on all items resulting in an amount of $45 difference in the actual total collections.

EXHIBIT 19

Increase in tax collections, in population, and in per capita tax burden

Name of State or Territory	Tax collections				Population				Per capita tax burden			
	1922	1931	Increase	Percentage of increase	1922	1930	Increase	Percentage of increase	1922	1931	Increase	Percentage of increase
Alabama	$30,398,000.00	$57,757,294.00	$27,359,294.00	90.00	2,397,317	2,646,248	248,931	10.38	$12.68	$21.83	$9.15	72.16
Arizona	20,439,000.00	25,783,471.00	5,344,471.00	26.15	360,922	435,573	74,651	20.68	56.63	59.19	2.56	4.52
Arkansas	24,813,000.00	53,308,028.00	28,495,028.00	114.83	1,788,900	1,854,482	65,582	3.66	13.87	28.75	14.88	107.28
California	218,444,000.00	448,268,365.00	229,824,365.00	105.20	3,643,162	5,677,251	2,034,089	55.83	59.96	78.96	19.00	31.68
Colorado	48,930,000.00	57,194,931.00	8,264,931.00	16.89	974,313	1,035,791	61,478	6.30	50.22	55.22	5.00	9.95
Connecticut	64,913,000.00	113,449,940.00	48,536,940.00	74.77	1,435,493	1,606,903	171,410	11.94	45.22	70.60	25.38	56.12
Delaware	8,144,000.00	17,780,692.00	9,636,692.00	118.32	228,315	238,380	10,065	4.40	35.67	74.59	38.92	109.11
District of Columbia	13,290,000.00	31,510,116.00	18,220,116.00	137.09	437,602	486,869	49,267	11.25	30.37	64.72	34.35	113.10
Florida	36,066,000.00	86,201,866.00	50,135,866.00	139.01	1,024,024	1,468,211	444,187	43.37	35.22	58.71	23.49	66.69
Georgia	42,739,000.00	71,191,653.00	28,452,653.00	66.57	2,970,000	2,908,506	−61,494		14.39	24.48	10.09	70.11
Idaho	20,687,000.00	26,893,954.00	6,206,954.00	30.00	456,465	445,032	−11,433		45.32	60.43	15.11	33.34
Illinois	271,476,000.00	453,748,901.00	182,272,901.00	67.14	6,600,353	7,630,654	1,030,301	15.60	40.76	59.46	18.70	45.87
Indiana	130,340,000.00	188,281,488.00	57,941,488.00	44.45	2,783,291	3,238,503	255,212	8.55	43.69	58.14	14.45	33.07
Iowa	128,159,000.00	130,008,385.00	1,849,385.00	1.44	2,441,124	2,470,939	29,815	1.22	52.50	52.64	.14	.26
Kansas	75,983,000.00	137,963,107.00	61,980,107.00	81.57	1,785,315	1,880,999	95,684	5.35	42.56	73.35	30.79	72.34
Kentucky	47,400,000.00	84,927,075.00	37,527,075.00	79.17	2,433,300	2,614,589	181,289	7.45	19.40	32.48	13.08	67.42
Louisiana	53,577,000.00	69,093,610.00	15,516,610.00	28.96	1,834,829	2,101,593	266,764	14.53	29.20	32.88	3.68	12.60
Maine	28,113,000.00	46,301,440.00	18,188,440.00	64.69	773,425	797,423	23,998	3.10	36.35	58.06	21.71	59.72
Maryland	46,753,000.00	103,621,151.00	56,868,151.00	121.63	1,485,637	1,631,526	145,889	9.81	31.47	63.51	32.04	101.81
Massachusetts	213,084,000.00	362,408,145.00	149,324,145.00	70.07	3,973,224	4,249,614	276,390	6.95	53.63	85.28	31.65	59.01
Michigan	197,793,000.00	344,682,636.00	146,889,636.00	74.26	3,845,100	4,842,325	997,225	25.93	51.44	71.18	19.74	38.37
Minnesota	130,892,000.00	169,939,624.00	39,047,624.00	29.83	2,451,161	2,563,953	112,792	4.60	53.40	66.28	12.88	24.11
Mississippi	37,593,000.00	52,316,314.00	14,723,314.00	39.16	1,790,995	2,009,821	218,826	12.21	20.99	26.03	5.04	24.01
Missouri	99,579,000.00	106,360,200.00	6,781,200.00	6.80	3,432,574	3,629,367	196,793	5.73	29.01	29.31	.30	1.03
Montana	26,671,000.00	35,438,536.00	8,767,536.00	32.87	591,899	537,606	−54,293		45.06	65.92	20.86	46.29
Nebraska	60,881,000.00	78,946,363.00	18,065,363.00	29.67	1,322,350	1,377,963	55,613	4.20	46.04	57.29	11.25	24.43
Nevada	6,355,000.00	6,127,930.00	−227,070.00		77,415	91,058	13,643	17.62	82.09	67.30	−14.79	
New Hampshire	19,406,000.00	27,053,419.00	7,647,419.00	39.40	445,909	465,293	19,384	4.34	43.52	58.14	14.62	33.59
New Jersey	160,900,000.00	371,479,533.00	210,579,533.00	130.87	3,283,673	4,041,334	757,661	23.07	49.00	91.92	42.92	87.59
New Mexico	11,766,000.00	13,332,524.00	1,566,524.00	13.31	368,612	423,317	54,705	14.84	31.92	31.50	−.42	
New York	612,693,000.00	1,188,363,341.00	575,670,341.00	93.95	10,646,272	12,588,066	1,941,794	18.23	57.55	94.40	36.85	64.03
North Carolina	47,480,000.00	101,774,166.00	54,294,166.00	114.35	2,646,591	3,170,276	523,685	19.78	17.94	32.10	14.16	78.92
North Dakota	30,932,000.00	35,808,675.00	4,876,675.00	15.76	661,223	680,845	19,622	2.96	46.78	51.13	4.35	9.29
Ohio	272,192,000.00	407,051,219.00	134,859,219.00	49.54	5,963,891	6,646,697	682,806	11.44	45.64	61.24	15.60	34.18
Oklahoma	54,934,000.00	88,917,747.00	33,983,747.00	61.86	2,104,751	2,396,040	291,289	13.83	26.10	37.11	11.01	42.18
Oregon	49,714,000.00	65,060,810.00	15,346,810.00	30.87	809,015	953,786	144,771	17.89	61.45	68.21	6.76	11.00

Pennsylvania	305, 783, 000.00	511, 314, 331.00	205, 531, 331.00	67.21	8, 983, 049	9, 631, 350	648, 301	7.21	34.04	63.09	19.05	55.98
Rhode Island	24, 220, 000.00	36, 807, 523.00	12, 587, 523.00	51.97	620, 233	687, 497	67, 264	10.84	39.06	53.54	14.49	37.10
South Carolina	24, 407, 000.00	47, 548, 074.00	23, 141, 074.00	94.81	1, 727, 317	1, 738, 765	11, 448	.66	14.13	27.35	13.22	93.55
South Dakota	32, 388, 000.00	40, 376, 058.00	7, 988, 058.00	24.66	647, 371	692, 849	45, 478	7.02	50.03	58.28	8.25	16.49
Tennessee	43, 748, 000.00	83, 238, 372.00	39, 490, 372.00	90.26	2, 369, 881	2, 616, 556	246, 675	10.40	18.46	31.81	13.35	72.31
Texas	110, 046, 000.00	226, 724, 716.00	116, 678, 716.00	106.02	4, 835, 061	5, 824, 715	989, 654	20.46	22.76	38.92	16.16	71.00
Utah	19, 244, 000.00	27, 004, 301.00	7, 760, 301.00	40.32	468, 333	507, 847	39, 514	8.43	41.09	53.17	12.08	29.39
Vermont	12, 084, 000.00	20, 015, 155.00	7, 931, 155.00	65.63	352, 406	359, 611	7, 205	2.04	34.29	55.66	21.37	62.32
Virginia	46, 782, 000.00	77, 739, 488.00	30, 957, 488.00	66.17	2, 366, 314	2, 421, 851	55, 537	2.35	19.77	32.10	12.33	62.36
Washington	77, 678, 000.00	94, 130, 200.00	16, 452, 200.00	21.17	1, 406, 445	1, 563, 396	156, 951	11.15	55.23	60.21	4.98	9.01
West Virginia	43, 513, 000.00	71, 767, 852.00	28, 254, 852.00	64.93	1, 513, 495	1, 729, 205	215, 710	14.25	28.75	41.50	12.75	44.34
Wisconsin	128, 060, 000.00	183, 683, 744.00	55, 623, 744.00	43.43	2, 693, 733	2, 939, 006	245, 273	9.10	47.54	62.50	14.96	31.46
Wyoming	9, 430, 000.00	12, 582, 920.00	3, 152, 920.00	33.43	205, 625	225, 565	19, 940	9.69	45.86	55.78	9.92	21.63
Total States, Territories, and subdivisions thereof	4, 220, 912, 000.00	7, 091, 279, 383.00	2, 870, 367, 383.00	68.00	108, 657, 705	122, 775, 046	14, 117, 341	12.99	38.84	57.76	18.92	48.71
Federal Government	3, 197, 000, 000.00	2, 427, 896, 142.00	−769, 103, 858.00	....	108, 657, 705	122, 775, 046	14, 117, 341	12.99	29.43	19.77	−9.66	−32.82
Grand total, Federal and State	7, 417, 912, 000.00	9, 519, 175, 525.00	2, 101, 263, 525.00	28.32	108, 657, 705	122, 775, 046	14, 117, 341	12.99	68.27	77.53	9.26	13.56

NOTE.—The Territories of Alaska and Hawaii are omitted from this chart as no data are available for 1922.

EXHIBIT 20

Federal expenditures classified, fiscal years 1913 to 1933, inclusive

[In millions of dollars]

Purpose of expenditure	Expenditures by fiscal years										
	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923
General Government	127.5	123.2	143.4	148.2	187.2	241.8	332.5	355.3	488.5	462.3	492.4
Protection to person and property, total	254.2	268.6	273.9	293.9	1,473.6	11,871.4	17,095.0	4,078.3	2,581.0	952.4	807.7
(a) Army, Navy, and war activities	(249.3)	(262.8)	(265.9)	(284.2)	(578.5)	(7,119.5)	(13,593.1)	(3,639.1)	(2,479.6)	(926.2)	(780.9)
(b) Department of Labor	(3.3)	(3.8)	(3.8)	(3.5)	(3.8)	(5.5)	(12.9)	(5.4)	(8.5)	(6.2)	(7.2)
(c) Prohibition and narcotic enforcement								(2.1)	(6.8)	(7.2)	(9.1)
(d) Regulation of corporations, industries, etc	(1.6)	(2.0)	(4.2)	(6.2)	(6.3)	(8.4)	(9.6)	(9.4)	(11.8)	(11.0)	(8.2)
(e) Purchase of foreign obligations					(885.0)	(4,738.0)	(3,479.3)	(421.3)	(73.9)	(.7)	
(f) War claims							(.1)	(1.0)	(.4)	(1.1)	(2.3)
Conservation of health and sanitation	5.6	6.1	6.1	6.4	6.0	6.7	9.8	25.2	59.8	43.0	13.9
Development and conservation of natural resources	24.8	27.3	38.1	30.3	31.7	45.0	36.8	38.5	60.8	34.6	55.0
Highways, etc., total	83.4	83.3	76.7	51.0	51.1	50.2	50.7	86.8	181.3	166.5	136.3
(a) Highways	(.2)	(.2)	(.7)	(1.0)	(.8)	(1.3)	(4.4)	(25.5)	(62.9)	(95.5)	(79.6)
(b) Waterways, bridges, rivers, harbors, etc	(83.2)	(83.1)	(76.0)	(50.0)	(50.3)	(48.9)	(46.3)	(61.3)	(118.4)	(71.0)	(56.7)
Charities, hospitals and corrections, total	6.1	5.6	7.5	6.2	7.0	6.4	6.9	21.3	19.1	158.9	203.1
(a) Hospitals for Army, Navy, and veterans	(5.4)	(4.5)	(4.2)	(5.4)	(5.0)	(5.5)	(4.5)	(6.1)	(16.2)	(155.0)	(197.4)
(b) Special relief for needy and suffering	(.2)	(.6)	(2.6)		(1.3)	(.2)	(.2)	(11.6)	(.4)	(1.1)	(2.3)
(c) Prisons and penal institutions	(.5)	(.5)	(.7)	(.8)	(.7)	(.7)	(2.2)	(3.6)	(2.4)	(2.7)	(3.3)
(d) Miscellaneous									(.1)	(.1)	(.1)
Education (except military and naval)	3.9	3.9	4.0	3.9	4.0	5.5	5.2	37.1	109.5	23.3	11.3
Recreation (total)	.7	.7	1.4	1.2	1.4	2.0	4.3	4.4	14.1	7.9	6.4
(a) Parks	(.4)	(.5)	(1.1)	(.9)	(1.1)	(1.2)	(1.2)	(1.6)	(1.7)	(2.0)	(5.0)
(b) Monuments and cemeteries	(.3)	(.2)	(.3)	(.3)	(.3)	(.8)	(3.1)	(2.8)	(12.4)	(5.9)	(1.4)
Interest	22.9	22.9	22.9	22.9	24.7	189.7	619.2	1,020.3	999.1	991.1	1,055.9
Miscellaneous (total)	195.4	193.6	186.5	176.9	191.0	279.1	362.5	815.9	1,035.0	955.3	915.5
(a) Pensions	(175.1)	(173.4)	(164.4)	(159.3)	(160.3)	(181.6)	(233.1)	(316.6)	(388.0)	(378.6)	(386.0)
(b) Military, naval, and veteran insurance						(.3)			(75.9)	(83.3)	(81.2)
(d) Special relief and loans to agriculture					(.1)	(65.2)	(86.8)	(29.8)	(17.0)	(.2)	(.3)
(e) Indian affairs	(20.3)	(20.2)	(22.1)	(17.6)	(30.6)	(30.9)	(34.6)	(40.5)	(41.5)	(38.5)	(45.1)
(g) Debt retirements						(1.1)	(8.0)	(78.7)	(422.3)	(422.7)	(402.9)
(x) Other miscellaneous								(350.3)	(90.3)	(32.0)	
Grand total	724.5	735.2	760.5	740.9	1,977.7	12,697.8	18,522.9	6,483.1	5,548.3	3,795.3	3,697.5

