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ASSOCIATION

Five Years of
State School Revenue Legislation
1929-33

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FOREWORD

WITH THE WEAKENING and collapse of the prevailing systems of taxation in some of our states, educational leaders have been forced to turn their attention increasingly to questions of public financial policy. The proper types of taxes to be levied and the proper management of the public revenue are questions in which education has a primary interest.

For many years students of taxation have been declaring that existing state tax systems were inadequate for modern governmental needs and unfair in operation. The various states have been attacking this problem, each in its own way, and with varying results. As the states assume a larger share of the cost of supporting education, the interest of the schools in sound tax systems inevitably increases.

Without attempting in any way to assume the functions of experts in taxation, various agencies of the National Education Association have recently been giving attention to this problem. The Research Division has published a series of reports summarizing the findings of experts with respect to better methods of taxation. The *Journal* is now publishing a series of non-technical articles for schools and study groups on the essentials of taxation. The National Conference on the Financing of Education studied the current problems of school support and described the broad lines along which state school revenue programs may best be developed.

This *Research Bulletin* is another important contribution to this phase of the Association's work. Urgent school revenue problems existing in many states make its appearance exceedingly timely. It should be useful to the legislative committees of state education associations, to state legislators and legislative reference bureaus, to state school and tax officials, and to all students of taxation and school finance.

When educational spokesmen present a convincing case concerning the need for adequate school support they are often met with the query, "And where is the money coming from?" This bulletin should be of assistance in answering that question by providing a cross-section of the experience of the forty-eight states in this field.

J. W. CRABTREE, *Secretary,*
National Education Association

I. Introductory Statement

This publication reviews school revenue legislation for the years 1929 to 1933. During this five-year period the problem of state school finance has received increasing attention from educators, legislators, and the public in general. During this period the gross expenditures for public education climbed to the highest point they have yet reached. During this period also the nation suffered a serious economic depression which taxed alike the ingenuity of school officers in devising programs of maximum economy and the wisdom of legislatures in providing funds for the support of the schools. State tax commissions and state school survey commissions were created in many states. Their reports stimulated study and action by the various legislatures looking toward more adequate methods of providing and distributing state school revenues. During this period also, under the auspices of the federal government, an important national survey of the financing of education was instituted.

A review of the school revenue legislation of these years, therefore, should reveal interesting and significant trends in the direction of adequate school finance programs. In presenting a review which is limited merely to state school revenue legislation, it is not at all implied that this problem covers the entire field of school finance. The apportionment of state school funds, local school finance, and many other issues are also matters of great importance. Nor is it intended in describing the programs of school revenue enacted recently by one state or another to imply that every state should copy these programs in routine fashion. On the contrary, the purpose of this study is to present the experience of the several states in such a fashion that all states may profit from it by selecting and adapting procedures which are suitable in the particular state concerned.

Method of study—State revenue laws were examined to find those which, in their operation, might affect the amount of money available for state school support. The material was then compiled tentatively and mimeographed copies of the tentative report were submitted to every state education department and state

tax commission for corrections and additions. Newspapers, magazines, books, and correspondence with state departments of education or tax commissions also were used.

Scope of report—Two general types of school tax revenues are described in this report: (a) all state taxes the proceeds of which are definitely allocated in whole or in part to public education at any level; (b) state taxes which yield enough income to make possible significant school appropriations out of the state general funds. Local taxes are not included.

The report treats the following topics in the order given:

Income taxes—Taxes on both corporation and personal incomes. If a tax on corporations is called an excise tax, a corporation franchise tax, or a license tax, but the amount of the tax is determined by the amount of the net income, it is included as an income tax.

Sales taxes—Both general sales taxes and taxes on sales of specified commodities. The section on general sales taxes includes: (1) flat-rate taxes on retail sales and/or wholesale sales, (2) graduated gross retail and/or wholesale taxes not aimed at chain stores, (3) classified sales taxes, (4) gross income or gross receipts taxes, and (5) production or manufacturers' taxes based on amount or value of the good produced.¹ The section on selective sales taxes includes taxes on sales of tobacco, gasoline,² malt, alcoholic beverages, and miscellaneous articles and services.

Chain store taxes—Taxes levied specifically against chain stores and graduated gross retail sales taxes aimed at chain stores.

Corporation taxes—Taxes on capital stock and other corporation taxes not falling under other classifications. This classification does not include taxes levied against corporation income.

Franchise and license taxes—All franchise and license taxes not included under any other classification.

Severance taxes—Taxes on the privilege of severing natural resources from the earth.

Inheritance, estate, and gift taxes—Taxes on inheritances or gifts.

State property taxes—Laws levying, abolishing, increasing, or decreasing state taxes on general property; and laws providing for classification of property for purposes of taxation.

State tax surveys and state tax administration—Laws providing for surveys and for administration of school tax revenues.

¹ This list merely illustrates the types of taxes included in the text as "general sales taxes." A tax that can be classed in one group might easily be placed in one or more of the other groups.

² Generally considered as a tax on the privilege of using public roads, the amount of use being measured by the amount of gasoline.

FIGURE I

STATUS OF CERTAIN TYPES OF TAXES IN THE UNITED STATES JANUARY 1, 1934

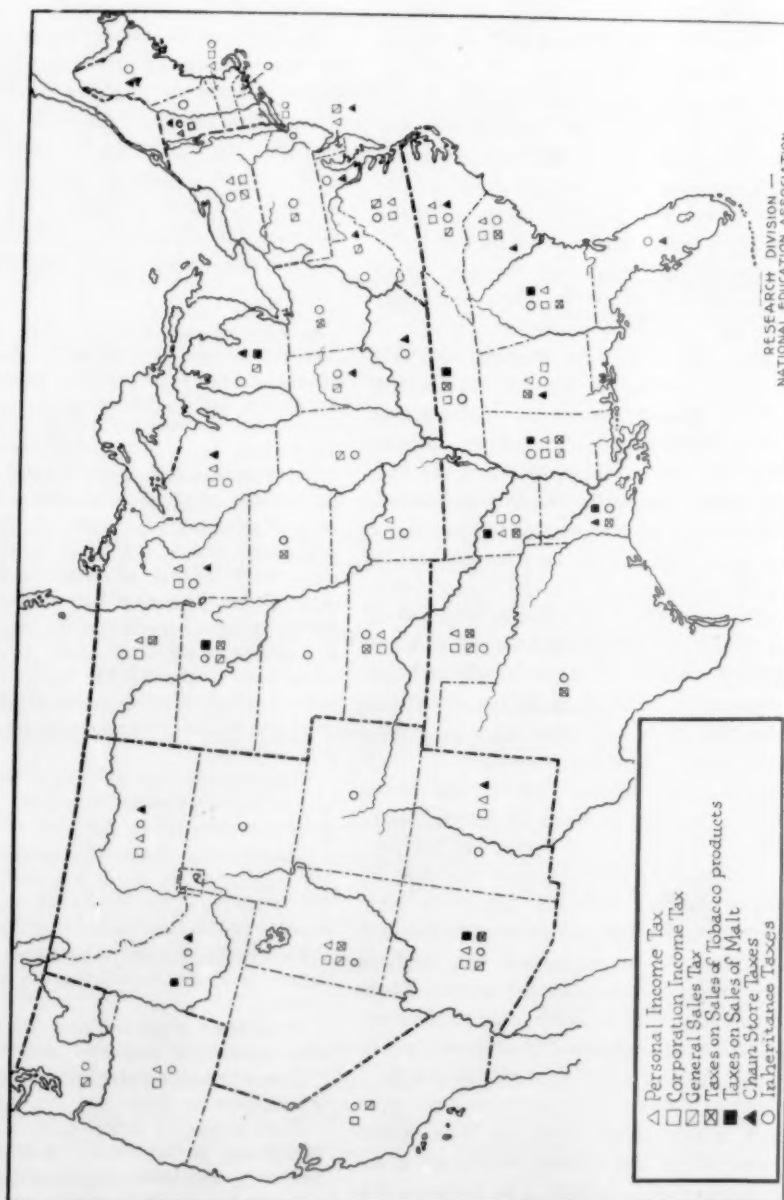
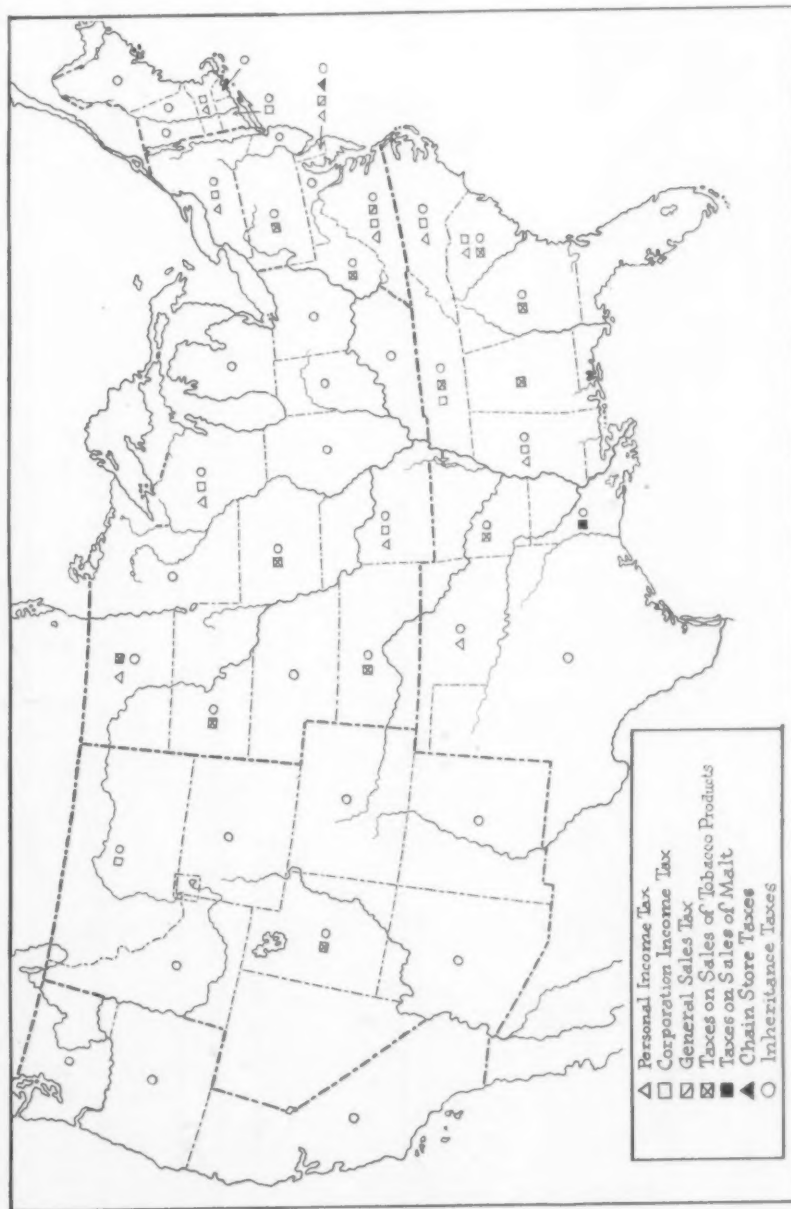


FIGURE II

FIGURE II

STATUS OF CERTAIN TYPES OF TAXES IN THE UNITED STATES

DECEMBER 31, 1928



Research Division, National Education Assn.

TABLE 1.—TAX PROVISIONS AFFECTING SCHOOL SUPPORT, 1928-33

Year	Number of states levying					Number of states allocating all or part to public education					Number of states in which tax contributes to education indirectly thru significant appropriations from the general funds				
	Personal income taxes	Corporation income taxes	General sales taxes	Chain store taxes	Tobacco sales taxes	Personal income taxes	Corporation income taxes	General sales taxes	Chain store taxes	Tobacco sales taxes	Personal income taxes	Corporation income taxes	General sales taxes	Chain store taxes	Tobacco sales taxes
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1928.....	11	12	4	2	11	3	1	0	0	5	7	9	3	1	3
1929.....	14	16	5	4	11	4	2	0	1	3	8	11	4	2	4
1930.....	14	16	6	7	11	4	2	0	1	3	8	11	5	4	5
1931.....	18	20	7	10	13	6	4	0	2	5	9	12	6	4	5
1932.....	20	21	6	10	14	8	5	0	3	5	9	12	5	3	6
1933.....	24	26	17	19	16	11	8	7	9	6	10	14	9	7	6

[8]

IN THOSE STATES where the support of substantially all functions of government is dependent upon periodic legislative appropriations from the general fund, a continuing appropriation for education, subject to legislative revision from time to time, may be all that can be reasonably demanded. . . . In many states, however, a considerable mass of state activities are at present financed by the automatic accrual to them of the proceeds of specific earmarked revenues. . . . In these jurisdictions the flow of money into the general fund may have been reduced to a trickle and dependence upon appropriations from such a general fund may leave education in the undesirable position of a claimant with a third or fourth lien upon the state's resources. Such a situation is inequitable and undesirable. It can properly be corrected only by a general reform in budgetary and financial procedure in state government. As a matter of expediency in individual cases, the only available remedy at the moment may be to claim for education similarly earmarked sources of funds.—Joint Commission on the Emergency in Education, Report of National Conference on the Financing of Education, p. 62.

II. Summary of Principal Findings

For convenient quick reference, the principal findings are presented here. Figure I shows the present status of certain types of taxes in the several states; Figure II shows status as of 1928; and Figure III shows trends between 1928 and 1933. The general trends with respect to the number of states levying certain types of taxes, the number allocating all or part of the revenues for state school support, and the number in which these taxes contribute to state school support indirectly thru appropriations from the general funds, are indicated in Table 1.

General Trends in Tax Adoption ¹

1. *The number of states taxing personal incomes and the number taxing corporation incomes more than doubled between 1928 and 1933.* In 1928, there were eleven states levying personal income taxes and twelve levying corporation income taxes. The number of states using these taxes has steadily risen, showing most rapid increases in 1931 and 1933. In 1933 twenty-four states taxed personal incomes and twenty-six states taxed corporation incomes.

2. *Within a single year, 1933, the number of states levying general sales taxes more than doubled.* In 1928, there were four states levying this tax; by 1932, there were six; and in 1933, the number increased to seventeen.

3. *The number of states having chain store taxes increased from two in 1928 to nineteen in 1933.* In the latter year, the number nearly doubled as compared with ten states in 1932.

4. *The number of states taxing sales of tobacco increased only slightly between 1928 and 1933.* There were eleven in 1928 as compared with sixteen in 1933.

Revenues Allocated to Education ²

1. *There is a growing tendency to earmark personal and corporation income taxes, general sales taxes, and chain store taxes for the purpose of state school support.* While the number of states levying personal income taxes more than doubled, the number allocating all or part of the revenues for the schools more than trebled. The number of states levying corpora-

tion income taxes more than doubled, whereas the number earmarking the revenues for the schools increased eightfold. This has been a steadily increasing development thruout the 1928-33 period.

2. *Just as the greatest development in sales taxes took place in 1933, the only development in earmarking sales tax revenues for schools also took place in this year.* Before 1933, none of the states levying this type of tax earmarked the revenues for the schools; in this year, seven states adopted the practise.

3. *Likewise, the development of allocating chain store tax revenue for schools took place almost entirely within 1933.* Neither of the two states levying chain store taxes in 1928 earmarked the revenues for schools; only three of the twelve states levying this type of tax in 1932 did so; but in 1933, nine of nineteen states had this provision.