Purpose of expenditure	Expenditures by fiscal years									
	1924	1925	1926	1927	1928	1929	1930	1931	1932 [1]	1933 [1]
General Government	467.7	503.2	576.1	512.4	550.9	766.6	698.8	691.8	874.3	834.2
Protection to person and property, total	733.9	684.9	702.2	667.9	796.3	790.1	820.3	845.2	810.9	640.7
(a) Army, Navy, and war activities	(702.6)	(653.1)	(670.9)	(628.1)	(709.7)	(740.0)	(781.4)	(802.5)	(764.4)	(600.6)
(b) Department of Labor	(6.6)	(9.7)	(8.5)	(9.9)	(9.8)	(11.3)	(10.6)	(12.2)	(14.7)	(12.9)
(c) Prohibition and narcotic enforcement	(8.4)	(10.4)	(11.0)	(12.3)	(13.5)	(13.3)	(15.4)	(15.7)	(17.8)	(16.2)
(d) Regulation of corporations, industries, etc	(13.0)	(8.7)	(10.1)	(10.2)	(10.4)	(12.3)	(12.8)	(14.6)	(14.0)	(11.0)
(e) Purchase of foreign obligations						(12.2)				
(f) War claims	(3.3)	(3.0)	(1.7)	(7.4)	(52.9)	(1.0)	(.1)	(.2)		
Conservation of health and sanitation	12.0	13.8	14.2	14.4	16.3	17.3	17.7	18.5	20.1	18.7
Development and conservation of natural resources	55.5	60.4	57.4	68.8	73.5	75.3	89.6	84.1	113.9	97.5
Highways, etc., total	174.5	195.4	176.7	170.2	183.0	193.2	211.8	271.3	325.6	329.6
(a) Highways	(90.2)	(105.3)	(98.2)	(92.5)	(90.9)	(95.9)	(89.9)	(174.7)	(219.8)	(220.7)
(b) Waterways, bridges, rivers, harbors, etc	(84.3)	(90.1)	(78.5)	(77.7)	(92.1)	(97.3)	(121.9)	(96.6)	(105.8)	(108.9)
Charities, hospitals, and corrections, total	166.0	119.6	67.1	48.9	47.4	52.4	68.2	121.7	148.5	187.1
(a) Hospitals for Army, Navy, and Veterans	(159.3)	(115.3)	(62.4)	(42.8)	(40.4)	(44.9)	(55.6)	(62.[illegible])	(97.2)	(100.6)
(b) Special relief for needy and suffering	(3.3)					(.3)	(3.9)	(47.6)	(37.2)	(74.1)
(c) Prisons and penal institutions	(3.3)	(4.2)	(4 6)	(6.0)	(6.9)	(7.1)	(8.6)	(11.2)	(14.0)	(12.3)
(d) Miscellaneous	(.1)	(.1)	(.1)	(.1)	(.1)	(.1)	(.1)	(.1)	(.1)	(.1)
Education (except military and naval)	10.7	12.2	13.0	13.2	13.8	14.5	15.7	17.1	15.5	13.2
Recreation (total)	5.5	6.4	7.1	7.5	9.3	11.7	15.9	19.1	18.6	13.8
(a) Parks	(4.4)	(5.3)	(6.3)	(6.6)	(7.9)	(9.7)	(13.5)	(16.4)	(17.1)	(12.5)
(b) Monuments and cemeteries	(1.1)	(1.1)	(.8)	(.9)	(1.4)	(2.0)	(2.4)	(2.7)	(1.5)	(1.3)
Interest	940.6	881.8	831.9	787.0	731.8	678.3	659.3	611.6	599.3	640.0
Miscellaneous (total)	940.3	1,051.9	1,139.2	1,203.3	1,221.2	1,249.1	1,396.9	1,539.6	2,079.8	1,332.5
(a) Pensions	(342.1)	(360.7)	(362.7)	(405.4)	(412.2)	(420.5)	(420.1)	(489.8)	(549.1)	(594.8)
(b) Military, naval and veteran insurance	(93.2)	(86.0)	(120.0)	(127.0)	(117.5)	(127.0)	(127.5)	(160.7)	(126.1)	(117.0)
(c) Adjusted-service certificates		(99.5)	(120.2)	(115.2)	(111.8)	(111.8)	(112.3)	(224.2)	(194.0)	(100.0)
(d) Special relief and loans to agriculture	(.3)	(.4)	(.5)	(.6)	(.7)	(5.9)	(151.0)	(191.5)	(262.2)	(.9)
(e) Indian affairs	(46.8)	(38.8)	(48.4)	(35.5)	(38.7)	(34.3)	(32.1)	(33.3)	(35.8)	(23.0)
(f) Special relief and loans to business									(500.0)	
(g) Debt retirements	(457.9)	(466.5)	(487.4)	(519.6)	(540.3)	(549.6)	(553.9)	(440.1)	(412.6)	(496.8)
Grand total	3,506.7	3,529.6	3,584.9	3,493.6	3,643.5	3,848.5	3,994.2	4,220.0	5,006.5	4,107.3

Deduct for 1933 savings of economy bill, $150,000,000 net total expenditure (1933), $3,957,300,000.

[1] Expenditures for 1933 estimated. Breakdown of expenditures for 1932 estimated.

EXHIBIT 21

Revenue of Great Britain classified—Fiscal years [1] 1930 to 1932, inclusive

Source of revenue	In British pounds sterling			In millions of dollars		
	1930	1931	1932 [2]	1930	1931	1932
I. Receipts from inland revenue:						
Income tax	296,835,821	325,771,203	366,567,000	1,484	1,629	1,833
Death duties	79,234,117	83,002,936	65,000,000	396	415	325
Stamp duties	25,253,457	20,334,596	17,070,000	127	102	85
Land tax	630,040	594,658	850,000	3	3	4
Mineral rights duty	248,873	245,113		1	1	
Total inland revenue	402,202,308	430,038,506	449,487,000	2,011	2,150	2,247
Customs	120,611,299	121,734,988	136,152,000	603	609	681
Excise	127,370,522	124,309,728	119,900,000	637	621	599
Total customs and excise	247,981,821	246,044,716	256,052,000	1,240	1,230	1,280
Motor vehicle duty, etc	26,597,926	27,825,281	[1] 27,480,000	133	139	138
Total all tax revenue	676,782,055	703,908,503	733,019,000	3,384	3,519	3,665
II. Miscellaneous revenue:						
Postal service	40,180,425	40,342,291	69,500,000	201	202	347
Telegraph service	6,155,620	6,007,481		31	30	
Telephone service	21,644,596	22,617,168		108	113	
Crown lands	1,302,611	1,285,198	1,250,000	6	6	6
Receipts from sundry loans	32,639,596	32,890,401	13,810,000	163	164	69
Miscellaneous	10,432,855	34,330,533	29,913,000	52	172	150
Appropriation from rating relief suspense account	25,931,830	16,000,000	3,990,000	130	80	20
Total miscellaneous revenue	138,287,534	153,473,072	118,463,000	691	767	592
Total revenue	815,069,589	857,381,575	851,482,000	4,075	4,286	4,257

[1] The British fiscal year ends March 31.
[2] Preliminary figures are given for 1932.
Conversion unit: 1 pounds equals $5.
Source: Legislative Reference Service, Library of Congress, Statement of André Bernard.

EXHIBIT 22

Great Britain—Receipts [1] of local governments

Receipts	1927-28	1928-29	1927-28	1928-29
Taxes on property	£166,678,842	£166,466,401	$833,000,000	$832,000,000
Fees, tolls, rents, etc	159,266,214	164,835,648	796,000,000	824,000,000
Total receipts	325,945,056	331,302,049	1,629,000,000	1,656,000,000

[1] Receipts do not include exchequer grants.
Conversion unit: 1 pound equals $5; conversion to nearest million of dollars.

EXHIBIT 23

Great Britain—Revenue receipts from excise taxes, fiscal year 1930–31

Name of excise	1930–31	
Spirits	£35,137,339	$175,686,695
Beer	69,269,299	346,346,495
British wine (sweets)	203,288	1,016,440
Table waters	339,398	1,696,990
Sugar	2,217,061	11,085,305
Molasses	2,833	14,165
Glucose	217,101	1,085,505
Saccharin	77,632	388,160
Tobacco	726	3,630
Matches	2,026,221	10,131,105
Mechanical lighters	6,035	30,175
Artificial silk	1,546,417	7,732,085
Entertainments	6,952,087	34,760,435
Coffee mixture labels	438	2,190
Medicine stamp duties	1,097,602	5,488,010
Playing cards	77,066	385,330
Betting duty (including certificates)	16,301	81,505
Club duty	171,638	858,190
Monopoly values	137,397	686,985
License duties:		
Liquor licenses—		
Brewers	231,426	1,157,130
Sweets manufacturers	616	3,080
Spirits, distillers, and rectifiers	19,076	95,380
Beer dealers	32,530	162,650
Beer and cider retailers	479,551	2,397,755
Spirits dealers	46,162	230,810
Spirits retailers	3,343,912	16,719,560
Wine and sweets dealers	32,036	160,180
Wine and sweets retailers	87,811	439,065
Other licenses—		
Table water manufacturers	839	4,195
Tobacco manufacturers	3,484	17,420
Medicines, stamped (makers or vendors)	27,607	138,035
Methylated spirit, makers and retailers	12,319	61,595
Refreshment house, makers and retailers	12,241	61,205
Tobacco dealers, makers and retailers	124,900	624,500
Dog (Scotland)	64,382	321,910
Gun (Scotland), makers and retailers	9,692	48,460
Game (Scotland), makers and retailers	22,329	111,645
Establishments—		
Male servants (Scotland)	12,576	62,880
Armorial bearings (Scotland)	3,008	15,040
Auctioneers, appraisers, etc	87,786	438,930
Hawkers	15,598	77,990
Plate, dealers in gold and silver	55,381	276,905
Pawnbrokers	26,243	131,215
Money lenders	49,258	246,290
Other licenses	983	4,915
Moneys deposited and not appropriated to goods	12,102	60,510
Total excise	124,309,727	621,548,635

Conversion unit: 1 pound equals $5.
Source: Finance Accounts of United Kingdom 1930–31.

EXHIBIT 24

Great Britain—Receipts from stamp duties 1929–30, 1930–31

Name of duty	1929–30	1930–31	1929–30	1930–31
Land and property other than stocks and shares	£4,849,217	£4,430,810	$24,000,000	$22,000,000
Stocks, shares, debentures, etc	7,269,800	5,890,171	36,000,000	29,000,000
Companies' share capital duty	3,770,902	1,134,930	19,000,000	6,000,000
Checks, bills of exchange, etc	4,837,457	4,521,188	24,000,000	23,000,000
Receipts	2,686,205	2,640,841	13,000,000	13,000,000
Shipping	684,887	628,416	4,000,000	3,000,000
Certificates, and licenses	155,811	154,330	1,000,000	1,000,000
Insurance and miscellaneous	999,178	933,910	5,000,000	4,000,000
Total receipts from stamp duties	25,253,457	20,334,596	126,000,000	101,000,000
Payments into exchequer	25,670,000	20,650,000	128,000,000	103,000,000

Conversion unit: 1 pound equals $5; conversion to nearest million of dollars.

EXHIBIT 25

Great Britain—Expenditures fiscal years 1929–30, 1930–31

	1929–30	1930–31	1929–30	1930–31
Consolidated fund services:				
National debt services—				
Interest	£304, 986, 964	£291, 874, 290	$1, 525, 000, 000	$1, 459, 000, 000
Management and expenses	2, 264, 701	1, 295, 279	11, 000, 000	7, 000, 000
New sinking fund	47, 748, 315	66, 830, 431	239, 000, 000	334, 000, 000
Road fund	21, 881, 532	22, 865, 959	109, 000, 000	114, 000, 000
Payments to local taxation accounts	13, 314, 453	326, 736	67, 000, 000	2, 000, 000
Payments to Northern Ireland Exchequer	5, 526, 004	6, 424, 670	28, 000, 000	32, 000, 000
Other consolidated fund services—				
Civil list	470, 000	470, 000	2, 000, 000	2, 000, 000
Annuities and pensions	412, 965	425, 204	2, 000, 000	2, 000, 000
Salaries and allowances	21, 135	21, 098		
Courts of justice	485, 880	481, 449	2, 000, 000	2, 000, 000
Miscellaneous services	1, 921, 584	1, 171, 788	10, 000, 000	6, 000, 000
Supply services:				
Army (including ordnance factories)	40, 500, 000	40, 150, 000	202, 000, 000	201, 000, 000
Navy	55, 750, 000	52, 574, 000	279, 000, 000	263, 000, 000
Air	16, 750, 000	17, 800, 000	84, 000, 000	89, 000, 000
Miscellaneous	246, 535, 000	307, 445, 000	1, 233, 000, 000	1, 537, 000, 000
Customs and excise	4, 945, 000	4, 929, 000	25, 000, 000	25, 000, 000
Inland revenue	7, 080, 000	6, 952, 000	35, 000, 000	35, 000, 000
Post Office	58, 900, 000	59, 000, 000	294, 000, 000	295, 000, 000
Total	829, 493, 543	881, 036, 904	4, 147, 000, 000	4, 405, 000, 000

Source: Finance Accounts of the United Kingdom, 1929–30 and 1930–31.
Conversion unit: 1 pound equals $5; conversion to nearest million of dollars.

EXHIBIT 26

France—Revenue receipts 1930, 1931, and 1932

	January, 1929–March, 1930	April, 1930–March, 1931	April, 1931–March, 1932	January, 1929–March, 1930	April, 1930–March, 1931	April, 1931–March, 1932
I. Direct taxes:	*Francs*	*Francs*	*Francs*			
Income taxes	15, 481, 362, 300	13, 392, 328, 500	11, 960, 706, 000	$619, 000, 000	$535, 000, 000	$478, 000, 000
Other direct taxes	835, 997, 000	894, 868, 300	1, 244, 152, 000	33, 000, 000	36, 000, 000	50, 000, 000
Total, direct taxes	16, 317, 359, 300	14, 287, 196, 800	13, 204, 858, 000	652, 000, 000	571, 000, 000	528, 000, 000
II. Indirect taxes:						
Registration duties	15, 955, 636, 368	7, 670, 018, 001	6, 499, 520, 796	638, 000, 000	307, 000 000	260, 000, 000
Stamp duties	2, 888, 174, 000	2, 254, 858, 000	2, 207, 567, 000	115, 000, 000	90, 000 000	88, 000, 000
Stock exchange transactions	621, 674, 000	172, 776, 000	102, 871, 000	25, 000, 000	7, 000, 000	4, 000, 000
Turnover (sales tax), including luxury tax	12, 413, 969, 000	8, 748, 457, 000	7, 524, 270, 000	496, 000, 000	350, 000, 000	301, 000, 000
Customs duties	5, 432, 115, 000	4, 785, 315, 000	5, 920, 570, 000	217, 000, 000	191, 000, 000	237, 000, 000
Indirect taxes	8, 689, 743, 000	6, 827, 975, 000	6, 366, 457, 000	348, 000, 000	273, 000, 000	254, 000, 000
Colonial produce, coffee substitutes, vanillin, etc	568, 163, 000	475, 694, 000	493, 548, 000	23, 000, 000	19, 000, 000	20, 000, 000
Surtax on gasoline	294, 213, 000	270, 326, 000	346, 635, 000	12, 000, 000	11, 000, 000	14, 000, 000
Salt	271, 936, 000	215, 064, 000	217, 546, 000	11, 000, 000	9, 000, 000	9, 000, 000
Sugar	1, 456, 861, 000	836, 871, 000	765, 064, 000	58, 000, 000	34, 000, 000	30, 000, 000
Gasoline and petroleum products	599, 494, 000	536, 552, 000	568, 503, 000	24, 000, 000	21, 000, 000	23, 000, 000
Heavy mineral oils	64, 280, 000	52, 735, 000	45, 569, 000	3, 000, 000	2, 000, 000	2, 000, 000
Benzols	38, 464, 000	22, 681, 000	17, 613, 000	2, 000, 000	1, 000, 000	1, 000, 000
Government monopolies	6, 132, 207, 913	5, 197, 313, 729	5, 260, 852, 713	245, 000, 000	208, 000, 000	210, 000, 000
Total, indirect taxes	55, 426, 730, 281	38, 066, 635, 730	36, 336, 586, 509	2, 217, 000, 000	1, 523, 000, 000	1, 453, 000, 000
Total, revenue from taxes	71, 744, 089, 581	52, 353, 832, 530	49, 541, 444, 509	2, 869, 000, 000	2, 094, 000, 000	1, 981, 000, 000
III. Miscellaneous revenue:						
State domains	519, 377, 100	411, 836, 600	286, 627, 500	21, 000, 000	16, 000, 000	11, 000, 000
Casual receipts and miscellaneous revenue	5, 419, 876, 865	5, 526, 854, 874	[1] 2, 612, 604, 269	217, 000, 000	221, 000, 000	105, 000, 000
Products collected in Algeria	29, 662, 204	34, 559, 200	25, 919, 400	1, 000, 000	1, 000, 000	1, 000, 000
Total, miscellaneous revenue	5, 968, 916, 169	5, 973, 250, 674	2, 925, 151, 169	239, 000, 000	238, 000, 000	117, 000, 000
IV. Exceptional sources: Liquidation of war stocks	16, 755, 200	11, 279, 500	878, 700	1, 000, 000	1, 000, 000	
Total, exceptional sources	16, 755, 200	11, 279, 500	878, 700	1, 000, 000	1, 000, 000	
Total, revenue from all sources	77, 729, 760, 950	58, 338, 362, 704	52, 467, 474, 378	3, 109, 000, 000	2, 333, 000, 000	2, 098, 000, 000

[1] Estimated.

Conversion unit: 4 cents equals 1 franc; conversion to nearest million of dollars.

EXHIBIT 27

France—Expenditures, fiscal years 1931 and 1932

	1930-31	1931-32	1930-31	1931-32
Ministry of Finance:	*Francs*	*Francs*		
Ordinary expenditures	8,578,907,904	7,786,213,196	$343,000,000	$311,000,000
Alsace-Lorraine	2,961,140	3,001,442		
Ministry of Justice:				
Judiciary	215,182,664	248,142,738	9,000,000	10,000,000
Penitentiaries	102,475,870	105,453,312	4,000,000	4,000,000
Ministry of Foreign Affairs	240,199,717	271,817,247	10,000,000	11,000,000
Ministry of Interior:				
Ordinary expenditures	1,257,870,198	1,400,454,034	50,000,000	56,000,000
Alsace-Lorraine	38,874,113	42,536,648	2,000,000	2,000,000
Ministry of War:				
Ordinary expenditures—				
Home army	6,575,750,652	3,275,810,154	263,000,000	131,000,000
Colonial army	378,043,739	405,594,480	15,000,000	16,000,000
New materials and construction	895,012,540	1,158,325,628	36,000,000	46,000,000
Troops on the Saar Basin	8,292,480			
Defense of overseas territories:				
Algeria and Tunis	617,615,982	495,663,300	25,000,000	20,000,000
Morocco	692,170,101	714,751,322	28,000,000	29,000,000
Army of the east	249,612,607	210,951,942	10,000,000	8,000,000
Army of occupation in China	34,241,135		2,000,000	
Ministry of Marine (navy)	2,517,044,149	2,793,595,560	101,000,000	110,000,000
Ministry of Public Instruction and Fine Arts:				
Ordinary expenditures	2,807,498,140	2,981,900,920	112,000,000	119,000,000
Alsace-Lorraine	176,937,027	185,966,061	7,000,000	7,000,000
Fine arts	113,592,714	135,949,006	5,000,000	6,000,000
Technical instruction	168,842,982	194,575,958	7,000,000	8,000,000
Physical education	17,990,805	21,011,806		
Ministry of Commerce and Industry	53,719,843	75,250,530	2,000,000	3,000,000
Ministry of Air:				
Home air service	1,577,364,914	1,740,951,250	63,000,000	70,000,000
Morocco	49,290,914	74,224,643	2,000,000	3,000,000
Army of the east	27,254,048	35,411,204	1,000,000	1,000,000
Colonial air service	18,428,767	60,901,375		2,000,000
Algeria and Tunis		107,387,748		4,000,000
Ministry of Labor and Social Welfare:				
Ordinary expenditures	942,587,320	950,733,285	38,000,000	38,000,000
Alsace-Lorraine	21,985,897	27,756,004		1,000,000
Ministry of Public Health	1,031,703,741	1,093,904,095	41,000,000	44,000,000
Ministry of Colonies	570,800,593	787,802,664	23,000,000	32,000,000
Ministry of Agriculture	680,738,127	763,652,407	27,000,000	31,000,000
Ministry of Public Works:				
Public works proper	2,109,836,486	2,414,936,483	85,000,000	97,000,000
Liberated regions (returned as result of World War)	335,700,063	228,509,815	14,000,000	9,000,000
Ministry of Merchant Marine	399,161,432	451,109,408	16,000,000	18,000,000
Ministry of Pensions (bonuses, etc., paid as result of war service)	1,306,107,470	1,637,170,500	52,000,000	66,000,000
Total expenditures, exclusive of debt service	34,827,355,171	32,876,436,316	1,393,000,000	1,315,000,000
National debt service (estimated)	20,000,000,000	20,500,000,000	800,000,000	820,000,000
Grand total	54,827,355,171	53,376,436,316	2,193,000,000	2,135,000,000

Conversion unit: 1 franc equals 4 cents; conversion to nearest million of dollars.
Source: Expenditures exclusive of debt service, from Journal Officiel de la Republique Francaise.