Indirect Contributions to Education ³

There are two general ways by which tax revenues may become available for the schools. First, the statute levying the tax may direct that the funds raised from it be devoted to educational purposes. The second method is to place the revenues from a given tax in a general fund out of which appropriations for the support of education may be made. The last five columns of Table 1 indicate the states in which certain taxes contribute indirectly to education thru appropriations from the state general funds. There has been a general tendency to increase such allotments in all of the types of taxes covered by the table.

Taxes Not Available for Education

In some states the taxes included in Table 1 make no significant contribution to the support of education, because (1) revenues are placed in funds created for other purposes, or (2) revenues are placed in general funds from which the states make little or no educational appropriations.⁴ In 1933, three of the twenty-four states having personal income taxes and four of the twenty-six states having corporation in-

¹ See Columns 2, 3, 4, 5, and 6 of Table 1.

² See Columns 7, 8, 9, 10, and 11 of Table 1.

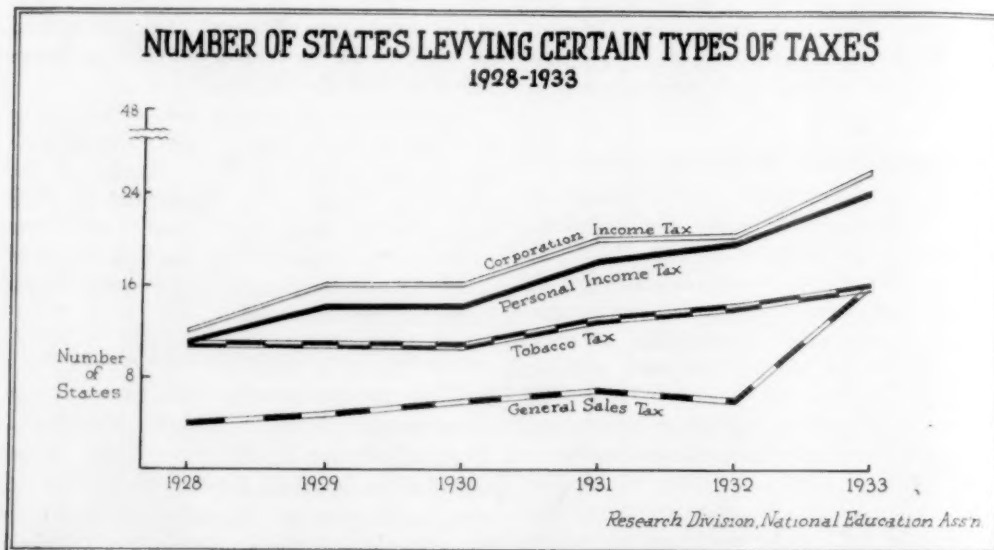
³ See Columns 12, 13, 14, 15, and 16 of Table 1.

⁴ This accounts for the fact that, in Table 1, the figures in Columns 7 and 12, for instance, do not total to the figure given in Column 2.

come taxes virtually excluded public education from the proceeds. There is a tendency for schools to profit directly or indirectly from personal income taxes relatively more often than from corporation income taxes. Of all these taxes, however, the general sales tax is used, directly or indirectly, for state school support

relatively more often than any of the others. Of course, it may well be that taxes from which schools receive no financial support may still be of some assistance to the schools by releasing sources of school revenue from a burden of taxation for the support of other governmental functions.

FIGURE III



DURING the nineteenth century the general property tax was accepted, almost universally, as the backbone of the state and local tax systems. It was supplemented, sometimes generously, by poll and license taxes. . . . The growing complexity of industrial conditions, however, made it increasingly necessary . . . to devise new taxes. Special taxes on corporations, on intangibles, and on personal income have been developed in consequence. . . . As a result of these new taxes certain classes of property have been withdrawn from the general property tax. Where this has occurred the state has sometimes attempted to compensate the local governments concerned by sharing the revenue of the new taxes with them. . . . The local governments have appealed to the state governments for assistance and the states have responded,—in some cases generously.—Mabel Newcomer. "Tendencies in State and Local Finance." *Political Science Quarterly* 43: 3, 27-8; March, 1928.

III. Income Taxes

Until 1911 few people believed that a state income tax in the United States would succeed. Altho a few states had experimented with taxes on personal incomes, Wisconsin in 1911 became the first state to adopt a successful modern-type income tax. This was a tax on both personal and corporation incomes. Since that time other states, and the federal government, have followed suit until in 1933, twenty-four states taxed personal incomes and twenty-six states taxed corporation incomes.

Personal income taxes—In 1933, twenty-four states ¹ had laws taxing personal incomes. Since the beginning of 1929, fifteen states provided for this form of taxation. Revenues de-

rived from personal income taxes in eleven ² of these fifteen states, and also from a Tennessee tax limited to personal incomes derived from stocks and bonds, went, in whole or in part, directly or indirectly, to the schools. School revenues made available by the taxes adopted in four states were negligible.³ During the period 1929–33, inclusive, eleven states revised their personal income tax laws in such a way that the amounts available for schools were affected.⁴ In addition, Tennessee, revised the tax on personal incomes derived from stocks and bonds.

Table 2 reviews the 1928–33 development of state personal income tax legislation as related to state school support.

¹ Does not include Tennessee or New Hampshire which have taxes on personal incomes derived from intangibles.

² Alabama, Arizona, Arkansas, Georgia, Illinois, Minnesota, Montana, New Mexico, Utah, Vermont, and Washington.

³ Idaho, Kansas, Oregon, and Tennessee.

⁴ Arkansas (1931 and 1933), Delaware (1929 and 1931), Georgia (1931), Massachusetts (1929), Missouri (1931), North Carolina (1931 and 1933), North Dakota (1933), Oklahoma (1931 and 1933), South Carolina (1930 and 1933), Virginia (1930), and Wisconsin (1932).

TABLE 2.—STATE PERSONAL INCOME TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1928–33

States having personal income taxes in specified years					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
DELAWARE	DELAWARE	DELAWARE	DELAWARE	DELAWARE	DELAWARE
MASSACHUSETTS ^a	MASSACHUSETTS ^a	MASSACHUSETTS ^a	MASSACHUSETTS ^a	MASSACHUSETTS ^a	MASSACHUSETTS ^a
Mississippi	Mississippi	Mississippi	Mississippi	Mississippi	Mississippi
Missouri	Missouri	Missouri	Missouri	Missouri	Missouri
New Hampshire ^b	New Hampshire ^b	New Hampshire ^b	New Hampshire ^b	New Hampshire ^b	New Hampshire ^b
New York	New York	New York	New York	New York	New York
North Carolina	North Carolina	North Carolina	North Carolina	North Carolina	North Carolina
North Dakota	North Dakota	North Dakota	North Dakota	North Dakota	North Dakota
Oklahoma	Oklahoma	Oklahoma	OKLAHOMA	OKLAHOMA	OKLAHOMA
South Carolina	South Carolina	South Carolina	South Carolina	South Carolina	SOUTH CAROLINA
Virginia	Virginia	Virginia	Virginia	Virginia	Virginia
WISCONSIN	WISCONSIN	WISCONSIN	Wisconsin	Wisconsin	Wisconsin
	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS
	Oregon	Oregon	Oregon	Oregon	Oregon
	Tennessee ^b	Tennessee ^b	Tennessee ^b	Tennessee ^b	Tennessee ^b
	Georgia	Georgia	Georgia	Georgia	Georgia
			Idaho	Idaho	Idaho
			UTAH	UTAH	UTAH
			VERMONT	VERMONT	VERMONT
				ILLINOIS ^c	
				WASHINGTON	WASHINGTON ^c
					Alabama
					Arizona
					Kansas
					MINNESOTA
					MONTANA
					NEW MEXICO

^a Altho the Massachusetts income tax act does not provide for the specific earmarking of any part of the revenues for the purpose of state school support, Section 1 of Chapter 70 of the *General Laws* requires the state treasurer to pay to the several towns from the proceeds of the income tax, without appropriation, the sums required as part reimbursement for salaries paid to teachers, supervisors, principals, assistant superintendents, and superintendents for services in the public schools.

^b Applies only to income derived from intangibles.

^c Held invalid.

Corporation income taxes—In 1933, twenty-six states had laws taxing corporation incomes. Since the beginning of 1929, fourteen states provided for this form of taxation. Revenues derived from corporation income taxes in eleven⁶ of these states, and also from a Tennessee tax limited to corporation incomes derived from stocks and bonds, went, in whole or in part, directly or indirectly, to the schools. School revenues made available by corporation income taxes adopted in three states⁶ were negligible. During the period, 1929–33, inclusive, seven states revised their corporation income tax laws in such a way that the amounts available for schools were affected.⁷ In addition, Tennessee revised the tax on corporation incomes derived from stocks and bonds.

Table 3 shows the 1928–33 development of

state corporation income tax legislation as related to state school support.

Income taxes allocated to schools—Between 1929 and 1933 nine states, that adopted either personal or corporation income taxes or both, earmarked the proceeds in whole or in part for purposes of state school support. Brief descriptions of these measures follow:

Arkansas. A personal and corporation income tax law, adopted in 1929, provided that, after \$500,000 annually was paid into the State Charities Fund, the Common School Equalization Fund would receive the remainder up to \$750,000. A 1931 measure changed the claims against the proceeds so that the Equalization Fund would receive its \$750,000 after an amount sufficient to pay the annual interest on all bonds issued by the Arkansas Construction Commission (\$315,000) was allotted to the Charities Fund.⁸

⁶ Alabama, Arizona, Arkansas, California, Georgia, Minnesota, New Mexico, Oklahoma, Utah, Vermont, and Washington.

⁶ Idaho, Kansas, and Oregon.

⁷ Arkansas (1931), Georgia (1931), Missouri (1931), Montana (1933), North Carolina (1931 and 1933), Oklahoma (1933), and South Carolina (1930).

⁸ *Acts of Arkansas, 1929, No. 118. Effective March 9, 1929. Acts of Arkansas, 1931, No. 193. Effective March 25, 1931.*

TABLE 3.—STATE CORPORATION INCOME TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1928–33

States having corporation income tax laws in specified years					
[CAPITALS indicate corporation income tax revenues earmarked in whole or in part for state school support; <i>italics</i> indicate corporation income tax revenues contributing to state school support indirectly thru state appropriations from general funds.]					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
Connecticut	Connecticut	Connecticut	Connecticut	Connecticut	Connecticut
Massachusetts	Massachusetts	Massachusetts	Massachusetts	Massachusetts	Massachusetts
Mississippi	Mississippi	Mississippi	Mississippi	Mississippi	Mississippi
Missouri	Missouri	Missouri	Missouri	Missouri	Missouri
Montana	Montana	Montana	Montana	Montana	MONTANA
New York	New York	New York	New York	New York	New York
North Carolina	North Carolina	North Carolina	North Carolina	North Carolina	North Carolina
North Dakota	North Dakota	North Dakota	North Dakota	North Dakota	North Dakota
South Carolina	South Carolina	South Carolina	South Carolina	South Carolina	South Carolina
Tennessee	Tennessee	Tennessee	Tennessee	Tennessee	Tennessee
Virginia	Tennessee*	Tennessee*	Tennessee*	Tennessee*	Tennessee*
WISCONSIN	Virginia	Virginia	Virginia	Virginia	Virginia
	WISCONSIN	WISCONSIN	Wisconsin	Wisconsin	Wisconsin
	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS
	California	California	California	California	California
	Georgia	Georgia	Georgia	Georgia	Georgia
	Oregon	Oregon	Oregon	Oregon	Oregon
			Idaho	Idaho	Idaho
			OKLAHOMA	OKLAHOMA	OKLAHOMA
			UTAH	UTAH	UTAH
			VERMONT	VERMONT	VERMONT
				WASHINGTON	WASHINGTON*
					Alabama
					Kansas
					MINNESOTA
					NEW MEXICO

* Applies only to income derived from intangibles.

^b Held invalid.

Illinois. Revenue from a graduated personal income tax, adopted in 1932 but later declared unconstitutional, would have been credited to a new Public School Fund created especially to receive this revenue.⁹

Minnesota. The net proceeds from a tax on personal and corporation incomes, adopted in 1933, are placed in the Income Tax School Fund.¹⁰

Montana. A personal income tax law, adopted in 1933, provided that one-fourth of the net revenue should be placed in the Common School Equalization Fund and one-fourth in the Common School Interest and Income Fund. At the same time, rates of the existing tax on corporation incomes were doubled. One-fourth of the total revenue is credited to the Common School Equalization Fund. Before this, all of the revenue from the corporation income tax had been placed in the State General Fund.¹¹

New Mexico. A 1933 law levying a tax on incomes of individuals and corporations provided that 75 percent of the net revenue be placed in the newly created State School Equalization Fund. The remaining 25 percent must be applied toward retiring certain state indebtedness; any surplus must revert to the Equalization Fund.¹²

Oklahoma. In 1931 the tax on personal incomes was replaced with a tax on both corporation and personal incomes and three-fourths of the gross proceeds was placed in the Common School Fund. Formerly receipts from the personal income tax had been credited to the General Revenue Fund. In 1933 the rates of the tax were increased; the exemptions were lowered; a surtax was levied; and the corporation income tax was made applicable to financial institutions. Five percent of the revenue must be deducted for certain administrative purposes; then three-fourths of the remainder is credited to the schools.¹³

Utah. Laws taxing corporation and personal incomes, adopted in 1931, provided that 75 percent of the net proceeds be placed in the State District School Fund.¹⁴

Vermont. A law taxing personal and corporation incomes, adopted in 1931, provided that from the

combined proceeds, \$300,000 would be payable to the Consolidated School Fund.¹⁵

Washington. An initiative measure, adopted by the voters in 1932, levied a tax on personal and corporation incomes. Revenue went into the State Current School Fund. The tax was held invalid in 1933.¹⁶

Income taxes contributing indirectly to schools—Eight states that adopted personal or corporation income taxes or both between 1929 and 1933 did not earmark the revenues specifically for school support. Nevertheless, in four cases, and in the case of Tennessee's very limited income tax, these taxes do contribute substantially, altho indirectly, to public education.

Alabama. A constitutional amendment, adopted by the electorate on July 18, 1933, put into effect taxes on personal and corporation incomes. The warrant amendment, adopted at the same time, pledged the net proceeds of any income taxes; first, for retiring warrants and for paying interest until the state's floating indebtedness is retired; then, for reducing ad valorem taxes. Of the \$19,000,000 to be refunded, \$11,000,000 is for education.¹⁷

Arizona. Taxes on personal and corporation incomes were adopted in 1933. Revenues are credited to the State General Fund in which the schools participate to the extent of \$20 per pupil in average daily attendance.¹⁸

California. In 1929 a law passed taxing the franchise of all financial, mercantile, and manufacturing corporations, the amount of the tax to be determined on the basis of net income. Proceeds were made payable to the State General Fund upon which the public schools of the state and the state university are given a prior claim. A constitutional amendment, adopted in 1933, extended this tax to include public utilities, formerly taxed on the basis of gross receipts. This amendment further required the state to raise from state sources the amounts that the constitution formerly required the counties to raise for school support.¹⁹

⁹ *Laws, 1931-32, First Special Session*, p. 91 f. Effective July 1, 1932. See *Bachrach v. Nelson*, 349-579, 182 N. E. 909.