EXHIBIT 28

Germany—Revenue receipts 1931 [1]

[From Bulletin de Statistique, February, 1932]

	In millions of reichsmarks	In millions of dollars [2]
I. Taxes on wealth and circulation:		
Wages and salaries	1,281.1	320.2
Capital	194.3	48.6
Other receipts	1,285.3	321.3
Corporation income tax	450.0	112.5
Crisis tax (additional income tax for relief of unemployed)	81.4	20.3
General property	450.1	112.5
Industrial taxes	327.9	82.0
Death taxes	79.0	19.8
Turnover tax	996.2	249.0
Acquisition of land	29.0	7.2
A. Taxes on circulation of capital:		
Corporation	30.7	7.7
Stocks and shares	9.6	2.4
Turnover tax on stock speculation	19.4	4.9
Automobiles	208.9	52.2
Insurance companies	64.9	16.2
Pari mutuels	30.5	7.7
Lotteries	60.9	15.2
Conveyances	40.1	10.0
Passenger transportation	172.7	43.1
Freight transportation	142.5	35.7
Obligations reimbursed in depreciated currency, etc	6.5	1.7
II. Customs and consumption taxes:		
Customs	1,083.0	270.8
Tobacco	1,058.0	264.5
Sugar	169.7	42.4
Beer	473.3	118.3
Alcohol monopoly	211.6	53.0
Sparkling wines	7.8	2.0
Matches	13.6	3.4
Tax on lighting (illumination)	11.0	2.8
Mineral waters	14.9	3.7
Mineral oil	10.3	2.5
Match monopoly	3.0	.7
Acetic acid	2.5	.6
Playing cards	2.4	.6
Statistical tax	2.9	.7
Sweetening preparations	.3	[3].1
Compensating tax on alcohol	.1	[3].1
Total revenue	9,025.6	2,256.4

[1] Fiscal year.
[2] Conversion unit: 4 reichsmarks equal $1.
[3] Less than $100,000 is collected from this tax.

EXHIBIT 29

Germany—Expenditures, 1931 [1]

[From Wirtshaft und Statistik, July 1, 1932]

	1930–31	
	In millions of reichsmarks	In millions of dollars [2]
Official and employees	829.1	207.2
Reliefs and pensions, including war disability	1,754.9	438.7
Police	195.0	48.8
Social welfare:		
Social insurance	445.6	111.4
Mines pension fund	26.5	6.6
Disability insurance fund	---	---
Relief for small investors	35.0	8.8
Relief for the unemployed	383.3	95.9
Productive work for the unemployed	45.0	11.2
Unemployment insurance	604.8	151.2
Reich debt:		
Interest and retirement	187.6	47.0
Redemption of loans	320.3	80.0
Extraordinary liquidation of the floating debt	465.0	116.2
Other expenditures, exclusive of war burdens:		
Reichstag	6.5	1.6
Foreign Office	29.8	7.4
Ministry of Home Affairs	38.8	9.7
Ministry of Labor	63.6	16.0
Ministry of Defense—		
Army	271.5	67.9
Navy	135.5	33.9
Ministry of Food and Agriculture	97.7	24.4
Ministry of Transport	134.0	33.5
Ministry of Finance	96.3	24.0
General financial administration	77.3	19.3
Other Reich expenditures	14.9	3.8
Internal war expenditures	287.5	71.9
External war expenditures:		
To the burden of the budget	1,047.9	262.0
Reparations tax of German R. R. Co.	660.0	165.0
Other external war burdens	108.7	27.1
	8,362.3	2,090.5

[1] Fiscal year. [2] Conversion unit: 4 reichsmarks equal $1.

EXHIBIT 30

Japan—Revenue receipts fiscal years 1930 and 1931 [1]

	In millions of dollars [2]	
	1930	1931
Land tax	33.7	33.9
Income tax	99.9	102.0
Business tax	1.0	---
Business profits tax	28.0	29.7
Capital interest tax	8.0	7.9
Succession tax	14.8	13.7
Mining tax	2.7	2.8
Tax on issues of bank notes	2.8	3.0
Liquor tax	121.2	114.6
Tax on table waters	2.2	2.3
Sugar excise	41.1	41.3
Consumption tax textile fabrics	18.3	19.0
Tax on bourses	4.3	4.9
Customs duties	66.0	72.1
Tonnage	1.1	1.2
Stamp tax	39.6	42.8
Postal, telegraph, and telephone service	119.7	126.5
Forests	19.8	23.8
Profits from monopoly (tobacco, salt, camphor, etc.)	88.9	88.7
Other receipts from public undertaking and State property	11.4	11.6
Other miscellaneous receipts	8.1	8.6
Extraordinary revenue	77.2	23.0
Total	811.8	773.4

[1] Budget estimate. [2] Conversion unit: 1 yen equals $0.50.

EXHIBIT 31

Japan—Expenditures, fiscal years 1930 and 1931

	In millions of dollars [1]	
	1930	1931
Imperial household	2.2	2.2
Foreign affairs	11.6	9.5
Home affairs	110.0	70.6
Finance other than debt service	35.7	36.1
Army, and military affairs	113.6	105.4
Navy, and military affairs	133.8	131.4
Justice (courts, prisons, etc.)	18.7	17.4
Education	72.2	72.0
Agriculture and forestry	29.5	29.5
Commerce and industry	5.7	5.8
Communications:		
Department proper and other expenses	105.8	101.1
Pensions and annuities	72.7	72.8
Overseas affairs	16.3	14.6
Debt service	140.2	135.6
Total	868.0	804.3

[1] Conversion unit: 1 yen equals $0.50.

EXHIBIT 32

THE FRENCH SALES (TURNOVER) TAX

("Impôt sur le chiffre d'affaires")

INTRODUCTION OF TAX IN FRANCE

The present French turnover tax was introduced in that country in 1920. At that time, the financial condition of France was in an alarming state, with revenues far below ordinary budget requirements, and with a program of rehabilitation about to be launched. A turnover tax upon the gross receipts of all business transactions was adopted as the quickest and easiest way in which to raise the large amount of revenue needed, although even its most earnest advocates admitted its defects and inequities.

The direct forerunner of the turnover tax was what was known as the payments-tax system, inaugurated during the war period, under which taxes were levied upon receipts for certain commercial and noncommercial payments, for luxury articles, and for expenditures in de luxe restaurants and hotels. Even these taxes were not strictly an innovation, since France had imposed a graduated stamp tax on all acknowledgments for payments ever since 1871.

LEGISLATIVE DEVELOPMENT

As originally enacted on June 25, 1920, the French turnover tax imposed a rate of 1.1 per cent on the turnover, or gross receipts, originating in France, of two chief classes of persons: (*a*) Those who either customarily or occasionally buy to resell; and (*b*) those who perform acts connected with activities which are taxable under the commercial and industrial-profits schedule of the income tax. The first class included merchants and manufacturers, while the second covered certain commercial middlemen, such as brokers, commission men, etc. There was also a third class, of minor importance, composed of those liable to a proportional tax on mine profits under the law of 1810, who do not pay the regular profits tax.

There were two types of exemptions, express and implied. The implied exemptions included farmers, professional men, and salaried workers or wage earners who did not come within the definition of those "buying and reselling" and whose profits were not taxable under the commercial and industrial profits schedule of the income tax. The express exemptions included exports, goods, and services with fixed Government prices, and transactions already subject to special taxes.

Payment of the tax was to be made each month, the taxpayer drawing up a statement of his turnover for the preceding month, calculating the tax due, and sending the statement and the money to the administration. In practice, certain business men were permitted to send in annual statements, under a so-called "forfait" system. In 1922 the "forfait" was extended to a larger group of taxpayers, but a true forfait system was not introduced until 1924. Under this system an estimated tax base is used, payments are made quarterly, and there is absolute freedom from all inspection of books by tax agents.

The chief developments of the French turnover tax since its original enactment in 1920, in addition to the inauguration of the forfait system, have been the increase in rates in 1924 and 1926 and the enactment of "replacement" taxes in 1925. The commodities subject to the replacement tax were withdrawn from the scope of the turnover tax; and instead of the low rate of that tax being imposed every time these commodities changed hands, a single tax, at a higher rate, was levied at some early stage in their economic development. In 1926, when the Parliament raised the general rate from 1.3 to 2 per cent, it made the increase applicable only to sales other than those made at retail or for consumption on the spot. However, the confusion engendered by the necessity of distinguishing retail sales from all others caused Parliament, four months later, to include retail sales within the scope of the higher rate.

Before discussing the operation of the present French turnover tax mention should be made of the luxury and import taxes which have been an integral part of the turnover-tax system. The luxury taxes are divided into two groups: (*a*) Those imposed on luxury articles sold at retail and (*b*) those imposed on the gross receipts of luxury hotels, restaurants, etc. The import tax is applicable to all goods entering France whether or not as a result of a sale, and is imposed in addition to any customs duties.

This study of the French turnover tax covers the law up to about May 1, 1932. It is hoped that it is substantially accurate, although some difficulty was encountered in following the many changes that have taken place since its codification in 1926. It has been necessary to translate the law from the French.

In the following table there are shown the rates applicable to sales, gross receipts, and luxuries under the acts of 1920, 1924, 1926, and 1930:

Rates of French sales and luxury taxes

	Act of 1920	Act of 1924	Act of 1926	Act of 1930
I. Sales tax:	*Per cent*	*Per cent*	*Per cent*	*Per cent*
All sales in general (turnover) [1]	1.1	1.3	[2] 2	2
On gross receipts of those whose acts are concerned with activities taxable under the business profits tax of 1917	1.1	1.3	2	2
On gross receipts of those subject to the mine tax	1.1	1.3	2	2
II. Luxury taxes:				
On retail sales of articles classed as luxuries	10	12	12	[3] 6 [4] 3
Payments for food, lodging, and drink consumed on premises of luxury establishments—				
Of second class	3	3.6	4	[5] 3 [6] 4
Of first class	10	12	13	[5] 6 [6] 13

[1] The "decime," or 0.1 per cent tax on all sales, which goes to the communes or local authorities, is included in the rates of sales in general.
[2] In April, 1926, the rates were: Retail rates, 1.3 per cent; wholesale rate, 2 per cent; intermediaries, 2.5 per cent; newspapers and periodicals, 1.3 per cent. In August, 1926, the rate was made 2 per cent for all except newspapers and periodicals, which remained at 1.3 per cent.
[3] On articles classed as luxuries by their inherent nature.
[4] On articles classed as luxuries because selling above a certain fixed price.
[5] For establishments absorbing tax in their sales price.
[6] For establishments adding tax as a separate item in sales price.

OPERATION OF THE PRESENT SALES TAX

Generally speaking, the application of the French sales tax has been practically unchanged since its original enactment in 1920. The present rate of 2 per cent applies to the following classes of taxpayers, and is imposed upon the base shown opposite each classification:

Taxpayers	Tax base
I. Those who buy and resell in France. (Merchants, manufacturers, real-estate dealers, building contractors, corporation sales to subsidiaries, and consumers' cooperatives.)	The gross receipts or turnover of sales of tangible goods actually made.
II. Those whose acts are concerned with activities taxable under the business profits tax of 1917:	
(a) Travel agencies, theater ticket agencies, labor agencies, or any agency that by contracting independently for the services at one agreed price with the rendor and then by reselling at whatever profit can be made removes the customer from contracting with the person or agency actually rendering the service.	(a) The total gross receipts from the sale of such services bought to resell.
(b) Agents, brokers, or other intermediaries between customer and actual seller or rendor of services.	(b) The total gross receipts of commissions, fees, etc., received from the sale of services as an intermediary.
III. Those subject to the mine tax. (Extraction of material from the earth not equivalent to purchase, so not covered by the "buy and sell" clause.)	Total gross receipts from the sale of tangible goods.

The phrase "buy and resell" was for a time construed to include only gross receipts of those dealers buying with an intent to resell at a profit. This interpretation excluded consumers' cooperatives, but court decisions rendered in 1923 and 1924 nullified this interpretation and held the tax applicable to any sale, regardless of the vendor's intent when the purchase was made. However, this does not include the casual disposition of an article of no further use to the owner because obsolete, unneeded, or replaced by another article. Up to 1925, sales of real estate bought with an intent to resell were not taxed on the ground that they were "civil," not "commercial," transactions, but this interpretation of the taxing authorities was nullified by court decisions and later by statute.

The turnover tax may be said to be imposed on money payments made in exchange for commodities delivered and services rendered, but it is limited to such payments made in the ordinary course of business between merchants and manufacturers and their customers. No tax is imposed on payments received by certain economic classes, such as farmers, laborers, and professional men, and on business payments received from the sale of certain classes of commodities and services. These exemptions of persons and things have sprung from different motives. That in favor of persons is usually implied from the wording of the law, and originated not only from a desire to avoid political unpopularity but from a fear that the burden of the tax could not be shifted to the ultimate consumer as intended, and to avoid administrative difficulties. The exemptions in favor of certain commodities and services are noted specificially in the law, and have been adopted because of other taxes on these sales and in order to lessen the burden on the poorer classes of consumers. These exemptions are summarized below under three divisions: (A) Those specifically embodied in the basic law of 1920, (B) those specifically provided for subsequent to the enactment of the basic law, and (C) those implied from the wording of the law:

(A) Specific exemptions under basic law of June 25, 1920:

1. Sales transactions already subject to tax under previous laws. These include:

(*a*) Sales on the stock and commodity exchange made by those who habitually carry on this activity.