¹⁰ *Laws of Minnesota, 1933*, Chapter 405. Effective for incomes earned in 1933 calendar year or in fiscal year ending in 1933.

¹¹ *Laws of Montana, 1933*, Chapters 166 and 181. Effective March 16, 1933.

¹² *Laws of New Mexico, 1933*, Chapter 85. Effective March 14, 1933.

¹³ *Session Laws of 1931*, Chapter 66, Article 7. Effective April 4, 1931. *Session Laws, 1933*, Chapter 66, Article 8. Applicable for taxable year 1933 and succeeding taxable years.

¹⁴ *Laws of Utah, 1931*, Chapters 39 and 44. Effective May 12, 1931.

¹⁵ *Laws of Vermont, 1931*, No. 17, Parts I and II. Effective December 31, 1931.

¹⁶ *Laws of Washington, 1933*, Chapter 5. Effective for incomes earned in 1932. See *Culletin et al. v. Chase et al. and McKale's Inc., et al. v. Chase et al.*, 25 P. (2d) p. 81-91.

¹⁷ *Extra Session, 1933*, Act No. 125. Became Article XXII of the *Constitution of Alabama*. Act No. 169. Effective upon adoption of income tax amendment; Act No. 179. Became Article XXIII of the *Constitution of Alabama*.

¹⁸ *Laws of First Special Session, 1933*, Chapter 8.

¹⁹ *Statutes of 1929*, Chapter 13. Effective March 1, 1929. *Constitution of California*, Article XIII, Section 14 e. In 1933 this became Article XIII, Section 15. *Statutes of 1933*, Chapter 63.

Georgia. A personal and corporation income tax law, adopted in 1929, levied an amount approximately equal to one-third of the federal tax. Revenue went into the State General Revenue Fund, but the main purpose of the Act was to make more money available for the schools. Georgia has a law requiring that 50 percent of all revenues received by the state shall be used for the support of the state school system. The 1929 income tax law was repealed in 1931 and a new law, containing provisions independent of the federal law, was substituted.²⁰

Tennessee. A law taxing personal and corporation incomes derived from stocks and bonds was adopted in 1929. From the proceeds of this tax, the state received 55 percent. The Tennessee public schools are given a specific claim on one-third of the gross revenues of the state. In 1931, a provision exempting income from certain stocks was revised so as to make additional income of this type taxable.²¹

*Income taxes not available for education—*Contributions that the income taxes adopted in Idaho, Kansas, Oregon, and Tennessee make to the state school system, if these taxes contribute at all, are negligible. It is possible that revenues going to the local units from the Tennessee individual income tax, adopted in 1931 and declared unconstitutional in 1932,²² contributed indirectly thru local funds to local support of education. However, since this report deals only with state support of education, laws of this nature are beyond its scope.

*Revisions of earlier income tax laws—*During the period, 1929–33, eight states that had income taxes before 1929 revised their laws in such a way that their contribution to state support of education was modified.

Delaware. In 1929 a personal income tax act was enacted, superseding all previous acts. This revision represented a slight decrease. Net proceeds are payable to the State School Fund. The governor, according to 1931 legislation, has power to reduce the income tax in conformity with the needs of the

School Fund. In 1932 he authorized a refund of 50 percent of the taxes collected for the year ending December 31, 1931.²³

Massachusetts. The personal income tax was revised in 1929. Most of the net proceeds are used under the Education Law for schools.²⁴

Missouri. In 1931 a personal income tax law having rates graduated from 1 to 4 percent was substituted for the law having a flat 1 percent rate. Proceeds go into the General Revenue Fund of which one-fourth, by constitutional provision, must be used for the schools. The practice has been to appropriate one-third. At the same time a school equalization law was enacted that provided for increased state aid for the schools.²⁵

North Carolina. In 1931 the existing personal and corporation income tax laws were replaced by new laws providing for increased rates. At the same time a law providing for state support of the six months' constitutional term on state standards was enacted. Rates of the personal income tax were again increased in 1933 and a plan for state support of an eight months' school program on state standards was adopted.²⁶

North Dakota. Personal income tax rates were increased in 1933. Revenues are placed in the State General Fund from which important educational appropriations are made.²⁷

South Carolina. The rates on corporation incomes were increased in 1930 and the brackets for the tax on personal incomes were lowered. Revenues were placed in the State General Fund which in 1927 provided nearly half of the total general school fund. The rates on personal incomes were further increased in 1933 and exemptions were decreased. The School Act of 1933 earmarked for school purposes \$893,000 of the personal income tax proceeds.²⁸

Virginia. In 1930 the exemptions were increased in the personal income tax. This, it was estimated, would decrease the revenue by about \$340,000. Revenue is credited to the General Revenue Fund from which certain educational appropriations are made.²⁹

²⁰ *Georgia Laws, 1929*, p. 92-99. *Georgia School Code, 1923*, p. 38, Section 109. *Georgia Laws, Extraordinary Session, 1931*, Act No. 13. Effective January 1, 1931.

²¹ *Public Acts, Regular Session, 1929*, Chapters 86 and 116. *Extraordinary Session, 1929*, Chapter 16. *Acts of 1909*, Chapter 264, Section 1; as amended by *Acts of 1913*, Chapter 23, Section 1; and by *Acts of 1923*, Chapter 75, Section 7.

²² *Public Acts, Second Extraordinary Session, 1931*, Chapter 21. Declared unconstitutional by State Supreme Court of Tennessee, July 22, 1932, in *L. C. Evans, et al., v. Charles M. McCabe, et al.*, 164 Tenn. 672, 52 (2d) 159.

²³ *Laws of Delaware, 1929*, Chapter 8. Effective for the year 1930. *Laws of Delaware, 1931*, Chapter 9.

²⁴ *Massachusetts Acts and Resolves, 1929*, Chapter 361. *General Laws*, Chapter 70, Section 1.

²⁵ *Laws, Missouri, 1931*, p. 365-75. Effective April 16, 1931. p. 334-47. *Constitution of Missouri*, Article XI, Section 7.

²⁶ *Public Laws of North Carolina, 1931*, Chapter 427, Sections 310 and 311. Chapter 430. Section 1. *Public Laws of North Carolina, 1933*, Chapter 443, Sections 310 and 311. Chapter 562, Section 1.

²⁷ *Laws of 1933*, Chapter 253. Effective December 31, 1933.

²⁸ *Acts, South Carolina, 1930*, Act 803, Sections 1, 3, and 4. Applicable to all incomes earned or accrued on and after January 1, 1930. *Acts, South Carolina, 1933*, "School Act of 1933."

²⁹ *Acts of Assembly, 1930*, Chapter 46. Effective for taxable year 1930.

Wisconsin. From 1925 to 1931, the claims of the state consolidated and graded schools and the state high schools on the General Fund and the claims of the state university, the normal schools, and the common schools on the state property tax were met from the income tax. This provision was repealed in 1931 and the income tax revenue is now placed in the State General Fund, from which all state appropriations for education are made. In 1932 the

basis of the income tax was changed from the average annual net income received during the previous three years to the single year of net income.²⁰

Yield of income taxes—The annual yield for certain recent years of certain income taxes contributing to state support of education, as discussed above, is given in Table 4.

²⁰ *Laws of Wisconsin, 1931*, Chapter 416, Section 1. Effective July 1, 1931.

TABLE 4.—ANNUAL YIELD OF NEW AND REVISED STATE INCOME TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Object taxed	Yield	Year
1	2	3	4
Arizona	Personal and corporation incomes	\$500,000* ^a	
Arkansas	Personal and corporation incomes	668,140 ^b	1931
California	Corporation incomes	5,474,400 ^c	1931
Delaware	Personal incomes	653,800 ^d	Year ending June 30, 1933
Georgia	Personal and corporation incomes	1,378,597 ^b	1931
Massachusetts	Personal incomes	721,016 ^b	1931
Missouri	Personal and corporation incomes	3,418,564 ^b	1931
Montana	Personal incomes	75,000* ^e	
	Corporation incomes	75,000* ^e	
New Mexico	Personal and corporation incomes	250,000* ^a	
North Carolina	Personal and corporation incomes	6,129,424 ^b	1931
North Dakota	Personal and corporation incomes	431,900 ^b	1931
Oklahoma	Personal and corporation incomes	830,378 ^f	Year ending June 30, 1933
South Carolina	Personal and corporation incomes	1,715,204 ^g	1931
Tennessee	Corporation incomes	496,298 ^h	Year ending June 30, 1932
Vermont	Personal and corporation incomes	685,935 ^h	1932
Virginia	Personal and corporation incomes	4,110,355 ^h	1931
Wisconsin	Personal and corporation incomes	17,259,212 ⁱ	Year ending June 30, 1932

* Estimate.

^a *Evening Star* (Washington, D. C.), June 1, 1933.

^b U. S. Department of Commerce, Bureau of Census. *Financial Statistics of States, 1931*. p. 58-59.

^c California Tax Research Bureau. *Report*. January 23, 1933. p. 75.

^d Information from H. V. Holloway, state superintendent of public instruction.

^e *Montana Education*, April, 1933. p. 25.

^f Information from Marshall Gregory, director of research, State Department of Public Instruction.

^g Commissioner of Finance and Taxation. *Fifth Biennial Report*.

^h Information from Francis L. Bailey, state commissioner of education.

ⁱ Wisconsin Tax Commission. *Bulletin No. 53*. This figure includes the revenue from (1) the surtax for teachers' retirement fund, \$1,986,529; and (2) the emergency relief tax, \$1,560.

IV. Sales Taxes

For convenience in discussion, sales taxes are here divided into two groups: (a) those which are levied on all or nearly all sales of a given type, and (b) those which are levied only on sales of specified commodities. These two types are discussed in order.

General Sales Taxes

Since the beginning of 1929, fifteen states have adopted general sales tax laws. Revenues from general sales taxes in seven of these fifteen states were earmarked in whole or in part for state school support; in seven states revenues were placed in general funds from which substantial appropriations are made for the schools. Table 5 sets forth the 1928-33 development of state general sales tax legislation as related to state school support.

General sales taxes earmarked for state school support—General sales taxes were enacted to contribute directly to state school support in the following states:

Illinois. Net revenue from a 3 percent sales tax, adopted early in 1933 but later declared unconsti-

tutional, was to have been distributed monthly to the counties in proportion to their population, to be used in Cook County for relief purposes and in the other counties for schools. Under certain conditions, some of the money in Cook County could have been used for schools and the money in the other counties could have been diverted for relief purposes. This tax was replaced later in the session with a 2 percent retail sales tax designed to operate from July 1, 1933, to July 1, 1935. Up to February 1, 1934, the proceeds are to be used for emergency relief; after that date, they are to be paid into a new state fund called the Occupational Tax Fund. After March 1, 1934, the Common School Fund and the University of Illinois, each, is to receive from this fund the amount it would receive from a state property tax levied for it. The amount that would otherwise have to be raised by means of such a property tax will thus be reduced.¹

Michigan. A 3 percent gross retail sales tax law, adopted in 1933, provides that \$31,700,000 of the net revenue be appropriated annually as follows: \$12,000,000 to the State Emergency Welfare Fund, \$19,000,000 to the General Fund for the fiscal years ending June 30, 1934, and June 30, 1935, \$500,000 to the University of Michigan, and \$200,000 to the Michigan State College. Any remainder was ordered placed in a special fund to be disbursed only on appropriation by the legislature. From this special fund, an annual appropriation of \$15,000,000 was

¹ *Laws of Illinois, Fifty-eighth General Assembly, 1933*, p. 938-44, 924-29, 1090-91, 945-47. Effective March 22, 1933. (See *Winter v. Barrett*, 352 Ill., 441.)

TABLE 5.—STATE GENERAL SALES TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1928-33

States having general sales taxes in specified years					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
Delaware ^a <i>Pennsylvania</i> ^a	Delaware ^a <i>Pennsylvania</i> ^a	Delaware ^a <i>Pennsylvania</i> ^a	Delaware ^a <i>Pennsylvania</i> ^a	Delaware ^a <i>Pennsylvania</i> ^a	Delaware ^a <i>Pennsylvania</i> ^a
<i>Virginia</i>	<i>Virginia</i>	<i>Virginia</i>	<i>Virginia</i>	<i>Virginia</i>	<i>Virginia</i>
<i>West Virginia</i>	<i>West Virginia</i>	<i>West Virginia</i>	<i>West Virginia</i>	<i>West Virginia</i>	<i>West Virginia</i>
	<i>Georgia</i>	<i>Georgia</i>	<i>Georgia</i>	<i>Mississippi</i>	<i>Mississippi</i>
		<i>Mississippi</i>	<i>Mississippi</i>	<i>North Carolina</i>	<i>North Carolina</i>
			<i>North Carolina</i>		<i>Arizona</i>
					<i>California</i>
					ILLINOIS
					<i>Indiana</i>
					MICHIGAN
					<i>New York</i>
					OKLAHOMA
					OREGON
					SOUTH DAKOTA
					UTAH
					WASHINGTON

^a These are, respectively, a merchants' and manufacturers' license tax and a mercantile license tax. They levy a flat tax plus a tax measured by gross value of sales.

made for support of the public schools. The tax, however, it was estimated, would produce only \$32,000,000.²

Oklahoma. All of the revenue from a 1 percent retail sales tax, adopted in 1933, with the exception of 3 percent to cover costs of collection, was earmarked for the schools as follows: 50 percent to the common school districts for reduction of local school taxes, 30 percent for the purchase of teachers' non-payable warrants, and 17 percent for the Special Common School Equalization Fund.³

Oregon. A 1½ percent tax on retail sales and certain utility services was adopted in 1933. Seventy-five percent of the net receipts was earmarked for school purposes.

South Dakota. In 1933 a gross income tax was levied. Fifty percent of the gross revenue was earmarked for the schools as follows: 5 percent for schools unable to operate because of delinquent local taxes, and 45 percent for the Interest and Income Common School Fund. Local property levies are to be reduced by the amount received from this fund.⁴

Utah. The net revenue of a comprehensive retail sales tax of 2 percent, adopted in 1933, after \$2,000,000 annually is set aside for relief purposes, must be placed in the State District School Fund to reduce the state property tax levy. Any balance of the \$2,000,000 not used for relief and remaining at the end of the fiscal year must be transferred to the State District School Fund.⁵

Washington. In 1933 a classified sales tax on manufacturers', wholesalers', and retailers' sales and on sales of certain services was adopted. All of the revenue, up to \$12,500,000, was ordered placed in the State Current School Fund.⁶

General sales taxes contributing indirectly to the schools—Seven states enacted general sales taxes which, altho not earmarked for education, contribute significantly thru appropriations from the general funds. Brief descriptions of these measures follow:

Arizona. A 2 percent sales tax, adopted early in 1933, was declared unconstitutional. The legisla-

ture at a special session replaced this with a classified gross income tax. After 19 percent of the revenue is set aside for certain specified purposes, 75 percent of the remainder is placed in the State General Fund from which appropriations are made for education.⁷

California. In 1933, a flat-rate retail sales tax was adopted. Revenue was ordered placed in the State General Fund upon which the schools are given a prior claim. At the same time a constitutional amendment providing for increased state school support was adopted.⁸

Georgia. Revenue from the 1929 classified gross sales tax which expired in 1931 was placed in the State General Fund, but the measure was supported for the specific purpose of making more money available for the public schools. As previously indicated, Georgia has a law requiring that 50 percent of all revenues received by the state from all sources shall be used for the state school system.⁹

Indiana. In 1933 a gross income tax was adopted which is described as a "cross between a general sales tax and a net income tax." Net revenue is credited to the General Fund. At the same time the legislature provided for increased state school support which will necessitate a state school fund of over \$20,000,000 to come from the General Fund.¹⁰

Mississippi. In 1930 a classified gross sales tax, which expired in 1932, was adopted. In 1932 a gross income tax, designed to expire June 30, 1934, was adopted. All state taxes in Mississippi are payable to the General Fund of the state from which appropriations are made for the public schools. Such appropriations for the school year 1932-33 amounted to \$7,630,000.¹¹

New York. In 1933 a retail sales tax was adopted. Revenue is payable to the State General Fund, from which appropriations for education are made.¹²

North Carolina. In 1931 a graduated gross sales tax was levied on retail and wholesale merchants, for the purpose of supporting at state expense the six months' constitutional term on state standards. In addition to this tax, the legislature, in its 1933

² Public Acts, 1933, No. 167. Effective June 28, 1933. No. 236. Effective July 7, 1933.

³ Harlow's Oklahoma Session Laws, 1933, Chapter 66, Article 9, Sections 675-89. Effective June 1, 1933.

⁴ Session Laws of South Dakota, 1933, Chapter 184. Effective July 1, 1933, to June 30, 1935. Chapter 185.

⁵ Laws of Utah, Special and Regular Sessions, 1933, Chapter 63. Effective March 21, 1933, to April 1, 1935; as amended by Laws of Utah, Second Special Session, 1933, Chapter 20. Effective August 3, 1933.

⁶ Laws of Washington, 1933, Chapter 191. Effective March 21, 1933.

⁷ Laws of Regular Session, 1933, Chapter 90. Effective April 30, 1933. See Cox v. Stultz Eagle Drug Co. 21 P. (2d) 914, 918. Laws of First Special Session, 1933, Chapter 17. Effective June 28, 1933, to March 1, 1935.

⁸ Statutes of California, 1933, Chapter 1020. Effective July 31, 1933. Chapter 63.

⁹ Acts, 1929, p. 103 f. Effective October 1, 1929, to December 31, 1931. Georgia School Code, 1923, p. 38, Section 109.

¹⁰ Acts, 1933, Chapter 50. Effective May 1, 1933. Chapter 96. Effective January 1, 1934, or as soon after as possible.

¹¹ General Laws of Mississippi, 1930, Chapter 90, Article I. Effective May 31, 1930. General Laws of Mississippi, 1932, Chapter 90. Effective April 30, 1932, to June 30, 1934. Information from A. S. Coody, secretary, Mississippi State Tax Commission.

¹² Laws of New York, 1933, Chapter 281. Effective April 19, 1933.

session, adopted, in connection with the new eight months' school program to be supported wholly at state expense, a 3 percent tax on retail sales.¹²

General sales taxes not available for education—Proceeds from the Emergency Relief Sales Tax of 1 percent, adopted by Pennsylvania in 1932, were placed in the General Fund, but the reason for levying the tax was to provide unemployment relief.¹⁴

Yield of general sales taxes—Table 6 gives the annual yield of general sales taxes adopted since the beginning of 1929 that contribute to the schools.

TABLE 6.—ANNUAL YIELD OF STATE GENERAL SALES TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Estimated annual yield
1	2
Arizona	\$900,000 ^a
California	\$48,000,000 ^a
Georgia	\$950,000 ^a
Illinois	\$33,000,000 ^a
Indiana	\$12,000,000 to \$14,000,000 ^b
Michigan	\$32,000,000 ^a
Mississippi	\$2,347,442 ^c
New York	\$28,000,000 to \$30,000,000 ^b
North Carolina	\$8,160,000 ^b
North Dakota	\$4,000,000 ^b
Oklahoma	\$3,401,014 ^d
Oregon	\$4,000,000 ^e
South Dakota	\$10,000,000 ^b
Utah	\$1,680,000 ^a
Washington	\$5,000,000 to \$6,000,000 ^b

^a Estimates based on figures: Joseph G. Riddle. *Revenue from General Sales Taxes*. Chicago: American Legislators Association, December 6, 1933. p. 5.

^b *Evening Star* (Washington, D. C.), June 1, 1933.

^c Estimate based on \$1,173,721.15 produced during first six months of operation. Stone, A. H. *Mississippi Sales Tax Statistics*. Jackson, Miss.: State Tax Commission, 1932.

^d Information from Marshall Gregory, director of research, State Department of Public Instruction.

^e *Oregon Education Journal*, January, 1934. p. 17.

Selective Sales Taxes

Sales of certain specified commodities are frequently selected for taxation. A list of such commodities would include: tobacco, gasoline, malt, alcoholic liquors, cosmetics, amusements,

and many others. The discussion of these taxes is organized according to the commodity selected for taxation.

Taxes on sales of tobacco—During the period 1929-33, seven states adopted tobacco sales taxes.¹⁵ In three of these seven states the revenues were earmarked in whole or part for purposes of state school support. In two states they were ordered placed in state general funds from which substantial educational appropriations were made. In two states, Arizona¹⁶ and Michigan,¹⁷ contributions for educational support were little or nothing. Two of these seven states and four others that had existing tobacco sales tax laws revised the laws in such a way that revenues available for the state school systems would be affected. Table 7 sets forth the 1928-33 development of state tobacco tax legislation as related to state school support.

The three states adopting tobacco sales taxes between 1929 and 1933, inclusive, that earmarked the proceeds in whole or in part for the state school systems were:

Ohio. In 1931 a cigarette sales tax was imposed for the years 1931, 1932, and 1933. The revenues were ordered placed in a Cigarette Tax Fund to be used for (1) paying expenses of administering the tax, (2) paying expenses of the State Equalization Fund for schools, (3) constructing, reconstructing, repairing buildings at the institutions administered by the Department of Welfare, or acquiring land for such institutions. A 1933 enactment extends the tax from January 1, 1934, to December 31, 1935, and appropriates the revenue to the Public School Fund.¹⁸

Oklahoma. A cigarette sales tax law, adopted in 1933, provided for apportioning 95 percent of the gross revenue to the school districts of the state. This law, however, never went into effect. It was defeated by a referendum vote on August 15, 1933.¹⁹

Texas. In 1931 a cigarette sales tax law requiring that half of the proceeds be placed in the State Available School Fund was enacted. This law was

¹² *Session Laws, 1931*, Chapter 427, Session 164. *Session Laws, 1933*, Chapter 445, Sections 400-522. Effective July 1, 1933, to June 30, 1935.

¹⁴ *Laws, Pennsylvania, Extraordinary Session, 1932*, Act No. 53. Effective August 19, 1932.

¹⁵ Arizona, Louisiana, Michigan (defeated at referendum), Mississippi, Ohio, Oklahoma (defeated at referendum), and Texas.

¹⁶ *Laws of First Special Session, 1933*, Chapter 18. Net revenue for Board of Public Welfare.

¹⁷ *Public Acts, Michigan, 1929*, Act 119. Effective August 28, 1929. Revenue for General Fund.

¹⁸ *Laws of Ohio, 1931*, p. 805-15. Became Sections 5894-1 thru 5894-21 in *Ohio General Code*. *Baldwin's Ohio Code Service*, September, 1933, Number. Sections 5894-1 thru 5894-2b. Effective July 14, 1933.

¹⁹ *Harlow's Oklahoma Session Laws, 1933*, Chapter 66, Article 13, Sections 710-27. Effective May 17, 1933.

amended in 1933 to give all of the revenue during the 1933-35 biennium to the State Available School Fund.²⁰

The two states adopting tobacco sales taxes during this period and providing that the revenues be placed in state general funds from which substantial educational appropriations are made were:

Louisiana. In 1932 taxes on cigars, cigarettes, and smoking tobaccos were adopted and the revenues were placed in the State General Fund. At the same time increased appropriations were made for the common schools and the state university.²¹

Mississippi. In 1930 a tax on retail sales of cigars and cigarettes was enacted. In 1932 the tax law was replaced with one which included smoking tobacco as well as cigars and cigarettes.²²

Aside from the states discussed above, four revised tobacco sales tax laws in such a way that revenues available for schools were affected. These states were:

Alabama. In 1931 a 1927 act levying a tax on cigars, cigarettes, and cheroots, and placing the rev-

enue in a Special Educational Trust Fund, was strengthened. In 1932 the rates on cigarettes were increased; the rates on cigars were reduced; and the tax was extended to other forms of tobacco. However, since state appropriations from other sources had been reduced, the increased revenue made available by this enactment (estimated at \$800,000) was not expected to increase the total amount available in the state for schools. The tax was again strengthened in 1933.²³

Arkansas. A 1929 enactment replaced the 1927 cigar and cigarette tax act with a new law. The claims against the proceeds remained substantially as they were before. The Common School Fund would receive the first \$750,000; the Equalizing Fund, the next \$750,000; and of any remainder each would receive one-half. The previous law had provided that the first \$750,000 be credited to the Common School Fund, and any remainder, to the Equalizing Fund. In 1931 the sales tax on cigarettes was increased by one cent per package and the extra revenue thus made available was earmarked for buildings at the state higher educational institutions. All tobacco tax laws were strengthened in 1933.²⁴

South Dakota. A 1929 enactment revised the cigarette tax law and provided that the revenue be placed in the State General Fund instead of the

²⁰ *Texas General Laws, 1931 Regular Session, Chapter 73.* Effective July 21, 1931. *Texas General Laws, 1933 Regular Session, Chapter 153, Section 3.*

²¹ *Acts, Louisiana, Regular Session, 1932, No. 4.* Effective September 1, 1932.

²² *General Laws of Mississippi, 1930, Chapter 90, Article III.* Effective June 1, 1930. *General Laws of Mississippi, 1932, Chapter 92.* Effective June 1, 1932, to June 30, 1934.

²³ *General Acts, Alabama, Regular Session, 1931, Act 358.* *General Acts, Alabama, Extra Session, 1932, Act 113.* *General Acts, Alabama, Extra Session, 1933, Act 175.* Retroactive and effective as of November 21, 1932.

²⁴ *Acts of Arkansas, 1929, No. 152.* Effective March 20, 1929. *Acts of Arkansas, 1931, Nos. 18 and 19.* Effective February 12, 1931. *Acts of Arkansas, 1933, No. 266.* Effective March 30, 1933.

TABLE 7.—STATE TOBACCO TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1928-33

States having tobacco tax laws in specified years					
[CAPITALS indicate tobacco tax revenues earmarked in whole or in part for state school support; italics indicate tobacco tax revenues contributing to state school support indirectly thru state appropriations from general funds.]					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
ALABAMA	ALABAMA	ALABAMA	ALABAMA	ALABAMA	ALABAMA
ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS	ARKANSAS
Georgia	Georgia	Georgia	Georgia	Georgia	Georgia
Iowa	Iowa	Iowa	Iowa	Iowa	Iowa
Kansas	Kansas	Kansas	Kansas	Kansas	Kansas
LOUISIANA ^a	LOUISIANA ^a	LOUISIANA ^a	LOUISIANA ^a	LOUISIANA ^a	LOUISIANA ^a
North Dakota	North Dakota	North Dakota	North Dakota	North Dakota	North Dakota
South Carolina	South Carolina	South Carolina	South Carolina	South Carolina	South Carolina
SOUTH DAKOTA	SOUTH DAKOTA	SOUTH DAKOTA	SOUTH DAKOTA	SOUTH DAKOTA	SOUTH DAKOTA
TENNESSEE	TENNESSEE	TENNESSEE	TENNESSEE	TENNESSEE	TENNESSEE
Utah	Utah	Utah	Utah	Utah	Utah
	Michigan ^b	Mississippi	Mississippi	Mississippi	Mississippi
			OHIO		OHIO
			TEXAS	TEXAS	TEXAS
					Arizona
					OKLAHOMA ^b

^a Repealed.

^b Defeated at referendum.

special building fund for educational institutions. In 1933 the law was replaced with a stronger one. Substantial appropriations are made for the state school system from the State General Fund.²⁵

Tennessee. In 1929 the tax on sales of cigarettes was increased. All of the revenue is credited to the State Educational Equalization Fund.²⁶

Table 8 gives the annual yield of tobacco taxes adopted or revised since the beginning of 1929 that contribute to the support of the state school system.

TABLE 8.—ANNUAL YIELD OF NEW AND REVISED STATE TAXES ON SALES OF TOBACCO PRODUCTS CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Yield	Year ending
1	2	3
Alabama	\$1,500,000* ^a	
Arkansas	\$508,451 ^b	
Mississippi	\$662,517 ^c	September 30, 1931
Ohio	\$4,500,000* ^d	December 31, 1933
Oklahoma	\$1,500,000* ^e	
Tennessee	\$2,184,448 ^e	June 30, 1932
Texas	\$153,041 ^f	December 31, 1931

* Estimate.

^a Correspondence with Frank L. Grove, secretary, Alabama Education Association.

^b *Journal of Arkansas Education*, November, 1933, p. 8.

^c Tax Research Foundation, *Federal and State Tax Systems*, 1933, p. 198-200.

^d The yield from effective date September 1, 1931, to December 31, 1933 was \$10,100,000. Information from B. O. Skinner, director of education, State Department of Education.

^e *Evening Star* (Washington, D. C.), June 1, 1933.

Taxes on sales of gasoline and lubricating oil—In 1928 Massachusetts and New York were the only states that did not have gasoline sales taxes. By 1929 all of the forty-eight states had this type of tax and, since then, none have abandoned it. Revenues are generally used only for road construction and upkeep. However, a few states deviate from this practise. During the 1929-33 period Louisiana, Ohio, and Texas adopted the practise of earmarking part of the gasoline tax proceeds for their state school systems, and Florida, Georgia, and Wis-

consin provided for increased school support from this source. In Wisconsin part of the revenue was diverted to the General Fund, from which all educational appropriations are made. Florida later repealed all provisions giving gasoline tax proceeds to the schools. Another state, New Mexico, earmarked the revenue from a new tax on lubricating oil for school purposes. Summaries of these laws follow:

Florida. In 1929 a tax of one cent a gallon on gasoline was added to the existing five-cent tax and the additional revenue placed in the Public Free School Fund. This law, along with a 1927 provision that two-thirds of one cent from the proceeds of the five-cent tax be apportioned to the county schools, was repealed in 1931.²⁷

Georgia. The gasoline tax was increased by two cents in 1929 and one cent of the total tax was earmarked for an Equalization School Fund. Under the former law the schools had been entitled to only one-half cent per gallon. The law was amended in 1931 to provide that, before the revenue from this and from an existing one-cent per gallon tax on kerosene go to the schools, one-half percent be deducted in order to cover cost of collection and inspection.²⁸

Louisiana. A constitutional amendment adopted in 1930 increased the tax on gasoline, naphtha, benzine, etc., by one cent per gallon and earmarked one-half cent for an equalizing fund.²⁹

New Mexico. A 1933 law levied a tax of four cents a gallon on lubricating oil. The revenue was ordered placed in a Free Textbook Fund.³⁰

Ohio. One cent of the gasoline tax was removed in 1933 and replaced with a one-cent tax on all liquid fuels. The net revenue from the liquid fuel tax was allocated to the State Public School Fund.³¹

Texas. In 1929 the rate on gasoline was changed from two cents to four cents. One-fourth of the revenue, by constitutional provision, must be placed in the State Available School Fund.³²

Wisconsin. The 1933 budget act provided that during the two fiscal years, 1933-34 and 1934-35, \$1,000,000 per year be diverted from the revenue of the gasoline tax to the State General Fund, from which all state school expenses are paid.³³

²⁵ *Session Laws of South Dakota*, 1929, Chapter 242. *Sessions Laws of South Dakota*, 1933, Chapter 190.