(*b*) Pharmaceutical preparations subject to a tax levied on the manufacturer and/or importer. (Wholesalers and retailers are therefore not exempt from the turnover tax.)

(*c*) Savings societies and insurance companies.

(*d*) Amusements subject to an admission tax.

(*e*) Vehicular passenger and freight traffic (taxicabs and drayage).

2. The turnover of any business subject to governmental control as to sales price. This includes:

(*a*) Sales of bread by bakers. (Pastries, however, are not exempt.)

(*b*) Sales of retailers of State monopolies, viz., tobacco, matches, stamped paper, telephone and telegraph service.

(*c*) Revenue from rates of public utilities subject to governmental control of rates (power companies, railroads).

(*d*) Commissions and fees of stockbrokers, shipbrokers, marine-insurance brokers, land banks, and real-estate-loan societies when their rates are fixed by the Government.

3. Exports except antiques and certain works of art. (However, only the last sale made in France to a foreigner, delivery to be made abroad, is exempt.)

(B) Specific exemptions by law made subsequent to basic law:

1. Newspapers and periodicals with a sale price not in excess of 25 centimes. (Increased to 50 centimes in 1926.)

2. In 1923, artisans whose gross receipts came from the sale of finished products, made by their own labor from raw materials, were declared exempt if they qualified under regulations defining the extent of business one might carry on and still be a "small artisan."

3. In 1924, wheat and rye if used in the making of bread.

4. In 1925, sales of articles made subject to a replacement tax.

5. By act of April 4, 1926, sales of milk for consumption in its natural state.

6. Commission merchants, as well as true buyers and sellers of cereals and grains, if not already exempt as dealers in bread, were placed on a turnover rate of 0.55 per cent on total value of grain handled by them by the act of March 26, 1927. (By act of April 16, 1930, dealers in potatoes, and by act of April 26, 1930, dealers in milk, eggs, fresh and dried fruits, fish, cream, butter, and similar articles were added to the list of products the sales of which by commission merchants or true dealers were to be taxed at 0.55 per cent.)

7. In 1928, receipts from the sales of, and of advertisements in, philanthropic publications. Receipts from all schools if not coming from commercial operations. Receipts of nonprofit restaurants for students.

8. In 1929, by act of July 13, flour, semolina, and refuse grain.

9. In each year articles that were made subject to the replacement taxes were exempt from the turnover tax.

(C) Exemptions implied from wording of the law:

1. Sales of farmers' produce grown by themselves.

2. Gross receipts of liberal professions, viz., doctors, lawyers, accountants, etc.

3. Wages and salaries of laborers.

4. Consumers' cooperatives were considered exempt until specifically ruled *not* exempt by the administration in 1924. However, such cooperatives buying farm materials are held exempt.

The French turnover tax, being a tax on the gross sales of all business and not a single levy on a completed article or transaction, naturally results in a pyramiding, or piling up, of the tax. This pyramiding may be illustrated by the following example:

Example I.

A, a manufacturer, sells an article to B, a wholesaler, for $100. A pays a tax of 2 per cent on his gross receipts. B sells the article to C, a retailer, for $140. B pays a tax of 2 per cent on his gross receipts. C sells the article to an ultimate consumer for $200. C pays a tax of 2 per cent on his gross receipts.

The total taxes that would be collected on the above sales would amount to $8.80. This sum would be paid as follows:

A—Gross receipts $100, tax $2. B—Gross receipts $140, tax $2.80. C—Gross receipts $200, tax $4.

Included in the gross receipts of B is the sum of $100, representing the recovery of the original cost of the article to B. B is actually paying a tax of 2 per cent on his recovered capital. In the case of C, his sales price of $200 includes his recovered cost, or capital of $140, on which another tax of 2 per cent is being levied by the Government.

Pyramiding is illustrated by breaking up the total taxes paid as follows:

The amount of $100 at 2 per cent, three times, $6; $40 at 2 per cent, two times, $1.60; $60 at 2 per cent, once, $1.20.

Middlemen such as B and C have escaped the penalizing effect of the French sales tax by giving up their status of dealer and becoming commission merchants, paying a tax on the gross receipts of their commissions. In that situation, A would consign the article to B, B might put the article out on consignment to C, and C would sell the article for $200, retaining $60 as his commission and forwarding the balance to B. B would retain $40 of that amount and send the balance, $100 on to A. A would pay a tax of $2; B a tax of $0.80; and C a tax of $1.20; the Government receiving a total tax of $4. The replacement taxes, taken up later in this discussion, sought to correct this legitimate evasion of the tax.

Pyramiding results in a somewhat larger tax being collected as a result of a situation that permits the dealers to pass the tax on to the ultimate consumer by adding the tax to the sales price of the article. This result is illustrated as follows:

Example II.

A's selling price	$100
Anticipated tax	2
A's actual selling price to B	102

The tax is levied on A's actual selling price (gross receipts) and amounts to $2.04. A has recovered all but $0.04.

Cost to B	$102.00
Expense and profit margin	40.00
Anticipated tax	2.84
B's actual selling price to C	144.84

The tax on B's actual selling price (gross receipts) amounts to $2.896. A has recovered all but $0.056.

Cost to C	$144.84
Expense and profit margin	60.00
Anticipated tax	4.096
C's actual selling price	208.936

The tax on C's actual selling price to the ultimate consumer amounts to $4.178. C has recovered all but $0.082.

The total taxes that would be collected on the above sales would amount to $9.114 distributed as a burden as follows: On A, $0.04; on B, $0.056; on C, $0.082; on the ultimate consumer $8.936. A, B, and C have paid a tax on the taxes recovered by them in their sales price (gross receipts), but in most cases that is also passed on by the dealers by adding an estimated amount to cover the tax on the anticipated tax already included in the sales price.

THE IMPORT TAX

The import tax, which is levied in addition to the regular customs duties, is in distinct contrast to the turnover tax proper, since it has no relation to sales. On the other hand, the importation of goods is the sole occasion for imposing the tax, and it is all-inclusive so far as tangible goods are concerned, except for a few items which have been exempted either by law or administrative ruling. The base upon which the import tax is levied includes not only the value of the article at the port of entry but the amount of the customs duty, if any, as well. Aside from raising revenue, the purpose of the tax is to protect French manufacturers and merchants from competition with tax-free foreign goods in the domestic market. Until just recently, the rate of the import tax corresponded with that of the turnover tax, but under the law of March 31, 1932, there is a rate of 2 per cent on raw products, 4 per cent on products that are further advanced than their natural state, and 6 per cent on finished products. Once imported, the goods are subject to the regular turnover tax. There are certain exceptions, however, which should be mentioned. Merchant importers are granted exemption from the turnover tax in connection with the first sale in France of certain raw materials on which the import tax has been paid. Under the decree of August 14, 1925, which still appears to be in effect, this exemption covers such raw materials as hides, wool, silk, cereals, rice, cacao, rubber, rough lumber, cotton, flax, hemp, jute, and natural phosphates. Imports of commodities which are subject to the replacement taxes (hereafter referred to) are exempt from the import tax just as domestic products subject to these taxes are exempt from the turnover tax. A special import tax, in lieu of the regular tax, is imposed upon the following articles:

Commodity	Special import tax	Remarks
	Per cent	
Luxury articles for the personal use of the importer:		
Luxury by nature	10	If imported by merchant for resale, regular import rate applies. Later sale taxed at luxury-tax rates.
Luxury on account of price	7	Do.
Automobiles:		
Passenger, valued at more than 7,500 francs.	10	Payable no matter to whom destined.
Mixed passenger and commercial	7	Do.
Chassis, bodies, etc	7 or 10	If destined to manufacturer, regular import rate applies. Later sale of completed car taxed at luxury-tax rates.
Perfumery and toilet articles	16	If destined to manufacturer, tax payable when article leaves manufacturer's hands.

THE REPLACEMENT (SINGLE) TAXES

In 1925 there was originated the first of a series of exemptions of certain commodities from the turnover and import taxes and the substitution of "replacement" or "production" taxes on them. The replacement tax is a tax at a high rate levied upon a commodity only once, at some early stage of its production, and in lieu of all turnover or import taxes. The rate is calculated to replace the amount of revenue which was derived from the low turnover rate when imposed every time the commodity changed hands. This innovation constituted an attempt to free as many taxpayers as possible from the continual visits of the tax collector, to lessen the burden on the administration of checking a large number of taxpayers, and to do these things without any decrease in revenue. Another purpose was to check the evasion of the turnover tax accomplished by certain true dealers in coal, grain, and other commodities who were changing their commercial status, actually or apparently, to that of commission merchants and paying a tax on the basis of their commissions (profits) only, rather than on the total gross receipts from the sale of these commodities.

The following table summarizes the commodities subject to the replacement taxes and the special rates imposed.

Articles subject to replacement taxes (single taxes imposed in lieu of all turnover and import taxes)

Articles	Rate of tax	When levied
Coal, coke, etc	2.5 per cent	At mine or coke plant or on importation.
Slaughtering and fresh meats:		
Calves and sheep	20 centimes per kilogram	Before slaughter.
Cattle other than calves	12.5 centimes per kilogram	Do.
Hogs	25 centimes per kilogram	Do.
Horses	10 centimes per kilogram	Do.
Veal and mutton	40 centimes per kilogram	On importation.
Beef and horse meat	25 centimes per kilogram	Do.
Pork	50 centimes per kilogram	Do.
Coffee	8 per cent	On importation (no domestic production).
Tea	7 per cent	Do.
Sulphur	5 per cent	Do.
Sugar	6 per cent [1]	At factory or refinery or on importation.
Denatured alcohol:		
Methyl	3 per cent	On importation or production.
Heating and lighting	6 per cent	Do.
Alcohol and spirits for consumption	47 and 8½ per cent	Do.
Resinous products, turpentine, etc	2.5 per cent	Do.
Petroleum products:		
Crude or refined and gasoline	8 per cent	Do.
Benzol, toluene, benzine	4 per cent [2]	Do.
Oils and fatty bodies:		
Oleaginous fruits and grains	5 per cent	Do.
Fish and vegetable oils	6 per cent [3]	Do.
Refined coconut oil	5 per cent	Do.
Oleomargarine, emulsions, and animal fats for consumption.	4 per cent	Do.
Stearic and oleic acid and deglycerined oils.	5 per cent	Do.
Soaps and candles	7 per cent	Do.
Industrial soaps if sent by producer to industrial user.	4 per cent	Do.

[1] Certain manufacturers using sugar in their products are entitled to a credit for one-half the replacement tax previously paid.
[2] Sale to manufacturer for further production, 2 per cent.
[3] Sale to manufacturer for further production, 4 per cent.

This departure from the principle of the French law, i. e., taxing only one sale instead of all sales, has been somewhat in the nature of an experiment, and will continue to be limited in application to but few articles. To be a proper subject for this form of taxation, a commodity should be—

(*a*) Inclined more or less to be stable in price.

(*b*) The sole line of the producer or dealer.

(*c*) To a great extent in finished form and unlikely to be combined with another article or commodity to be taxed again in (another) finished form under the turnover tax or replacement tax.

THE LUXURY TAXES

Luxury taxes are an important part of the present turnover-tax system. These taxes were imposed before the sales tax was enacted, being first levied under the payments-tax system inaugurated during the war period. They are continued under the sales tax at much higher rates than the general turnover levy of 2 per cent, and supplant the latter tax. There are two separate divisions to the luxury taxes: (*a*) The tax on luxury articles sold at retail, and (*b*) the tax on gross receipts of luxury hotels, restaurants, and so forth. The luxury taxes, of course, are imposed in lieu of the turnover tax when the sale is made at retail.