²⁶ *Public Acts*, 1929, Regular Session, Chapter 50. *Public Acts*, 1929, Extraordinary Session, Chapter 17. *Public Acts*, 1931, Second Extra Session, Chapter 1. Effective December 9, 1931.

²⁷ *Laws of Florida*, 1929, Chapters 14573 and 14575. *Laws of Florida*, 1931, Chapter 15659. Effective July 1, 1931.

²⁸ *Acts*, 1929, p. 101, Section 2.

²⁹ *Acts*, Louisiana Extra Session, 1930, No. 1. Became Article 6A, Section 1-14 of Constitution of Louisiana.

³⁰ *Laws of New Mexico*, 1933, Chapter 115.

³¹ *Laws of Ohio*, 1933, p. 629-31, 631-42.

³² Tax Research Foundation. *Federal and State Tax Systems*, 1933, p. 140.

³³ *Laws of Wisconsin*, 1933, Chapter 140, Section 20.49.

Yields of the taxes discussed above are given in Table 9.

TABLE 9.—YIELD IN 1931 OF STATE GASOLINE TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT

State	Yield
1	2
Florida	\$14,986,170 ^a
Georgia	\$13,313,500
Louisiana	\$9,397,783
Ohio	\$39,328,053 ^b
Texas	\$30,514,558
Wisconsin	\$15,780,181
New Mexico (lubricating oil)	\$35,000*

Source: Tax Research Foundation, *Federal and State Tax Systems*, 1933, p. 141.

^a Amount available for schools in 1931-32 fiscal year was \$528,905.55. Information from J. C. Compton, chief clerk, State Department of Public Instruction.

^b Net income of fuel oil tax from effective date, July 21, 1933, to December 30, 1933, was \$2,835,553. Information from B. O. Skinner, director of education, State Department of Education.

* Estimate.

Taxes on sales of malt—In 1928 only one state had a tax on sales of malt; in 1933, nine states had such taxes. During the 1929-33 period, nine states adopted this type of tax.³⁴ In none of these nine were proceeds in any way earmarked for the schools; in six, however,

they contributed indirectly to state school support; in three, Arizona,³⁵ Idaho,³⁶ and Michigan,³⁷ proceeds contributed nothing to state school support. During this period, Louisiana revised its existing malt tax law so that greater revenue could be expected for the schools. Table 10 sets forth the 1928-33 development of state malt tax legislation as related to state school support.

The malt sales tax legislation affecting the support of state school systems is described briefly as follows:

Arkansas. A 1929 enactment levied a stamp tax on malt and malt extracts and provided that the revenue be used to reduce the state property tax. In 1927, five and a half mills of the state property tax, which was limited by constitutional amendment to ten mills, was for education. A 1933 enactment shifted the malt tax revenue to the General Fund which, as a source of state school revenue, is negligible.³⁸

Georgia. Georgia in 1929 adopted a malt sales tax law and ordered the revenue to be placed in the State General Fund, half of which must be used for state school support.³⁹

Louisiana. Louisiana in 1930 changed the administration of an existing malt tax so that greater revenue could be expected. All of the revenue was for the Educational Equalization Fund.⁴⁰

³⁴ Arizona, Arkansas, Georgia, Idaho, Michigan, Mississippi, South Carolina (repealed in 1931), South Dakota, and Tennessee.

³⁵ *Laws, First Special Session, 1933*, Chapter 18. Net revenue for Board of Public Welfare.

³⁶ *General Laws, Idaho, Extraordinary Session, 1933*, Chapter 17. Effective July 1, 1933. Revenue for General Fund.

³⁷ *Public Acts, 1929*, No. 304. Effective August 28, 1929. *Public Acts, 1931*, No. 100. Effective May 14, 1931. Proceeds to be used for tuberculosis patients.

³⁸ *Acts of Arkansas, 1929*, No. 181, Sections 7-12. *Acts of Arkansas, 1933*, No. 249. Effective March 30, 1933.

³⁹ *Georgia Laws, 1929*, p. 72, Section 28.

⁴⁰ *Acts, 1930*, No. 34.

TABLE 10.—STATE TAXES ON SALES OF MALT AS RELATED TO STATE SCHOOL SUPPORT, 1928-33

States having malt sales tax laws in specified years					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
LOUISIANA	LOUISIANA <i>Arkansas</i> <i>Georgia</i> <i>Michigan</i> ^a <i>South Dakota</i> <i>Tennessee</i>	LOUISIANA <i>Arkansas</i> <i>Georgia</i> <i>South Dakota</i> <i>Tennessee</i> <i>South Carolina</i>	LOUISIANA <i>Arkansas</i> <i>Georgia</i> <i>Michigan</i> <i>South Dakota</i> <i>Tennessee</i> <i>South Carolina</i>	LOUISIANA <i>Arkansas</i> <i>Georgia</i> <i>Michigan</i> <i>South Dakota</i> <i>Tennessee</i> <i>Mississippi</i>	LOUISIANA <i>Arkansas</i> <i>Georgia</i> <i>Michigan</i> <i>South Dakota</i> <i>Tennessee</i> <i>Mississippi</i> <i>Arizona</i> <i>Idaho</i>

^a Administration suspended.

Mississippi. A 1932 enactment levied a tax on sales of malt. Revenue was ordered placed in the General Fund, from which are made all state educational appropriations.⁴¹

South Carolina. A malt tax was adopted in 1930 and the revenue was placed in the General Fund. Rates of the tax were decreased in 1931 and later in that year the tax was repealed. Until 1933 all state educational appropriations in South Carolina were made from the General Fund.⁴²

South Dakota. In 1929 a tax on sales of malt extract was adopted. All of the revenue was ordered credited to the General Fund to reduce the state property tax.⁴³

Tennessee. In 1929 a tax on sales of malt extract, derivatives, or combinations was adopted. As previously indicated, the schools of Tennessee are given a claim on one-third of all the revenues of the state.⁴⁴

Taxes on sales of alcoholic beverages—In 1933, sales of 3.2 beer and wine and other alcoholic liquors became the object of much special sales tax legislation. At least thirty-one states adopted such a tax. Such legislation affecting state school support is described as follows:

Arkansas. Seventy percent of the state's revenue from beer is earmarked for the Common School Fund.⁴⁵

Connecticut. Revenue from a tax on the gross receipts from sales of alcoholic liquors was ordered placed in the General Fund from which state educational appropriations are made. The law was so worded as to tax automatically all alcoholic liquors, irrespective of alcoholic content.⁴⁶

Florida. All of the revenue from the tax on sales as well as from the license fees on manufacturers, wholesalers, and retailers is allocated to the County School Fund.⁴⁷

Idaho. Fifty percent of the revenue from a tax on sales of 3.2 beer and from license taxes is allotted to the State School Fund.⁴⁸

Indiana. Net revenue from state license and sales taxes on alcoholic beverages was ordered distributed to the tuition funds of the several school taxing units.⁴⁹

Maine. Revenue from a tax on sales of malt beverages containing over one-half percent alcohol was credited to the General Fund of the state, from which significant educational appropriations are made.⁵⁰

Maryland. Revenue from a tax on 3.2 beer and wine becomes a part of the state's general revenue which is an important source of school support.⁵¹

Michigan. From the revenue of the license and sales tax on 3.2 beer and wine, the sum of \$50,000 is earmarked for the Primary School Fund.⁵²

Missouri. The revenue from such a tax in Missouri was ordered placed in the General Fund, one-third of which is used for education.⁵³

Oklahoma. Ninety-five percent of the revenue from a tax on sales of 3.2 fermented beverages and from the license taxes is for the schools.⁵⁴

Pennsylvania. Revenue from the tax on 3.2 beer and wine in Pennsylvania was ordered placed in the State General Fund. All state educational appropriations are made from this fund. A tax of \$2 per gallon was levied on alcohol, whiskey, and wine manufactured or stored within the state before repeal. Revenue was ordered turned into the General Fund, but one of the purposes for adopting the measure was that of making an appropriation of \$5,000,000 for financially embarrassed school districts.⁵⁵

South Carolina. A law taxing sales of 3.2 beer and wine provided that 40 percent of the revenue collected in towns, cities, and incorporated villages and 50 percent of the revenue collected outside those limits be used for school purposes. This was later repealed and a law levying a license and sales tax was enacted. From the revenue of the license tax, \$24,000 was earmarked for state aid to schools.⁵⁶

⁴¹ *General Laws of Mississippi 1932*, Chapter 95.

⁴² *Acts, 1930*, No. 810. *Acts, 1931*, No. 250. Information from W. G. Query, state tax commissioner.

⁴³ *Session Laws of South Dakota, 1929*, Chapter 245.

⁴⁴ *Public Acts of Tennessee, 1929*, Chapter 67. *Public Acts of Tennessee, 1931, Second Extra Session*, Chapter 25. Effective December 19, 1931. *Public Acts of Tennessee, 1933*, Chapter 59. Effective April 7, 1933.

⁴⁵ Dawson, Howard A. "The Arkansas School Dollar." *Journal of Arkansas Education* 10: 6-10; November, 1935.

⁴⁶ *Public Acts of 1933*, Chapter 140, Part II. Effective April, 1933.

⁴⁷ *Laws of Florida, 1933*, Chapter 15884. Effective May 8, 1933. Chapter 16172. Effective June 7, 1933.

⁴⁸ *General Laws, Idaho, Extraordinary Session, 1933*, Chapter 3. Effective June 21, 1933.

⁴⁹ *Acts, 1933*, Chapter 80. Effective March 1, 1933.

⁵⁰ *Laws of Maine, 1933*, Chapter 268.

⁵¹ *Laws of 1933*, Chapter 213.

⁵² *Public Acts, Michigan, 1933*, No. 64, Section 7. Effective April 27, 1933.

⁵³ *Missouri Statutes, Annotated. Laws to April 10, 1933, with Annotations*, Article 9, Sections 13139e thru 1313929.

⁵⁴ *Harlow's Oklahoma Session Laws, 1933*, Chapter 16.

⁵⁵ *Laws of Pennsylvania, 1933*, No. 104. Effective May 5, 1933. Information from Edward B. Logan, budget secretary.

⁵⁶ *Acts, South Carolina, 1933*. "School Act of 1933."

Tennessee. From the net revenue of a state tax on sales of 3.2 beverages, one-third must be retained by the state and one-third must be equally distributed to the several counties to be used for elementary schools or, by a two-thirds vote of the county court, for general purposes.⁸⁷

Utah. Net revenue from a tax on beverages containing not more than 3.05 percent alcohol (manufactured within the state for sale outside the state) was ordered placed in a State Fund for the Relief of the Unemployed Residents of Utah. After the removal of such necessity, 50 percent must be placed in a special fund to be known as the "Junior College Fund."⁸⁸

Wisconsin. From the proceeds of a tax on sales of 3.2 malt beverages and wine up to July 1, 1933, were appropriated aids to certain school districts unable to complete the school year without assistance from the state.⁸⁹

Table 11 gives the estimated annual yield of these taxes.

TABLE 11.—ESTIMATED ANNUAL YIELD OF STATE TAXES ON SALES OF ALCOHOLIC BEVERAGES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1933

State	Yield
1	2
Arkansas	\$285,714 ^a
Idaho	\$40,000 ^b
Michigan	\$2,000,000 ^c
Missouri	\$750,000 ^d
Oklahoma	\$650,000 ^e
Pennsylvania:	
3.2 beer and wine	\$5,000,000 ^f
alcohol, whiskey, and wine	\$13,000,000 ^f
Wisconsin	\$1,200,000 ^g

^a Will probably produce \$200,000 for schools. *Journal of Arkansas Education*, November, 1933, p. 8.

^b Information from William A. Gartin, accountant and chief clerk, State Department of Education.

^c *Evening Star* (Washington, D. C.), June 1, 1933.

^d *School and Community*, April, 1933, p. 147.

^e Information from Marshall Gregory, director of research, State Department of Public Instruction.

^f Information from Edward B. Logan, budget secretary.

Taxes on sales of soft drinks—During the period 1929-33, three states adopted taxes on sales of various kinds of soft drinks. In Alabama, proceeds are specifically earmarked for the schools; in Louisiana and Tennessee, proceeds contribute to state school support indi-

rectly thru the state general funds. Such tax legislation affecting state school support is further described below:

Alabama. In 1932 the manufacture and sale of near beer was legalized and sales and license taxes were levied. Revenue is divided equally among the sixty-seven counties and must be used to extend the terms of the elementary schools.⁹⁰

Louisiana. In 1932 a tax on sales of soft drinks was adopted. All of the revenue goes into the State General Fund from which the schools and the state university received increased appropriations.⁹¹

South Carolina. The tax on soft drinks was amended in 1930 to require that the Tax Commission refund to dairies the tax paid on all milk drinks sold to schools. Revenue from this tax is placed in the general fund from which all state school appropriations are made.⁹²

Tennessee. A tax on liquid carbonic acid gas was adopted in 1929. Proceeds are placed in the State General Fund, 33⅓ percent of which is for state school support.⁹³

Table 12 gives the annual yield of these taxes.

TABLE 12.—ANNUAL YIELD OF STATE TAXES ON SALES OF SOFT DRINKS CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Yield	Year ending
1	2	3
Alabama	\$4,903 ^a	September 30, 1933
South Carolina	\$969,669 ^b	December 31, 1931
Tennessee	\$41,070 ^c	June 30, 1932

^a Information from A. F. Harman, state superintendent of education.

^b Tax Research Foundation, *Federal and State Tax Systems*, 1933, p. 199.

^c Commissioner of Finance and Taxation, *Fifth Biennial Report*.

Taxes on sales of miscellaneous articles and services—Aside from the commodities discussed above, there are many miscellaneous articles and services subject to sales taxes. One such tax is specifically earmarked for the schools:

Oklahoma. A 1933 enactment earmarked, for the Common School Fund, the revenue from an existing

⁸⁷ *Public Acts of Tennessee, 1933*, Chapter 69. Effective May 1, 1933.

⁸⁸ *Laws of Utah, Special and Regular Sessions, 1933*, Chapter 35. Effective June, 1933.

⁸⁹ *Laws of Wisconsin, 1933*, Chapter 59. Effective April 3, 1933.

⁹⁰ *General Acts, Alabama, Extra Session, 1932*, Nos. 89 and 112.

⁹¹ *Acts, Louisiana, 1932 Regular Session*, Chapter 190, Sections 21 thru 23.

⁹² National Tax Association, *Proceedings*, 1930, p. 443.

⁹³ *Public Acts of Tennessee, 1929*, Chapter 92. *Public Acts of Tennessee, 1929 Extra Session*, Chapter 11.

tax of 4 percent on gross receipts earned within the state by freight car companies.⁶⁴

Other taxes on sales of specific commodities that contribute thru general funds to school support are too numerous to be described in detail here. A few illustrations follow:

California. Up to 1933 California levied a tax on "operative" property of railroad and street railway companies, gas and electric companies, express companies, telegraph and telephone companies, sleeping car and other car companies, and highway transportation companies, but the measure of the tax was gross receipts from operation. Proceeds were payable to the State General Fund, upon

which the state school system was given first claim. A constitutional amendment adopted in 1933 abolished this tax and provided that these public utilities be taxed under the corporation income tax law adopted in 1929.⁶⁵

Maryland. A 1933 enactment taxes sums wagered on all races conducted under the Racing Commission, except bona fide county fairs or agricultural exhibits.⁶⁶

Mississippi. Mississippi levied a tax on amusement admissions in 1930 and revised it in 1932.⁶⁷

South Carolina. South Carolina increased tax rates on candy in 1930 and levied a tax on electric power in 1931.⁶⁸

⁶⁴ H. B. 225.

⁶⁵ *Statutes of California, 1933*, Chapter 63.

⁶⁶ *Laws of 1933*, Chapter 324.

⁶⁷ *General Laws of Mississippi, 1930*, Chapter 90, Article II. *General Laws of Mississippi, 1932*, Chapter 94.

⁶⁸ *Code of Laws of South Carolina*, Sections 2527 (5) and 2558 thru 2564.

WITHIN the last year or so the sales tax has spread rapidly among American states. On the one hand this development has taken the form of selective taxation of specific commodities, such as tobacco, candy, cosmetics, electric power, and so on, with the result of building up in a few cases rather comprehensive systems of selective excise or sales taxes. In other jurisdictions a different course of development has been followed. General sales taxes, varying in scope, but centering usually upon retail transactions, have been developed. . . . They reach a class in the community who pay little or nothing under the usual income tax, but who, nevertheless, owe a financial obligation to the state and may be capable of paying some additional taxes. The introduction of a sales tax broadens the base of state taxation. The administrative difficulties of the sales tax, however, have been quite generally underrated. Moreover it is difficult, if not impossible, to prevent such a tax from impinging in many cases on a class in the community near or below the subsistence level who should probably now be required to make no additional contribution to government. As contrasted with the income tax, the general sales tax is somewhat simpler, somewhat more dependable fiscally, but is perhaps less defensible from the point of view of equity.—Joint Commission on the Emergency in Education. Report of National Conference on the Financing of Education, p. 58.

V. Chain Store Taxes

During the period 1929-33, twenty states provided for chain store taxation.¹ There are two general types of chain store taxes. One, closely related to the general sales tax, is the gross retail sales tax which has rates graduated according to the amount of sales and which, for the purpose of levying the tax, groups the sales of the individual stores of a chain into a lump sum and applies the higher rates. During the period 1929-33, taxes of this nature were adopted in Kentucky, New Mexico, Vermont, and Wisconsin (1933). The usual method, however, is to graduate the tax per store, according to the number of units in a chain. Indiana in 1929 was the first to adopt a tax of this nature and since then twelve other states have done so.² Minnesota adopted a combination of both types, and Georgia,

Mississippi, and North Carolina adopted other chain store taxes that do not fall under either of the classifications described above. In nine states the chain store tax is earmarked in whole or in part for the purpose of state school support; in nine states the tax contributes indirectly thru the state general funds. In three states chain store tax proceeds contribute not at all to state school support or only in negligible amounts.³

Table 13 sets forth the 1928-33 development of chain store tax legislation as related to state school support.

Chain store taxes earmarked for schools—All or part of the revenue from chain store taxes in the following states is set aside for the state school systems.

¹ During this period, chain store taxes adopted in Georgia and Mississippi were held invalid. A 1928 tax in South Carolina, held invalid, was replaced in 1930 with a valid tax.

² Alabama, Arizona, Florida, Idaho, Louisiana, Maine, Maryland, Michigan, Montana, South Carolina, West Virginia, and Wisconsin (1931).

³ These three states are: Arizona, Kentucky, and Wisconsin. Wisconsin is counted twice, once for a 1931 enactment and once for a 1933 enactment.

TABLE 13.—CHAIN STORE TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1928-33

States having chain store taxes in specified years					
[CAPITALS indicate chain store tax revenues earmarked in whole or in part for state school support; italics indicate chain store tax revenues contributing to state school support indirectly thru state appropriations from general funds.]					
1928	1929	1930	1931	1932	1933
1	2	3	4	5	6
Delaware ^a South Carolina ^b	Delaware ^a Georgia INDIANA North Carolina	Delaware ^a South Carolina Georgia INDIANA North Carolina Kentucky Mississippi ^b	Delaware ^a South Carolina Georgia ^b INDIANA North Carolina Kentucky ALABAMA Arizona Florida Wisconsin	Delaware ^a South Carolina INDIANA North Carolina Kentucky ALABAMA Arizona Florida Wisconsin LOUISIANA	Delaware ^a South Carolina INDIANA North Carolina Kentucky ALABAMA Arizona ^a Florida Wisconsin Wisconsin LOUISIANA IDAHO Maine Maryland MICHIGAN MINNESOTA MONTANA NEW MEXICO Vermont WEST VIRGINIA

^a Not the usual kind of chain store tax. This is a branch store license tax levied against companies having the principal place of business outside the state and maintaining branch stores, warehouses, or distributing depots within the state.

^b Held invalid.

^c Repealed in 1933.

Alabama. A 1931 law levying a graduated chain store license tax provided that all of the net revenue be placed in the Special Educational Trust Fund.⁴

Idaho. A graduated chain store license tax was adopted in 1933. Gross proceeds are credited to the State School Fund.⁵

Indiana. Indiana adopted a graduated license tax law in 1929 and directed that from the net proceeds there should be placed in the School Relief Fund \$250,000 for the fiscal year ending September 30, 1929; \$550,000 for the fiscal year ending September 30, 1930; \$500,000 for the fiscal year ending September 30, 1931; and \$300,000 each year thereafter. The law was revised in 1933 to increase materially the tax on large chains and to provide that the net revenue become a part of the General Fund. The legislature at the same time provided also for increased state school support from the General Fund.⁶

Louisiana. A chain store tax law, adopted in 1932, provides that the net revenue be distributed to the parishes on the basis of population to be used first for liquidating bonded indebtedness and then (except for the Parish of Orleans, in which the balance must be placed in the General Fund) for public schools.⁷

Michigan. A chain store license tax law, enacted in 1933, provides that the net revenue be appropriated to the school districts in proportion to the number of teachers employed in the elementary schools, except that no primary district may be allotted an amount which, when taken with the Primary School Interest Fund distribution, exceeds \$800.⁸

Minnesota. A 1933 enactment levying on chain stores a graduated license tax and gross sales tax appropriates the gross revenue for aid to schools.⁹

Montana. Half of the net proceeds from a graduated license tax, adopted in 1933, is earmarked for the Common School Equalization Fund.¹⁰

New Mexico. One-third of the net revenue collected under certain sections of a License and Occupation Tax Law (graduated gross retail sales tax aimed at chain stores), enacted in 1933, is credited

to the State Common School Current Fund. From one-third of the remainder, schools are to receive aid for retiring indebtedness and meeting current expenses.¹¹

West Virginia. A chain store tax law, enacted in 1933, earmarks the net revenue for elementary-school support.¹²

Chain store taxes contributing indirectly to school support—In the following states chain store tax proceeds are placed in the state general funds from which substantial appropriations are made for the state school systems:

Florida. A 1931 enactment levies a graduated chain store license tax. Revenue is payable to the General Fund from which important state school appropriations are made.¹³

Georgia. A 1929 enactment levying a license tax of \$50 for each store in a chain of five or more was held unconstitutional. Revenue would have been placed in the General Fund, one-half of which must be used for schools.¹⁴

Maine. A 1933 enactment levying a graduated chain store license tax provides that the revenue be placed in the General Fund. All state school appropriations are made from this Fund.¹⁵

Maryland. Revenue from a 1933 graduated chain store license tax becomes a part of the state's general revenue from which important appropriations are made for schools.¹⁶

Mississippi. A classified gross sales tax adopted in 1930 included an additional tax of one-fourth percent on the gross income of all retail stores in any chain of more than five. This provision was declared unconstitutional. Proceeds would have been placed in the General Fund from which all state educational appropriations are made.¹⁷

North Carolina. A 1929 tax of \$50 per store in cases where there are six or more under the same management was held unconstitutional. A 1931 tax of \$50 for each store in excess of one was found constitutional. The Revenue Act of 1933 changes this tax to a graduated tax ranging from \$50 on the second, third, and fourth stores to \$150 on each

⁴ *General Acts of Regular Session, 1931, Act No. 369.* Effective October, 1931.

⁵ *Session Laws, 1933, Chapter 113.* Effective July 1, 1933.

⁶ *Acts, 1929, Chapter 207.* Effective July 1, 1929. *Acts, 1933, Chapter 271.* Effective January, 1934. *Acts, 1933, Chapter 96.* Effective January 1, 1934, or as soon thereafter as possible.

⁷ *Acts of 1932 Regular Session, Act No. 19.*

⁸ *Michigan Public Acts, 1933, Act No. 265.* Effective July 17, 1933.

⁹ *Laws of Minnesota, 1933, Chapter 213.* Effective July 1, 1933.

¹⁰ *Laws of 1933, Chapter 155.* Effective July 1, 1933.

¹¹ *Laws of New Mexico, 1933, Chapter 73.* Effective January, 1934.

¹² *Acts of Regular Session, 1933, Chapter 36.* Effective March 8, 1933.

¹³ *General Laws of 1931, Chapter 15624.* Effective July 3, 1931.

¹⁴ *Acts of 1929, Section 27, p. 71.* Became Section 993 (280) of 1933 *Supplement to the Georgia Code.* See *Woolworth v. Harrison*, Georgia Supreme Court, 1931. (156 S. E. 904.) (Ga. CT p. 5811.) (1931 CCH 12,026; Req. 36, 633.)

¹⁵ *Laws of 1933, Chapter 260.* Effective July 1, 1933.

¹⁶ *Laws of 1933, Chapter 542.* Effective June 1, 1933.

¹⁷ *General Laws of Mississippi, 1930, Chapter 90, Article I, Section 2-c, p. 227.* Effective May 31, 1930. Interlocutory Injunction granted by U. S. District Court, Southern District of Mississippi, Penny Stores, Inc. v. Mitchell, Sept. 9, 1930. Affirmed U. S. Supreme Court. (52 Supreme Court 27.) (Miss. CT p. 134Q.)

store in excess of fifty. In each case the revenue was for the General Fund and the state accepted increased responsibilities for school support.¹⁸

South Carolina. South Carolina in 1930 imposed a graduated license tax. Revenue is placed in the General Fund from which school appropriations are made.¹⁹

Vermont. In 1933 a graduated gross retail sales tax aimed at chain stores was adopted. Proceeds become a part of the state's general revenue from which significant educational appropriations are made.²⁰

Wisconsin. In 1933 the Wisconsin legislature provided for levying an occupation tax on chain stores. The law levies a graduated tax on gross income of all persons engaged in the chain store business within the state; but, if this tax is held invalid either in its entirety or in its application to any particular person or group, it levies in lieu of that a graduated license tax. The law allows an offset for any amount paid under the 1931-32 tax that was due to expire January 1, 1934. Revenue from the new tax is placed in the State General

Fund from which state school expenditures are met.²¹

Yield of chain store taxes—Table 14 gives the annual yield of chain store taxes adopted since the beginning of 1929 that contribute to state school support.

TABLE 14.—ANNUAL YIELD OF CHAIN STORE TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Annual yield	Year ending
1	2	3
Alabama	\$24,286 ^a	September 30, 1933
Maine	\$50,000 ^{a b}	
Maryland	\$300,000 ^{a b}	
Minnesota	\$1,500,000 to \$2,000,000 ^{a b}	
Montana	\$40,000 ^{a c}	
New Mexico	\$150,000 ^{a b}	
Wisconsin	\$169,745 ^d	June 30, 1932

^a Estimate.

^b Net. Information from A. F. Harman, state superintendent of education, Montgomery, Alabama.

^c *Evening Star* (Washington, D. C.), June 1, 1933.

^d Information from Montana Education Association.

^e Wisconsin Tax Commission, *Bulletin No. 53*.

¹⁸ *Laws of 1929*, Revenue Act, Section 162. See *Great Atlantic and Pacific Tea Company v. Doughton*, 196 N. C. 145, S. E. 701. *Laws of 1931*, Chapter 427, Section 162. *Laws of 1933*, Chapter 445, Section 162.

¹⁹ *Acts of 1930*, Act No. 289. Effective April 5, 1930.

²⁰ *Acts of 1933*, Act No. 24. Effective March 25, 1933.

²¹ *Laws of 1933*, Chapter 469. Effective July 25, 1933. Due to expire December 31, 1935.

VI. Corporation Taxes¹

During the period 1929-33, annual corporation taxes contributing indirectly or directly to state school support were adopted in four states: Georgia, Mississippi, Tennessee, and Texas. Incorporation fees on domestic corporations and entrance fees on foreign corporations contributing to state school support were adopted in one state, Tennessee. Two states, Michigan and Delaware, revised the corporation tax laws so that greater school revenues would be available from annual taxes and a third, South Carolina, provided not only for additional annual taxes but also for earmarking part of the revenue for schools. These laws are described below:

Delaware. The annual tax on capital investment in the state was repealed in 1929 because, in the opinion of those who administered that tax, its presence tended to decrease the yield of the annual franchise tax on domestic corporations. Proceeds from both of these taxes were credited to the School Fund. In 1933 the sum of \$919,000 of the franchise tax proceeds was shifted from the School Fund and appropriated partly to higher education and partly for tax administration.²

Georgia. Georgia in 1929 levied an annual corporate license tax, proceeds of which are placed in the General Fund, half of which must be used, according to law, for state school support.³

Michigan. In 1929 the law levying organization fees on domestic corporations and entrance fees on foreign corporations was clarified and otherwise revised. All of the revenue, with the exception of that from sleeping car companies, is credited, by constitutional provision, to the schools.⁴

Mississippi. Mississippi in 1930 provided for the levy of an annual franchise tax based on capital stock of domestic and foreign corporations. All of the revenue is placed in the General Fund from which all state appropriations for education are made.⁵

South Carolina. The School Act of 1933 provided for imposing additional annual corporation license taxes and earmarked \$906,000 for school purposes.⁶

Tennessee. Tennessee in 1929 provided for the levy of an incorporation tax on domestic corporations, an entrance fee on foreign corporations, and an annual franchise tax on both foreign and domestic corporations. All of the revenue goes to the General Fund, one-third of which is designated for state school support.⁷

Texas. In 1930 a new annual franchise tax on domestic and foreign corporations was enacted in place of a former corporation tax law that was held unconstitutional. Revenue goes to the State General Revenue Fund. This law, and also a law providing for organization and entrance fees of domestic and foreign corporations, were clarified in 1931.⁸

¹ For corporation income taxes, see p. 11-15.

² *Laws of Delaware, 1929*, Chapter 6. See Daugherty, M. M. *Studies in Taxation: Financing Education in Delaware*. Bulletin No. 182. Newark, Del.: Agricultural Experiment Station, November, 1932. p. 44. Also *Laws of Delaware, 1933*, H. B. 66.

³ *Acts of Georgia, 1929*, p. 85-92.

⁴ *Public Acts, Michigan, 1929*, No. 175.

⁵ *General Laws, 1930*, Chapter 89.

⁶ *Acts, South Carolina, 1933*, "School Act of 1933."