In the case of articles sold at retail there is a double standard of "luxury." Certain goods are considered de luxe because of their inherent nature, while others become luxury goods only when sold at retail above a certain price. The determination of what constitutes luxury articles is by the Minister of Finance, who issues decrees from time to time listing such articles. These decrees are subject to legislative ratification, but have the force of law until Parliament rejects them. The present rate on articles which are classed as luxuries by their inherent nature is 6 per cent, while those taxed as luxuries because selling above a fixed price are taxed at the rate of 3 per cent. The responsibility for the payment of the tax rests with the seller, and unless otherwise provided or obviously not relevant the laws and regulations governing the turnover tax apply with full force to the luxury taxes.

The standard of luxury for the hotel and restaurant tax is quite different from that under the luxury tax on retail sales. An establishment pays a luxury rate on its gross receipts if it is judged "luxurious," and there are two grades of luxury, to which different rates are applicable. Establishments of the first class pay a rate of 6 per cent if they include the tax in their sale price and 13 per cent if the tax is added as a separate item. Second-class establishments are taxed at the rate of 3 per cent if they include the tax in their sale price and 4 per cent if they do not. The classification of hotels and restaurants is handled by an official commission in each "department," with a commission of appeal in Paris.

SPECIAL TAX ON RETAIL SALES

In addition to the tax on industrial and commercial profits, levied under the income-tax provisions of the internal revenue laws of France, there is levied a tax termed "taxe speciale sur le chiffre d'affaires," literally translated as a special tax on gross receipts. This tax is not considered a part of the sales tax, nor are the receipts from it included in statistics of sales-tax receipts published by the Ministry of Finance. The tax was first levied in 1918, and is administered by the income-tax administration. Its similarity to the turnover tax is so decided that a brief mention of the tax seems to be pertinent to any discussion of the French sales-tax system. As can be seen it is solely a tax on sales.

The tax is imposed on the amount of business (gross receipts, i. e., sales) transacted by enterprises having for their principal object the retail sale of provisions or goods when the amount of such business exceeds 1,000,000 francs, exclusive of exports. The amount of business turnover is taken as the total amount of sales realized each year by the taxable enterprise. It comprises all the elements of the sales price and consequently all duties and taxes, as, for example, the general sales (turnover) tax, which are incorporated therein. The tax also applies to banking, credit, savings, and capitalization enterprises when the amount of their annual turnover exceeds 1,000,000 francs. The present rates, which date from 1926, range from 0.0012 per cent on gross receipts of between 1,000,000 and 2,000,000 francs to a maximum of 0.006 per cent on the excess over 200,000,000 francs. During the operation of the present rates, the annual receipts have been well over 100,000,000 francs.

ADMINISTRATION

The collection of internal revenue in France is divided among three administrative groups—the direct-tax, indirect-tax, and registration administrations, all quite distinct from each other. There is another administration—customs—for collecting export and import duties. No new agency was created for the control and collection of the turnover tax. The burden of collection fell upon the indirect-tax administration and the registration administration, the former making the collection in communes of under 5,000 population and the latter in the larger communes. The direct-tax administration assisted the others in checking the turnover-taxpayer's records of receipts. This division of control worked unsatisfactorily, and not until 1925 was the entire enforcement of the turnover tax placed under the indirect-tax administration with the customs administration attending to levies on imports and exports affected by the turnover taxes or replacement taxes. With the administration and enforcement of the tax centralized, collections and control have become much more satisfactory.

Under the law of June 25, 1920, the turnover tax was due under a monthly payment system. The taxpayer was to prepare a statement of the previous month's receipts, calculate the tax, and make payment when he sent in his statement before the end of the current month. Under later regulations, statements might be made on a quarterly, semiannual, or annual basis, but payments "on account" were due at least quarterly. Taxpayers under the forfait system are not required to send in any statement but must make quarterly payments on their allowed estimate. Taxpayers with a permanent place of business established, and not on the forfait basis, are allowed to make an annual statement under the present law.

Payment is made by cash, postal order, check, draft, or by other commonly accepted negotiable instruments. Stamps are not used in any instance except on articles of luxury sold at retail.

During the first few years of the operation of the turnover tax, evasions were more the rule than the exception. The law was new, there was doubt as to its continued existence, and the administrative bureau was inadequately forced and composed of several independent units. Due to the resultant lax enforcement the Government lost large sums properly due under the law. The actual receipts for the first year were less than 50 per cent of the estimated return of 2,000,000,000 francs.

The law required that merchants, or anyone continually or occasionally buying and reselling, should keep a record of all transactions subject to the tax. The burden of proving omissions of this duty fell on rather indifferent collectors and inspectors. Merchants posed as commission men when in fact they were not, and sales for cash of uninventoried stock could be completely concealed.

The small merchants especially rebelled against keeping records of their transactions for monthly inspection and complained even more vociferously when the failure to keep such records resulted in more strict surveillance by the collector. Bookkeeping among this group was scarcely more detailed than a statement of annual gross receipts and many neglected that. The Government finally conceded to merchants with an annual gross for the previous year (by their records) of less than 48,000 francs (or 12,000 francs if they were intermediaries taxed on commissions, fees, etc.) the privilege of paying on the basis of such receipts for the ensuing year. The taxpayer under this system would show his receipts for the closing year and on the basis of that would pay his installments for the current year (on a quarterly basis: 2 per cent of one-fourth of the preceding year's gross receipts). By the act of December 31, 1921, this privilege was extended to merchants and commission men having an annual gross of 120,000 francs and 30,000 francs, respectively. This was called the "forfait" system; inaccurately, however, for in 1924 the true "forfait" system or estimated tax-base system was inaugurated.

Under the true forfait system, the tax collectors estimated the business of the taxpayer by external indicia, i. e., number of employees, size of establishment, equipment, social status of owner, mode of living, etc., and therefrom estimated the gross receipts of the business, and the taxpayer paid on the basis of that estimate. The taxpayer is not required to give any information or disclose any records unless he disputes the estimate or wishes to renounce the agreement to abide by the estimate. The Government may likewise renounce, but either party must so indicate that intention during the last two months of the year. The estimate lasts for two years and the tax as fixed for each year by this system is payable quarterly. Under the law of 1924 this system was available to merchants having gross receipts not in excess of 200,000 francs (or 40,000 francs in the case of commission men) but under the law of 1927 the larger figure was raised to 300,000 francs.

In 1922 out of 1,720,739 sales-tax payers, 553,806, or slightly over 32 per cent, paid a yearly tax of less than 60 francs each, amounting to less than 1 per cent of the total tax collected. Seventy-eight per cent of the taxpayers could have been entirely exempted from the tax in 1922 with a loss of only 10 per cent in the total revenue from it. In 1924 over 65 per cent of the sales-tax payers paid on an estimated basis but their payments aggregated less than 10 per cent of the total revenue from the levy. These figures indicate the extent of small-scale commerce in France and of evasion.

The establishment of the forfait system, and of the replacement taxes, as well as more efficient administrative efforts have gone far in checking the evasion that was so prevalent during the early years of the tax. The legal evasion that can be accomplished by a dealer becoming a commission merchant can not be circumvented. However, the replacement taxes on those commodities in the sale of which the merchandizing status was more often changed has retarded somewhat this form of evasion.

The automobile tax presents an interesting example of the difficulty or checking evasions that are apparently legal. The tax on passenger automobiles was placed at the luxury tax level and on commercial automobiles at the low turnover rate. This did not prevent the widespread use of commercial automobiles in transporting their owners and their families on purely pleasurable pursuits. When such use was proved an attempt was made to collect the higher tax. This presented so many difficulties and caused so much opposition that the Government finally provided a medium rate for commercial cars whenever the owner intended to put it to uses of pleasure, retaining the low turnover rate on strictly commercial automobiles. These rates were: Passenger car, 12 per cent; semicommercial, 6 per cent; commercial, 2 per cent. The 1930 rates were 6, 3, and 2 per cent, respectively.

Disputes may arise between the taxpayer and the administration on several points; whether or not any tax is due; whether all gross receipts or commissions only are taxable; or whether or not certain gross receipts are exempt. Unless these disputes are settled by agreement (conference) they are carried to the administrative tribunals, "Conseils interdepartementaux," which handle "direct-tax" cases. "Indirect tax" cases, and questions concerning construction of the civil law, are taken to the civil courts with the burden of proof on the taxpayer. However, although taken to "direct-tax" tribunals, the burden of proof in turnover tax cases is placed on the taxpayer, differing in that respect from other "direct-tax" cases. When the case first comes before this tribunal, a fact-finding committee is first appointed, composed of three members, one chosen by the taxpayer, one by the administration, and one by the court. The conclusions of this committee are submitted to the court and the law applied by the court in rendering a decision. Appeals from the "Conseils interdepartementaux" to the "Conseil d'Etat" are provided for, limited, however, to merely a review of the lower court's decision. This appeal, however, does not arrest execution of the lower court's judgment.

The above procedure applies to appeals from additional assessments as well as claims for refunds and must be begun within two years. Other administrative boards are provided for securing a different estimated-tax base, or luxury classification.

In the event that the administration is awarded a judgment for an additional assessment, it still enjoys no preference over other creditors in the case of the bankruptcy of the taxpayer. Recent decisions of the courts have held that the turnover tax is not a true indirect tax and that no claim to insure its payment attaches to the taxpayer's assets or personal effects.

RECEIPTS

The immediate purpose in the adoption of the turnover tax in 1920 was the easy and speedy collection of considerable revenue. All other considerations were swept aside. In the light of history, it may be conceded that the tax has been quite successful from the revenue standpoint. In the early years of the operation of the tax its yield was somewhat disappointing, but this was largely due to the extravagant hopes entertained by its sponsors. Widespread evasion of the tax and the depression in business during that period were factors which adversely affected the yield. At the present time the estimates are more conservative, and the evasion has been checked somewhat, so the receipts are fairly satisfactory.

Starting out in 1920 with a yield of 1,500,000,000 francs (about $80,000,000), receipts from the turnover tax grew constantly year by year until in 1929 they amounted to 14,000,000,000 francs, or a little over $500,000,000. The yield fell off in 1930, however, amounting to about 10,000,000,000 francs, while the preliminary figures for 1931 show a further drop to 8,800,000,000 francs. Even at the latter figure the tax is still a large revenue producer. (At the present rate of exchange the franc is worth about 4 cents.)

The table which follows has been prepared to show the importance of the turnover-tax receipts to the total revenues of France. It may be noted that that tax has accounted for nearly 20 per cent of the tax burden in some years. Receipts from other sources are shown in Exhibit 26 of the appendix.

Receipts from French turnover tax

Year	Receipts, sales tax		Revenue (all sources) in thousand francs	Percentage sales tax to all revenue	Per capita tax of sales tax [3]	
	In thousand francs [1]	In thousand dollars [2]			In francs	In dollars
1920—July-December	1, 424, 988	81, 724	(4)	----------	36. 53	$2. 08
1921	2, 405, 179	178, 945	23, 119, 455	10. 40	61. 67	4. 59
1922	2, 840, 634	218, 160	25, 939, 000	10. 95	72. 83	5. 59
1923	3, 596, 210	218, 649	26, 858, 543	13. 39	92. 21	5. 61
1924	4, 815, 959	251, 874	26, 184, 088	18. 39	120. 39	6. 30
1925	5, 353, 552	254, 829	32, 957, 000	16. 24	133. 83	6. 37
1926	8, 408, 427	272, 433	42, 339, 335	19. 86	205. 09	6. 64
1927	9, 562, 540	374, 851	50, 458, 790	18. 95	233. 23	9. 14
1928	10, 439, 430	409, 225	53, 124, 549	19. 65	254. 62	9. 98
1929—January, 1929-March, 1930	13, 999, 236	547, 370	77, 729, 760	18. 01	341. 44	13. 35
1930—March, 1930-March, 1931	10, 007, 507	392, 294	58, 339, 362	17. 15	238. 27	9. 34
1931—Preliminary	8, 814, 349	345, 522	52, 696, 739	16. 72	209. 86	8. 23

[1] Does not include receipts from special tax on sales, but does include receipts from tax on sale of spirituous liquors and de luxe wines.
[2] Francs converted into dollars at current rate of exchange for each year.
[3] Population ranges from 39,000,000 in 1920 to 42,000,000 in 1931.
[4] Not available.