⁷ *Laws of 1929*, Chapter 90. *Laws of 1929, Extra Session*, Chapters 12 and 13.

⁸ *Laws, 1930*, Chapter 68. *Laws, 1931*, Chapters 120 and 265.

VII. Franchise and License Taxes ¹

During the period 1929-33, franchise and license tax legislation affecting state school support was enacted as follows:

Arkansas. In 1929 Arkansas levied an annual \$100 privilege tax on fortune-tellers, clairvoyants, etc. Revenue was ordered to be used for the schools, 50 percent to the county where the tax was assessed and 50 percent to the State Common School Fund. In 1931, Arkansas levied a license tax on legally operated slot machines and vending machines, and provided that the revenue be placed in the Equalizing Fund. At the same time, receipts from teachers' license fees were shifted from the General Revenue Fund to the Common School Fund.²

Florida. In 1931 Florida revised the motor vehicle license tax law and directed that net receipts be distributed to the county school funds.³

Louisiana. Louisiana in 1932 adopted an annual license tax on insurance companies. Net revenue went into the General Fund from which increased appropriations were made to the schools and the state university. A constitutional amendment, adopted that year, provided that after July 1, 1934, all net revenue from excise or license taxes imposed on insurance companies be dedicated to the Louisiana State University and to the A. and M. College.⁴

Mississippi. The "Privilege Tax Code," enacted in 1932 to replace the 1930 act, levied annual license taxes on 226 occupations. Revenue was placed in the General Fund.⁵

Montana. In 1933 the proceeds of an existing freight car license tax were transferred from the State General Fund to the Common School Equalization Fund. At the same time there was enacted a natural gas license tax, half of which was ordered credited to the Common School Equalization Fund.⁶

North Carolina. North Carolina in 1929 increased a whole series of existing franchise taxes, proceeds of which went into the General Fund, and at the same time made increased educational appropriations. In 1931 these franchise taxes were again increased and new ones adopted in order to meet the expense of the state-supported six-months' term. Several franchise taxes were again increased slightly in 1933.⁷

Ohio. A 1933 enactment taxing insurance companies under a new franchise tax law rather than the intangibles tax law provided that 96 percent of the revenue be apportioned to the schools.⁸

Texas. Texas in 1931 enacted a privilege tax for manufacturing and importing cement and provided that one-fourth of the revenue be placed in the State Available School Fund. A 1933 enactment amends the law taxing coin-operated vending machines so that all of the revenue from the occupation tax on coin-operated marble machines of any description will be placed to the credit of the State Available School Fund. One-fourth of the revenue from the taxes on other vending machines will continue to go to this fund.⁹

¹ For corporation franchise and license taxes, see p. 28. For license taxes on the privilege of selling alcoholic beverages, and other commodities, see p. 18-24.

² *Acts of Arkansas, 1929, No. 236. Acts of Arkansas, 1931, No. 167 and No. 169, Section 164.*

³ *Laws of Florida, 1931, Chapter 15625.*

⁴ *Acts of Louisiana, Regular Session, 1933, No. 7 and No. 116.*

⁵ *Acts of 1932, Chapter 89.*

⁶ *Laws of Montana, 1933, Chapter 134, Effective March 14, 1933; Chapter 180, Effective March 16, 1933.*

⁷ *Laws of 1929, Chapter 345, Schedule C. Laws of 1931, Chapter 427, Sections 201-15. Laws of 1933, Chapter 445, Sections 201-16.*

⁸ *Laws of Ohio, 1933, p. 548-600, Sections 5414-8 thru 5414-13, and 5414-19.*

⁹ *Laws, 1931 Regular Session, Chapter 212. Laws, 1933 Regular Session, Chapter 162.*

TABLE 15.—ANNUAL YIELD OF NEW AND REVISED FRANCHISE AND LICENSE TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Franchise or license taxed	Yield	Year ending
1	2	3	4
Arkansas	Slot machines	\$150,000 ^a	
	Teachers' licenses	3,000 ^a	
Florida	Motor vehicles	4,543,810 ^b	1932-33 fiscal year
Montana	Freight cars	50,000 ^c	
	Natural gas	10,000 ^c	
North Carolina	Railroads	933,794 ^d	June 30, 1931
	Utilities	585,426 ^d	
	Sleeping cars	4,807 ^d	
	Express	67,873 ^d	
	Telegraph	18,102 ^d	
	Telephone	258,723 ^d	
	Insurance, license	239,146 ^d	
	Insurance, premium	1,353,382 ^d	

^a Estimate.

^b Correspondence with Howard A. Dawson, director of research and surveys, State Department of Education.

^c Correspondence with J. C. Compton, chief clerk, State Department of Public Instruction.

^d *Montana Education*, April, 1933, p. 25.

^e Tax Research Foundation. *Federal and State Tax Systems, 1933*, p. 199.

VIII. Severance Taxes

A severance tax is one levied on the privilege of extracting or otherwise removing the natural resources of the state. During the period 1929-33, severance tax legislation affecting school support was enacted as follows:

Arkansas. Arkansas had a series of severance taxes, two-thirds of the proceeds of which were credited to the Common School Fund. The remaining one-third was returned to the counties from which the resources were severed, one-half to be used for public schools. During this period, 1929-33, the revenue from a tax of ten cents per ton on manganese ore was shifted to the support of the State Geological Department.¹

Louisiana. Louisiana in 1932 repealed a tax on the manufacture of carbon black from natural gas. This was one of several severance taxes, one-fifth of the combined proceeds of which was returned for school purposes to the local parishes where collected. The remaining four-fifths, after allowing \$261,000 for other state purposes, went to the State Severance Fund for free school textbooks. Any balance not needed for textbooks was credited to the State Current School Fund. In this year, also, the tax on

sulphur was revised and new taxes were levied against extracting salt from brine and gathering shrimp and oysters.²

New Mexico. An oil and gas severance tax was adopted in 1933. One-third of the revenue was credited to the Common School Fund.³

Texas. Texas in 1930 provided for a severance tax on the production of sulphur based on the number of tons produced in place of the old tax based on gross receipts. The tax was again revised in 1931 to raise the rates from fifty-five to seventy-five cents a ton and to earmark fifty-five cents for the State Available School Fund, the remaining twenty cents going to the State General Fund. At the same time, the tax on the production of natural gas was revised so that more revenue could be expected. One-fourth of the revenue, by constitutional provision, is placed in the State Available School Fund. A bill enacted in 1933 repealed a 1925 law levying an occupation tax of 2 percent on the value of oil produced, replaced it with a tax of two cents per barrel and earmarked one-half of the revenue for the State Available School Fund, whereas one-fourth of the former tax was credited to this Fund.⁴

¹ Information from G. C. Floyd, director of school law and finance, State Department of Education.

² Information from T. H. Harris, state superintendent of education, State Department of Education. *Acts, Louisiana Regular Session, 1932*, Nos. 72, 134, and 162.

³ *Laws of New Mexico, 1933*, Chapter 72. Effective March 8, 1933.

⁴ *Laws, 1930*, Chapter 74. *Laws, 1931*, Chapters 73 and 312. *Laws, 1933*, Chapter 162.

TABLE 16.—ANNUAL YIELD OF NEW AND REVISED SEVERANCE TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Object taxed	Yield	Year ending
1	2	3	4
Louisiana	Carbon black	\$267,102 ^a	December 31, 1931
New Mexico	Oil severance	500,000 ^{a,b}	
Texas	Sulphur	1,382,030 ^a	December 31, 1931
	Natural gas	163,582 ^a	December 31, 1931
	Oil	7,000,000 ^{a,b}	

^a Estimate.

^b Tax Research Foundation. *Federal and State Tax Systems, 1933*. p. 198-200.

^c *Evening Star* (Washington, D. C.), June 1, 1933.

IX. Inheritance, Estate, and Gift Taxes

In 1928, forty-five states had inheritance taxes; in 1933, forty-seven states had such taxes. During the period 1929-33, Alabama and Florida were the only states to adopt taxes of this nature. In Alabama revenue made available from this source contributes to the schools indirectly thru the General Fund. In Florida, school revenues from this source are practically negligible. Two states, Michigan and New Mexico, revised their laws so that greater school support could be expected. Details of these laws follow:

Alabama. Alabama in 1931 adopted an inheritance tax law contingent upon a favorable vote of the electorate on a constitutional amendment. In 1932 a new law was enacted to correct deficiencies in the 1931 act. Revenues are placed in the State General Fund.¹

Michigan. In 1929 the inheritance tax was extended to absorb the entire credit allowed by the Federal tax. Proceeds go to the Specific Tax Fund

and thence to the Primary School Interest Fund. A small proportion, approximately 1 percent, is devoted to higher education.²

New Mexico. New Mexico in 1933 assigned 5 percent of the tax in that state for the newly created Teachers' Pension Fund.³

TABLE 17.—ANNUAL YIELD OF NEW AND REVISED INHERITANCE, ESTATE, AND GIFT TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Yield	Year ending
1	2	3
Alabama	\$56,337 ^a	September 30, 1933
Michigan	5,968,042 ^b	June 30, 1931
New Mexico	65,621 ^b	December 31, 1930

^a Information from A. F. Harman, state superintendent of education.

^b Tax Research Foundation. *Federal and State Tax Systems, 1933*, p. 198-99.

¹ *Acts, 1931*, p. 411. Became Section 219 of Article XXI of the *State Constitution*; also Act No. 374. *Acts, Extra Session, 1932*, No. 59.

² *Public Acts, Michigan, 1929*, No. 237. Effective May 21, 1929.

³ *Laws of New Mexico, 1933*, Chapter 106, Section 4.

THE carrying property in perfect security over the great barrier which death places between man and man is perhaps the very highest achievement, the most signal proof of the power of civilized institutions . . . and an instance so capital of the great benefit conferred by law and civil institutions upon mankind, and of the immense enlargement that comes to natural liberty thru the medium of the law, that I conceive nothing more rational than that, if taxes are to be raised at all, the state shall be at liberty to step in and take from him who is thenceforward to enjoy the whole in security that portion which may be *bona fide* necessary for the public purpose.—William E. Gladstone, "Speech on Succession Duties," May 12, 1853.

X. State Property Taxes

Experts in public finance have long criticized heavy reliance on the general property tax as commonly administered for state purposes. The present economic situation has served to make more clear the reasons behind these criticisms. Legislatures have attempted to solve the problem by reducing or abolishing the state general property tax, by reclassifying types of property, by adopting new rate schedules, as well as by seeking other revenue sources.

During the period 1929-33, twenty states enacted property tax legislation affecting state school support either directly or indirectly.¹ Fourteen states² abolished certain property tax levies specifically earmarked for schools; three states³ provided for reducing their state school levies on general property; four states⁴ adopted or increased such taxes; and two states, Iowa (1931) and Wisconsin (1933), reduced or repealed state general property taxes contributing to state school support indirectly thru the general funds.

A review of some of the most important recent property tax legislation affecting the schools follows:

Arkansas. In 1933 the eighteen one hundredths mill state property tax for county superintendents was shifted to the support of the State Hospital for Nervous Diseases.⁵

California. The California electorate in 1933 adopted a constitutional amendment providing that the state cannot raise by means of a state general property tax any more than 25 percent of total state appropriations from all funds. California has not levied a state general property tax since the inauguration of its system of separating state and local sources of revenue.⁶

Delaware. Delaware in 1929 abolished the state school tax on general property and substituted other taxes.⁷

Florida. A 1927 law levying a state tax of one-fourth mill on all taxable property in the state and crediting the proceeds to the Public Free School Fund was repealed in 1931.⁸

Illinois. A 1933 enactment amends an existing law, levying a state property tax of one-third mill for the University of Illinois, so that the amount to be so raised must be reduced by any amount received from the retail sales tax. Another 1933 enactment, continuing for the years 1933 and 1934 the practise of raising annually, by means of a state property tax, the sum of \$10,500,000 for the Common School Fund, contains the same modification. A third 1933 enactment provides that, beginning March 1, 1934, the Common School Fund and the University of Illinois each will receive from the retail sales tax revenue, the amount to be raised by the property tax.⁹

Iowa. The state general property tax was reduced by two mills in 1931. Revenue went into the State General Fund from which most of the state appropriations for education are made.¹⁰

Maryland. The statewide general property tax for schools, the rate of which was fixed annually to take care of part of the school budget was no longer earmarked for schools after October 1, 1931. Revenues from the state property tax now become a part of the general funds in the state treasury and contribute indirectly to school support.¹¹

Michigan. The 1933 law appropriating annually to the public schools the sum of \$15,000,000 from the revenue of the retail sales tax also repealed a 1927 law providing for a state property levy sufficient to reimburse the General Fund for annual appropriations for educational equalization.¹²

Minnesota. Minnesota in 1931 increased the 1932 state general property tax credited to the State Teachers' Retirement Fund.¹³

Nevada. The county compulsory tax of one-half cent on general property, proceeds of which were placed in the State Public School Teachers' Permanent Fund for teachers' pensions, was abolished. The law relating to the tax had been ambiguous. Some counties had levied it; others had not. The result of repealing the tax will be an annual reduction of about \$10,000 in the income of the retirement fund. It reduces the rate of increase of the retire-

¹ Arkansas, California, Delaware, Florida, Illinois, Iowa, Maryland, Michigan, Minnesota, Nevada, New Jersey, North Carolina, Oklahoma, South Carolina, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming.

² Arkansas (1933), Delaware (1929), Florida (1931), Illinois (1933), Maryland (1931), Michigan (1933), Minnesota (1933), Nevada (1933), $\frac{1}{2}$ -cent county tax for teachers' pensions, North Carolina (1933), Oklahoma (1933), Vermont (1931), Washington (1932), Wisconsin (1931), and Wyoming (1933).

³ South Carolina (1933), Utah (1931 and 1933), and West Virginia (1932).

⁴ Minnesota (1931), New Jersey (1930), North Carolina (1931), and Utah (1929).

⁵ Dawson, Howard A. "The Arkansas School Dollar." *Journal of Arkansas Education* 10: 6-10; November, 1933.

⁶ *Laws of 1933*, Chapter 63.

⁷ *Laws of Delaware*, 1929, Chapter 207.

⁸ Correspondence with J. C. Compton, chief clerk, State Department of Public Instruction.

⁹ *Laws of 1933*, p. 947, 945-6, 1090-91.

¹⁰ *Acts, Regular Session, Forty-fourth General Assembly, 1931*, Chapter 243.

¹¹ Correspondence with A. S. Cook, state superintendent of schools. See *Laws of 1929*, Chapter 226, Section 59.

¹² *Public Acts, 1933*, No. 236. Effective July 7, 1933.

¹³ *Laws of Minnesota, 1931*, Chapter 406. Effective August 1, 1931.

ment fund, but is not expected to interfere with the payment of allowances.¹⁴

New Jersey. New Jersey in 1930 repealed an act appropriating to the State Highway Fund a portion of the state tax on railroad and canal property and appropriated this portion to the School Fund.¹⁵

North Carolina. North Carolina in 1931 completely revised school finance legislation in that state so as to reduce the property tax rate for the six months' school term from an average of about fifty-one cents to a flat state property tax of fifteen cents. The fifteen-cent state levy was abolished in 1933.¹⁶

Oklahoma. A constitutional amendment, adopted in 1933, prohibits the levy of any property tax for state purposes. This abolishes the one-fourth mill tax for schools.