EXHIBIT 33

THE CANADIAN SALES TAX

INTRODUCTION OF TAX IN CANADA

The sales tax, in modified form, was introduced in Canada in 1920, at a time when the Government was faced with the task of finding new methods and sources of taxation due to the decreasing revenues from existing taxes and duties. It has been in continuous operation ever since. Prior to the outbreak of the World War, Canada's revenues were derived solely from customs duties and excises. During and after the war period, these levies were greatly increased, and were supplemented by a tax on incomes and many new excise taxes. These sources, however, proved inadequate to meet the revenue needs, and as a last resort the sales tax was proposed and adopted.

LEGISLATIVE DEVELOPMENT

Under the original act of 1920, a tax of 1 per cent was imposed on "sales and deliveries by manufacturers and wholesalers, and jobbers, and on the duty-paid value of importations." The tax was to be levied in addition to existing customs and excise duties and applied every time an article changed hands during the process of manufacture and distribution up to and including the sale to the retailer. Retail sales, however, were not separately taxed. A long list of exemptions was provided which included, in general, foodstuffs in their natural state, all initial sales of farm products, as well as the first products of the fisheries, mines, and forests. Direct sales by manufacturers to retailers or consumers and importations by retailers or consumers were taxed at a higher rate in order to make up the revenue lost by not being able to tax the jobber's sale which would ordinarily intervene. In 1921 and 1922 the general rate was raised, respectively, to 1½ per cent and 2¼ per cent. At the same time imports were given a slightly higher rate on the theory that they were taxed but once, while domestic goods might conceivably be taxed several times.

In 1924 the tax was completely revised to eliminate all pyramiding. Instead of being applied to all wholesale sales by manufacturers and jobbers, the tax was changed to a single "consumption" tax, as it was called, levied once and once only on the "sale price of all goods produced or manufactured" in Canada, and on importations. The rate of tax, which was to be uniform, was increased to 6 per cent. The elimination of pyramiding was accomplished by a system of licensing, under which sales by one licensed manufacturer to another of goods to be used in the manufacture of articles subject to the tax, and importations for such purpose were exempt from the tax. Thus, instead of each constituent part of an article being subject to tax separately and then collectively as a completed unit, the tax was imposed only on the sale of the finished product when it passed from a licensee to a nonlicensed purchaser.

Beginning in April, 1924, the rate of the tax was successively reduced until in 1930 it reached a low of 1 per cent. While the rate under the original act was the same, it was cumulative on all wholesale sales and thus was not actually as low as the 1930 rate. With the reduction of the rate to 1 per cent, it was expected that the sales tax would soon disappear. However, with the falling off of other revenues due to the world-wide depression in business, it became necessary in 1931 to increase the receipts of the Government and accordingly the sales-tax rate was raised to 4 per cent. At the same time a special excise tax on imports, in addition to the sales tax and customs duties, was imposed. In April, 1932, the sales-tax rate was increased to 6 per cent, the revenue from other sources having continued to decrease. At the same time the special excise tax on imports, which had been imposed at a rate of 1 per cent, was increase to 3 per cent.

The list of exemptions, while quite large at the time of the original enactment of the sales tax, has been continually increased. When the application of the tax was revised in 1924, it was provided that goods manufactured or produced by those whose annual production was of the value of less than $10,000 should not be subject to the tax on their sale, and such manufacturers were not required to be licensed. In the same year, however, the law was changed so that all manufacturers and producers had to be licensed, but the minister was given the power to exempt any class of small manufacturers or producers selling exclusively at retail.

The following table gives the rates and application of the Canadian sales tax from 1920 to date:

Canadian sales tax (rates and application)

Effective dates	Rates and application
May 19 to June 16, 1920	1 per cent on sales and deliveries by manufacturers and wholesalers, or jobbers, and on the duty-paid value of importations.
June 17, 1920, to May 9, 1921.	1 per cent on sales and deliveries by manufacturers and wholesalers, or jobbers, and on the duty-paid value of importations; 2 per cent on sales by manufacturers to retailers or consumers, or on importations by retailers or consumers.
May 10, 1921, to May 23, 1922.	1½ per cent on sales and deliveries by Canadian manufacturers or producers, and wholesalers or jobbers; 2½ per cent on the duty-paid value of goods imported; 3 per cent on sales by manufacturers to retailers or consumers; 4 per cent on goods imported by retailers or consumers; lumber, 2 per cent on domestic sales and 3 per cent on importations.
May 24, 1922, to Dec. 31, 1923.	2¼ per cent on sales and deliveries by Canadian manufacturers or producers, and wholesalers or jobbers; 3¾ per cent on the duty-paid value of goods imported; 4½ per cent on sales by manufacturers or producers to retailers or consumers; 6 per cent on goods imported by retailers or consumers; lumber, 3 per cent on domestic sales and 4½ per cent on importations.
Jan. 1, 1924, to Apr. 10, 1924.	6 per cent on sale price of all goods produced or manufactured in Canada and on duty-paid value of goods imported.
Apr. 11, 1924, to Feb. 17, 1927.	5 per cent on sale price of all goods produced or manufactured in Canada and on the duty paid value of goods imported; 2½ per cent on a restricted list.
Feb. 18, 1927, to Feb. 16, 1928.	4 per cent on sale price of all goods produced or manufactured in Canada and on the duty-paid value of goods imported; 2 per cent on a restricted list.
Feb. 17, 1928, to Mar. 1, 1929.	3 per cent on sale price of all goods produced or manufactured in Canada and on the duty-paid value of goods imported; 1½ per cent on a restricted list.
Mar. 2, 1929, to May 1, 1930.	2 per cent on sale price of all goods produced or manufactured in Canada and on the duty-paid value of goods imported; 1 per cent on a restricted list.
May 2, 1930, to June 1, 1931.	1 per cent on sale price of all goods produced or manufactured in Canada and on the duty paid value of goods imported; ½ per cent on a restricted list.
June 2, 1931, to Apr. 6, 1932.	4 per cent on sale price of all goods produced or manufactured in Canada and on the duty-paid value of goods imported; 2 per cent on a restricted list
Apr. 7, 1932, to date	6 per cent on sale price of all goods produced or manufactured in Canada and on the duty-paid value of goods imported: 3 per cent on a restricted list.

OPERATION OF PRESENT TAX

The "consumption or sales tax," as amended to date, levies a tax of 6 per cent on the sale price of all goods (*a*) produced or manufactured in Canada (payable by the producer or manufacturer at the time of delivery of such goods to the purchaser); (*b*) imported into Canada (payable by the importer or transferee who takes the goods out o bond for consumption at the time when the goods are imported or taken out of bond); or (*c*) sold by a licensed wholesaler (payable by the vendor at the time of delivery by him) where goods have been purchased tax free from a licensed manufacturer.

In order to prevent any possible duplication or pyramiding of the tax, it is not payable (*a*) on goods partly manufactured sold by a licensed manufacturer to another licensed manufacturer, or by a licensed wholesaler to a licensed manufacturer, or imported by a licensed manufacturer; (*b*) on goods imported by a licensed wholesaler, on importation; (*c*) on goods sold by a licensed manufacturer to a licensed wholesaler; or (*d*) on goods sold by a licensed wholesaler to another licensed wholesaler.

Articles exempt from the tax cover eight pages of the statute. As space does not permit the list to be given in detail, the most important items and groups will be set forth. They include—

(*a*) Staple food products such as bread; flour, oatmeal, cormeal, etc.; live animals and poultry; fresh meats and poultry; salted or smoked meats; fish and products thereof; fresh vegetables and fruits; fresh, condensed, evaporated, or powdered milk; cream; butter (but not substitutes for butter); cheese; lard produced in Canada; eggs; bees and honey; sugar; molasses; corn, maple, and sugarcane syrup; salt manufactured in Canada; cleaned rice; macaroni; dried apples;

and other farm produce sold by the individual farmer of his own production.

(*b*) Ice; fuels of all kinds; electricity; and gas manufactured from coal.

(*c*) Ores of metals of all kinds and mining tools and equipment.

(*d*) Logs and round unmanufactured timber; fence posts; railroad ties; pulpwood; other products of the forest when produced and sold by the individual farmer or settler; and machinery used in sawing lumber, up to the operation of planing.

(*e*) Newspapers and magazines; bibles, prayer books, etc.; and authorized textbooks (including materials used in the production thereof).

(*f*) Ships licensed to engage in the Canadian coasting trade; materials for use solely in the construction, equipment, and repair of ships; boats purchased by individual fishermen for their own use, and materials used in the manufacture thereof.

(*g*) Farm machinery and equipment; drain tiles for agricultural purposes; binder twine; fertilizers; calf, cattle, hog, and poultry feeds; and grains and seeds in their natural state.

(*h*) Wool not further advanced than washed; and raw furs (not dressed or dyed in Canada).

(*i*) Materials (not including plant equipment) consumed in the process of manufacture or production which enter directly into the cost of goods subject to the sales tax manufactured or produced by a licensee under the act.

(*j*) Philosophical and scientific apparatus imported for use by religious, philosophical, educational, scientific, or literary institutions.

(*k*) Miscellaneous items, such as donations of clothing for charitable purposes; artificial eyes and limbs; lasts for boots and shoes; settlers' effects; articles and materials for use solely by public hospitals; and so on.

A special list is provided of articles subject to only 50 per cent of the regular tax, which includes boots and shoes, creosoted railroad ties, printing paper, moist mincemeat, yeast, and the following when produced or manufactured in Canada: Canned vegetables and fruits, jellies, jams, marmalades, etc., and a few other items.

Exports are not subject to the tax, and a drawback of 99 per cent may be obtained for taxes paid in respect of materials used in the production of articles exported.

Every manufacturer or producer is required to take out an annual license, for which there is a fee of not to exceed $2; but the Minister of National Revenue may direct that any class of small manufacturers or producers selling their product exclusively at retail shall be exempt from the requirement of licensing and from the tax. Among the small manufacturers made exempt under this provision are merchant tailors, dressmakers, milliners, florists, photographers, dealers in monuments, druggists, shoemakers, dentists, plumbers, opticians, blacksmiths, sawmill owners with sales of $5,000 or less annually, job printers with annual sales of less than $3,000, and others.

Wholesalers and jobbers may be granted a license for the purpose of selling to other licensees without payment of the tax.

When goods are sold by a licensed manufacturer or wholesaler to a wholesaler or jobber not licensed under the act, the purchaser must be furnished with a written invoice of the goods stating separately the amount of the tax; and when goods are sold by a wholesaler or jobber who is not licensed to a licensed manufacturer, the purchaser must in that case also be furnished with such an invoice. However, when a licensed manufacturer or wholesaler sells to a retailer or consumer, the tax need not be shown as a separate item.

Refunds may be granted in the following cases, among others: (*a*) When goods imported by a licensed manufacturer are further manufactured; (*b*) when partly manufactured goods are sold by a licensed manufacturer or wholesaler, jobber, or other dealer to a licensed manufacturer; (*c*) when partly manufactured goods are sold by a wholesaler, jobber, or other dealer to a licensed manufacturer, if the consent of the unlicensed vendor is obtained; (*d*) when a manufacturer becomes licensed, in respect of the tax paid on any partly manufactured goods on hand, if such goods are subsequently used in the manufacture of taxable articles manufactured and sold; and (*e*) when a wholesaler becomes licensed, in respect of the tax paid on any goods on hand, when such goods are sold.

Returns of the tax must be made monthly, under oath, and in case of any controversy over questions of law or fact, the minister's determination is, in most cases, final and conclusive.

The operation of the Canadian sales tax may be shown by using as illustration a lead pencil. The manufacturer of the pencil, it may be assumed, will be licensed, and if he purchases part of his raw materials, including the lead and rubber erasers, from licensed manufacturers or producers, or from licensed wholesalers, the sale to him of these articles will not be taxed, because they are to be used in the manufacture of a taxable product.

If the wood, on the other hand, be purchased from a nonlicensed dealer, that sale would not be taxed separately, but the cost of the wood to the pencil maker would include, as a separate item, the tax paid on the sale of the same wood by the producer thereof to the dealer. This tax can be recovered by the pencil manufacturer, with the consent of the dealer, upon proper claim being made to the Government. The invoice rendered by the dealer also would have listed the tax on the prior sale as a separate item.

As a result of the licensing system, the licensed manufacturer is enabled to purchase all of his materials tax free. It will be recalled that all manufacturers must be licensed under the present law, with the exception of the small manufacturers selling exclusively at retail who are exempted by order of the minister. The latter, of course, can not make tax-free purchases of materials as can the licensed manufacturers, and their advantage is offset to this extent.

When the finished pencil is sold by the manufacturer to the wholesaler, that sale is taxed. The tax is based on the manufacturer's selling price, and is paid by him, but the invoice which he renders to the wholesaler must show the tax as a separate item. When the wholesaler sells to the retailer, there is no separate tax on that sale, although the wholesaler probably will include in his price the tax passed on to him by the manufacturer. The invoice rendered to the retailer need not show the tax separately, and it simply becomes an element in the cost of the goods. The retailer will fix the price of the pencil accordingly.

The tax is thus imposed on only one sale—that of the finished article by the manufacturer—but while levied only once, it may be shifted from one vendee to another until it rests upon the consumer.

If, in the above illustration, the pencil manufacturer had sold the finished pencil to a licensed manufacturer of drawing sets, for example, and the latter intended to use the pencil in making up the set, that sale would not have been taxed since the pencil was not being sold for consumption but for the purpose of being assembled with other articles constituting a taxable unit. The pencil thus eventually would be taxed, but the tax would be imposed on the sale of the drawing set, of which the pencil would be a constituent part.

In the case of an imported article the tax is levied upon the duty-paid value. Thus, if a gross of pencils were imported from Germany, costing $2, and there happened to be a 20 per cent customs duty on pencils, the tax would be levied upon the landed cost of the pencils plus the duty, or, in other words, upon a base of $2.40. Licensees, of course, may make tax-free importations for the same purposes for which they make tax-free domestic purchases.

ADMINISTRATION

The administration of the Canadian sales tax comes directly under the excise tax section of the excise division, Department of National Revenue. Collection of the tax, however, is made by the collectors of customs, both for domestic sales and importations.

While the collectors of customs and their agents have, on the whole, been able to carry on this work without substantial increase in personnel, some additional help was necessary in the larger cities. The principal increase, however, was in the addition of about 100 field auditors, who make periodic examinations of the books of manufacturers. No statistics are available as to the cost of collection of the sales tax, but it has been stated by one of the Canadian revenue officials that it has at no time exceeded 5 per cent.

Most of the decisions of the administrative officials are either by law or in practice final, and the success of the law is due, in a large measure, to the consequent absence of litigation. Appeal is given in some cases, but advantage is rarely taken of the privilege. It has been stated that there have not been 50 cases before the Canadian courts in the last four or five years under this law.

Everyone subject to license must pay annual fee of $2 and, as before stated, every licensee is entitled to purchase or import free of tax any goods or articles to be used in the manufacture of other articles subject to the tax. In purchasing or importing such articles, the manufacturer merely quotes his license number and certifies on the order that the goods are to be used in, wrought into, or attached to taxable goods for sale. A licensed wholesaler purchasing or importing goods for resale is likewise exempt from the tax on such transactions, provided he makes a similar declaration. Goods to be used in the manufacture of articles not subject to the sales tax may not be purchased or imported tax free.

Returns under oath are made monthly by each licensee, showing the taxable sales for the preceding month, if any, and the tax payable thereon. In the case of returns by licensed wholesalers, both taxable and nontaxable sales must be shown. For failure to file the return when due, a penalty of not to exceed $25 is imposed, while for default in payment there is a penalty of two-thirds of 1 per cent per month of the amount in arrears. Any person neglecting or refusing to pay the tax is liable, on summary conviction, to a penalty of not less than $50 and not more than $1,000. The same penalty is imposed for contravening any requirement of the act or of the regulations of the minister.

When a claim for refund or deduction is filed by a licensed manufacturer or producer in respect of goods purchased in Canada, it must be accompanied by (1) the written consent of the wholesaler, jobber, or other dealer; (2) a certified copy of the invoice showing the tax as a separate item; and (3) a certificate that the goods are to be used in, wrought into, or attached to articles for sale which are subject to the tax. Claims by wholesalers must be accompanied by (1) the invoice, with the tax shown as a separate item; (2) a certified copy of the purchase order bearing the certificate of the licensed manufacturer as to use, and the number of his license; and (3) proof of the delivery of the goods. Claims in respect of goods imported must be accompanied by a certified copy of the customs invoice and a certificate of use.

Each licensee is required to keep adequate books or accounts in English or French showing the details of all transactions, and these books must be kept open to inspection by authorized agents of the Government at all reasonable hours.

PRODUCTIVITY

That the Canadian sales tax has been productive of revenue can not be denied. It was inaugurated at a time when revenues from then existing sources, such as the income tax, the business-profits tax, etc., were falling off and the expenses of the Government, on the other hand, were on the increase. The sales tax was considered as having certain advantages over the income tax because it insured revenue in good times or bad, since purchases always have to be made. The tax, in short, was a levy on buying power, which, though at times greatly diminished, is always present to a certain degree.

In the first 10 months of its operation, with a rate of 1 per cent on wholesale sales, the sales tax produced $38,000,000, which was 10 per cent of the total revenue from taxation for that year. With a 2¼ per cent rate in effect nearly all of the fiscal year ending March 31, 1923, the tax produced over $91,000,000, or 27 per cent of the total tax revenue. This was over $20,000,000 more than was realized from the income tax in that year and over $35,000,000 more than was derived from excise taxes.

The highest yield during the operation of the tax was during the fiscal year 1924, when over $100,000,000 was collected, or nearly 30 per cent of the total revenue from taxation. In that year Canada had a little more than 22,000 manufacturing plants, the gross value of whose products was about $2,700,000,000, and a population of about 9,000,000. (The gross value of manufactures in the United States in 1924 was over $60,000,000,000.) It should probably be stated that during the first nine months of the fiscal year 1924 the Canadian sales tax was at the rate of 2¼ per cent on wholesale sales, while during the last three months the rate was 6 per cent on manufacturers' sales.

As the rates were reduced during the years 1924 to 1931, the yield from the sales tax gradually dropped off, although for the fiscal year 1931, with a rate of 1 per cent in effect during 11 months of the year, there was a yield of over $20,000,000. With a rate of 3 per cent for most of the fiscal year 1929, over $63,000,000 was realized, while in the fiscal year 1930, with a 2 per cent rate in operation most of the time, $44,000,000 was produced.

Making a rough approximation, it may be said generally that at the lower rates about $20,000,000 is realized for each 1 per cent of the tax. The receipts for 1932, however, will not come up to that figure, due to conditions which are well known.

The following table shows the receipts from the sales tax since 1920, together with the general rates in effect during the respective years:

Fiscal year ending Mar. 31	General rate	Application	Collections
1921	1 per cent (10½ months)	Wholesale sales	$38,128,063
1922	1 per cent (2½ months); 1½ per cent (9½ months).	do	61,518,751
1923	1½ per cent (2 months); 2¼ per cent (10 months).	do	91,262,265
1924	2¼ per cent (9 months)	do	100,990,078
	6 per cent (3 months)	Manufacturers' sales	
1925	6 per cent (½ month); 5 per cent (11½ months).	do	66,707,370
1926	5 per cent	do	74,025,093
1927	5 per cent (10½ months); 4 per cent (1½ months).	do	82,305,670
1928	4 per cent (10½ months); 3 per cent (1½ months).	do	72,100,244
1929	3 per cent (11 months); 2 per cent (1 month).	do	63,646,672
1930	2 per cent	do	44,858,701
1931	2 per cent (1 month); 1 per cent (11 months).	do	20,783,943
1932	1 per cent (2 months); 4 per cent (10 months).	do	[1]
1933	6 per cent (to date)	do	

[1] Collections not available. For first nine months, receipts were $29,108,037.

The sales tax receipts from domestic sales compared with those from importations have, since 1924, run a little more than 3 to 1, while prior to that time they were a fraction less than that proportion.

For a comparison of sales-tax receipts with the receipts from income and excise taxes, and customs duties, the following table is of interest:

Canadian tax receipts

Fiscal year ending Mar. 31	Total from all sources	Selected sources			Sales tax	Per cent of sales tax to total
		Customs duties	Excise taxes	Income tax		
1921	$368,770,498	$163,266,804	$37,118,367	$46,381,824	$38,128,063	10
1922	319,926,013	105,685,645	36,755,207	78,684,355	61,518,751	19
1923	335,453,341	118,056,469	35,761,997	59,711,538	91,262,265	27
1924	341,718,807	121,500,799	38,181,747	54,204,028	100,990,078	29
1925	293,914,518	108,146,871	38,603,489	56,248,043	66,707,370	22
1926	327,575,013	127,356,144	42,923,549	55,571,962	74,025,093	22
1927	346,649,272	141,968,678	48,513,160	47,386,309	82,305,670	23
1928	384,705,803	156,955,818	57,400,908	56,571,047	72,100,244	19
1929	396,921,028	187,206,332	63,684,954	59,422,323	63,646,672	16
1930	378,561,626	179,429,920	65,035,701	69,020,726	44,858,701	11

In order to give a complete picture of Canada's taxation system, there is inserted at this point a table showing the various taxes imposed, and the receipts therefrom, for the fiscal year 1930.

Sources of Canadian tax receipts (fiscal year ending March 31, 1930)

Customs		$179, 429, 920
Excises (spirits, tobacco, etc.)		65, 035, 701
War-tax revenue:		
Banks	$1, 408, 420	
Insurance companies	74, 416	
Business profits	173, 300	
Income tax	69, 020, 726	
Customs and excises—		
Licenses	44, 530	
Stamps	5, 559, 844	
Matches	1, 794, 556	
Automobiles	742, 471	
Playing cards	291, 184	
Cigars	329, 217	
Wines	299, 466	
Ale, beer, porter	7, 475, 125	
Transportation	650, 172	
Embossed checks	3, 973	
Departmental	186, 240	
Penalties and interest	169, 452	
Sales, domestic	34, 936, 376	
Sales, importations	9, 922, 325	
Excise on imports	1, 748, 665	
		[1] 134, 086, 005
Total from all sources		378, 551, 626

PRINCIPAL ARGUMENTS FOR AND AGAINST THE CANADIAN SALES TAX

ARGUMENTS IN FAVOR

The principal arguments that have been advanced by the proponents of the limited manufacturers' sales tax include the following:

1. It produces substantial revenue.
2. The cost of collection is low.
3. It is easy to administer.
4. It has a broad base, permitting all citizens to contribute in some measure to the support of the Government. The income tax, on the other hand, touches only a very small group of the whole body of citizens.
5. It is a painless tax, since it is not imposed directly upon the consumer but instead is levied on manufacturers' sales, and if it is passed on it does not appear in the retail price as a separate item.
6. As a tax on buying power, which is always present to a certain degree, it is a good revenue producer in bad times as well as good times.
7. It is paid when the taxpayer has money to spend.
8. As the rich buy more than the poor, and pay more for what they buy, they will contribute more tax.
9. The rate is low and uniform, and most necessities are exempt.
10. Pyramiding is eliminated, so that the tax is paid but once on the sale of any given article.
11. The tax will not affect business any more adversely than some other form of taxation.

[1] Adjusted for refunds, etc., of $744,453.

ARGUMENTS AGAINST

Among the arguments advanced by the opponents of the Canadian sales tax the following probably are the most outstanding:

1. It is a tax on consumption, and to the extent that it is shifted to the consumer it increases the cost of living.
2. When borne by the seller the tax discriminates unfairly in favor of businesses with small total sales and high profits and against those with large total sales and small profits, and is, in effect, a tax on gross income under such circumstances.
3. When borne by the retailer, it imposes the sole burden on him, thus discriminating in favor of manufacturers and wholesalers.
4. When shifted to the consumer, it is a gross violation of the principle of ability to pay.
5. As between taxpayers with equal incomes, the sales tax falls most heavily on those with the greater number of dependents.
6. Although the rich man consumes more than the poor man, and buys more expensive goods, the larger tax that he pays is not in proportion to his wealth.
7. The sales tax is an income tax in reverse, since it is levied on outgo instead of income.
8. The tax being an element of wholesale cost, the profit of the retailer includes a profit on the tax. Thus the tax takes more dollars out of the pockets of the consumer than it puts into the hands of the Government.
9. Being an easy revenue producer, it is likely to be conducive to governmental extravagance.
10. Administration of the tax is not as simple as is supposed, especially where there are many exemptions.

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