South Carolina. The School Act of 1933 requires each county to levy a three-mill property tax and repeals the law requiring a four-mill levy for teachers' salaries.¹⁷

Texas. A proposed constitutional amendment adopted by the legislature in 1933 and to be submitted to the electorate in November 1934, would limit the total of state taxes (not only property taxes, but also licenses, permits, and fees) to \$22.50 per capita and would restrict the power of the legislature to appropriate funds in excess of the amount.¹⁸

Utah. Utah, in 1929, 1931, and 1933, continued the two-tenths mill state property levy for high schools. The electorate adopted in 1930 a constitutional amendment to permit the levy of a state property tax having rates sufficient to raise for an equalization fund an amount which, together with revenues available for this purpose from any other sources, would be equal to \$5 per person of school age in the state. The legislature took advantage of this in 1931 by enacting a law having rates sufficient to raise an amount which would equal \$1 per person of school age in 1932-33, to be increased each year by \$1 per school child until \$5 is reached in 1936-37. The revenue is placed in the State Educational Equalization Fund. The legislature in 1931 adopted personal and corporation income taxes, earmarked 75 percent of the net revenue for the State District School Fund and ordered that the state property tax levy for this purpose be reduced accordingly. The legislature in 1933 provided that any

revenue available from the retail sales tax, after \$2,000,000 annually is set aside for relief purposes, must be placed in the State District School Fund for the reduction of the property tax levied for this purpose.¹⁹

Vermont. A 1931 enactment abolished the state property tax for schools.²⁰

Washington. Up to 1932, the state had been required to levy an annual property tax sufficient to produce a sum which, when added to the income from the State Permanent School Fund, would equal \$20 per child of school age. The revenue was allotted to the Current State School Fund. The provision remained on the statute books until 1933, but an initiative measure, adopted by the voters in 1932, limited to five mills the total state property tax. At the same time the electorate adopted a tax on personal and corporation incomes and provided that the revenue be placed in the State Current School Fund to replace the property tax revenue lost as a result of the limitation amendment. The new income tax (held invalid late in 1933) only partially compensated for the loss and new legislation was enacted in 1933. One such law provided for a state property tax not exceeding five mills in order to provide, in combination with other available moneys, twenty-five cents per day per pupil for each day's attendance.²¹

West Virginia. Voters in 1932 adopted a limitation and classification amendment. This amendment provides that, after the year 1933, the rate of the state tax upon property shall not exceed one-tenth mill, except to pay the principal and interest on bonded indebtedness. An enabling act was passed at the 1933 regular session of the legislature to permit a levy of one mill or such part as would be necessary to guarantee \$750,000 for the schools, but this act was declared unconstitutional.²²

Wisconsin. Wisconsin in 1931 repealed all statutory mill levies for the support of education and enacted a new law to require the levy of an annual property tax sufficient to provide in the State General Fund, after disbursements required by law are made, the amount of \$2,000,000. From this fund state appropriations were made, including those for education. The provision for the property tax was repealed in 1933. In reality, however, the state prop-

¹⁴ *Statutes of Nevada, 1933*, Chapter 22. Effective February 20, 1933, Correspondence with W. D. Atkinson, deputy, Nevada Tax Commission.

¹⁵ *New Jersey Laws, 1930*. Chapter 30, p. 57. Effective March 24, 1930. Chapter 161. Effective April 16, 1930.

¹⁶ *Laws of 1931*. Chapter 427, Section 492. Became Section 7880 (176) of *North Carolina Code of 1931*. *Laws of 1933*, Chapter 445, Section 492. Became Section 7880 (176) of 1933 *Supplement to the North Carolina Code of 1931*. Also see Chapter 562, Section 34½. Became Section 5780 (39) of 1933 *Supplement to the North Carolina Code of 1931*.

¹⁷ *Acts, South Carolina, 1933*, "School Act of 1933."

¹⁸ *General Laws of Texas, Forty-third Legislature, Regular Session, 1933*. S. J. R. 13.

¹⁹ *Laws of Utah, 1929*, Chapter 81, Section 2. Effective March 23, 1929. *Laws of Utah, 1931*, Chapter 22, Section 2. Effective March 12, 1931. *Laws of Utah, Second Special Session, 1933*, Chapter 16, Section 2. *Laws of Utah, 1929*, p. 224-25. Effective January 1, 1931. Amending Section 7, Article 13, *Constitution of Utah*. *Laws of Utah, 1931*, Chapter 57. Effective May 12, 1931. Chapter 39. Effective May 12, 1931; and Chapter 44. Effective May 12, 1931. *Laws of Utah, Regular Session, 1933*, Chapter 63, as amended by *Laws of Utah, Second Special Session, 1933*, Chapter 20. Effective August 3, 1933.

²⁰ *Acts of 1931*. No. 17, Part I, Section 50. Effective December 31, 1931.

²¹ *Remington's Revised Statutes*, Section 4934. *Laws of Washington, 1933*, Chapters 4-5. *Culletin et al. v. Chase et al. and McKale's Inc., et al. v. Chase et al.*, 25 P. (2d), p. 81-91. *Laws of Washington, 1933*, Chapter 28, Section 4.

²² *Acts of West Virginia, Extra Session, 1932*, Chapter 9. *Acts of Regular Session, 1933*, Chapter 38. Effective March 11, 1933. See *Finnlayson v. City of Shinnston*, 168 S. E. 479, 480. (This decision, however, came before the enactment of Chapter 38.) See also *Bee v. City of Huntington* and *Eakle v. County Court of Braxton County et al.* 171 S. E. p. 539-553.

erty taxes for the state university and normal schools, and the common schools were not levied and these claims were met from the income tax proceeds, a provision that was also repealed in 1931.²³

Wyoming. Some 1933 enactments in Wyoming repeal property tax levies for (1) University of Wyoming maintenance, (2) University of Wyoming buildings, and (3) teacher-training departments in accredited high schools. These are made subject to direct legislative appropriation.²⁴

Tax classification and school support—Between 1929 and 1933, inclusive, six states adopted tax classification laws that affected the schools. The measures involved are as follows:

Arizona. A tax on intangibles was adopted in 1933. Revenues are placed in the State General Funds from which the schools receive aid.²⁵

California. California adopted a constitutional amendment in 1933 permitting the legislature to classify personal property for purposes of assessment and taxation, and to tax various classes at different rates or to exempt any classes from taxation. The same amendment provides for increased state support of the state school system.²⁶

Indiana. Indiana in 1933 levied a state tax on

intangibles. Ten percent of the net proceeds is to be retained in the State General Fund and the remaining 90 percent is to be distributed to the counties in proportion to the assessed value of real property. Within the county, one-fourth is to be retained in the general fund and three-fourths is to be distributed to the local school funds in proportion to the assessed value of real property.²⁷

Kansas. Kansas in 1931 levied a state tax on money and credits and provided that one-third of the revenue go to the school district where the tax is collected.²⁸

Ohio. A 1933 enactment amending the law taxing intangibles provides that 96 percent of the revenue be apportioned among the school districts of the state in proportion to the average daily attendance.²⁹

Utah. Utah in 1930 adopted a constitutional amendment to provide for classification of property for taxation purposes. The legislature, in 1931, provided (1) for exempting intangibles from the ad valorem tax and (2) for taxing income from intangibles under the personal income tax act, three-quarters of which is used for schools.³⁰

Yield of property taxes—Data on the annual yield of property taxes contributing to the schools are given in Table 18.

²³ *Laws of Wisconsin, 1931*, Chapter 4, Section 2. Effective June 30, 1931. Also Chapter 416, Sections 1 and 2. *Laws of Wisconsin, 1933*, Chapter 403. Effective July 14, 1933.

²⁴ *Session Laws of Wyoming, 1933*, Chapter 68. Effective December 31, 1934. Chapter 69. Effective December 31, 1934. Chapter 77. Effective July 1, 1933.

²⁵ *Laws of First Special Session, 1933*, Chapter 16. Effective June 27, 1933.

²⁶ *Laws of 1933*, Chapter 63.

²⁷ *Acts, 1933*, Chapter 81. Effective February 28, 1933.

²⁸ *Laws of Kansas, 1931*, Chapters 311 and 312. Effective March 18, 1931.

²⁹ *General Code of Ohio*, Section 5414-19. Was S. B. 30 at the 1933 Regular Session. Effective July 18, 1933.

³⁰ *Laws of Utah, 1931*, Chapter 42. Effective March 20, 1931. Chapter 44. Effective May 2, 1931.

TABLE 18.—ANNUAL YIELD OF NEW AND REVISED STATE GENERAL PROPERTY TAXES CONTRIBUTING TO STATE SCHOOL SUPPORT, 1929-33

State	Yield	Year
1	2	3
Delaware (repealed)	\$400,826 ^a	Fiscal year 1929
Florida (¾ mill tax repealed)	60,835 ^b	Fiscal year 1931-32
Illinois	38,588,784 ^c	1931
Iowa	7,810,079 ^c	1930
Maryland	6,015,480 ^d	1931
Michigan	41,160,732 ^d	1931
Minnesota	10,292,569 ^d	1931
Nevada	1,377,401 ^d	1931
South Carolina	2,834,240 ^d	1931
Utah	5,091,099 ^d	1931
Vermont	1,193,748 ^d	1931
Washington	14,012,087 ^d	1931
West Virginia	3,826,906 ^d	1931
Wisconsin	12,393,564 ^d	1931
Wyoming	1,691,791 ^d	1931

^a State general property tax revenue available for schools.

^b Correspondence with J. C. Compton, chief clerk, State Department of Public Instruction.

^c Correspondence with R. C. Williams, director of research, State Department of Public Instruction. Figures from Report of state auditor.

^d U. S. Department of Commerce, Bureau of Census. *Financial Statistics of States, 1931*. p. 58-9.

XI. State Tax Surveys and State Tax Administration

Surveys and commissions—During the period 1929-33, legislatures in at least twenty-four states provided for special tax or public revenue investigations. At least thirteen of these survey commissions¹ included within the scope of their investigations the subject of state school finance. Nine² of these have submitted complete reports, and legislatures in at least four states³ have enacted some of the recommendations into law. A summary of these investigations in the state involved is given below:

Alabama. Alabama in 1931 provided for a comprehensive survey of the state government. The survey report was published in 1932 and included recommendations concerning state support of education. A Budget and Financial Control Act that was recommended for balancing expenditures against revenues became law.⁴

California. In 1929 the California Commission for the Study of Educational Problems was created. In 1931 this commission submitted its report, one chapter of which dealt with school costs and revenues. Some of the recommendations were enacted into law in 1933.⁵

Connecticut. The legislature in 1933 created a Temporary State Tax Commission to make a careful investigation of the entire financial structure of the state and local governments and to make recommendations. The problems to be studied are: state and local taxation, financing of municipalities, distribution of the tax burden with particular reference to reducing or limiting the load borne by real estate, assessment and collection of taxes, and borrowing of money by the state and by municipalities.⁶

Kentucky. Kentucky in 1932 provided for the creation of an educational survey commission to

draft an entire school code. The complete report, one section of which deals with the financing of the state school system, was published in October 1933. A new school code, revised in line with the findings of this survey, will be submitted to the legislature at its 1934 session.⁷

Maine. The legislature which met in the winter of 1932-33 authorized the governor to appoint a committee of fifteen to investigate possible sources of revenue for public school support other than the direct property tax. This investigation is now under way.⁸

Mississippi. Mississippi in 1930 provided for the creation of a commission to make a comprehensive survey of the state. The commission submitted its report in 1932 and included recommendations on educational finance. So far as is known no legislation based on these recommendations has yet been enacted.⁹

Missouri. A tax survey commission, created in 1929, presented in its final report recommendations for increased personal and corporation income taxes and for a school equalization law requiring greater state participation in school support. Increased income taxes and a school equalization law were adopted by the legislature in 1931.¹⁰

New Hampshire. A survey of the organization and administration of state, county, and town governments was authorized in 1929. The survey report was published at the end of 1932. Recommendations were made concerning state support of education, but the legislature has not acted upon them.¹¹

New Jersey. New Jersey in 1929 created a commission to investigate the taxation and financial system of the several counties and municipalities. The work of this commission was ordered continued in 1930. One volume of the report deals with education. So far as is known, no legislation based on the findings of this report has yet been enacted.¹²

¹ Alabama, California, Connecticut, Kentucky, Maine, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, and Utah.

² The states excepted are Connecticut, Maine, New York, and Ohio.

³ California, Missouri, North Carolina, and Utah.

⁴ *General Acts, Alabama, Regular Session, 1931*, No. 5. Brookings Institution, Institute for Government Research. *Organization and Administration of the State Government of Alabama*. Report on a survey submitted to Governor B. M. Miller, Vol. I, Part I. Washington, D. C.: Brookings Institution, 1932. Chapter 6, "Education: Financing," p. 259-324. *General Acts, Alabama, Extra Session, 1932*, No. 37. Effective on or before February 1, 1933.

⁵ S. B. No. 48. California Commission for the Study of Educational Problems (Susan M. Dorsey, chairman). *Report*. Vols. I and II. Sacramento, Calif.: State Department of Education, 1931. Chapter 4, "School Costs and Revenues," p. 129-84.

⁶ *Connecticut Special Laws, 1933*, Vol. XXI, Part 2, Special Law No. 474.

⁷ *Acts, 1932*, Chapter 78. Effective March 28, 1932. Kentucky Educational Commission. *Report*. Educational Bulletin, Vol. I, No. 8. Frankfort, Ky.: State Department of Education, October, 1933. Division III, "Financing Public Education," p. 169-318.

⁸ Information from E. E. Roderick, deputy commissioner of education, State Department of Education.

⁹ *General Laws of Mississippi, 1930*, Chapter 69. Brookings Institution, Institute for Government Research. *Report on a Survey of the Organization and Administration of State and County Government in Mississippi*. Jackson, Miss.: Research Commission of the State of Mississippi, 1932. Chapter 32, "Educational Finance," p. 495-513.

¹⁰ Missouri State Survey Commission (Theodore Gary, chairman). *Report*. Jefferson City, Mo.: State of Missouri, November 30, 1929. "Public School System," p. 49-75; and "Financial Findings and Recommendations," p. 152-72.

¹¹ Brookings Institution, Institute for Government Research. *Report on a Survey of the Organization and Administration of the State, County, and Town Governments of New Hampshire*. Washington, D. C.: Brookings Institution, 1932. Chapters 7, 8, and 9, p. 173-224.

¹² New Jersey Commission To Investigate County and Municipal Taxation and Expenditures. *A Report on Educational Costs and Services*. Report No. 8. Trenton, New Jersey: the Commission, 1932. 154 p.

New York. A Commission to Recommend Revision of the Tax Laws was created in 1930. Subsequent legislation extended the work to February 15, 1934. One of the reports dealt with education.¹³

North Carolina. North Carolina in 1929 created a committee to study the problem of the support and administration of public education. The committee reported in 1931 and its recommendations were adopted by the legislature.¹⁴

Ohio. A 1933 enactment provided for creating a special legislative committee to investigate the reorganization of the educational system, including both the schools and colleges of the state and its political subdivisions, with special attention to means of financing.¹⁵

Utah. Utah in 1929 provided for creating the Utah Tax Revision Commission and the Utah Legislative Committee. Recommendations in the report included proposed amendments for (1) a classified property tax, (2) a flat-rate corporation income tax and a graduated personal income tax, all of the revenues

to be used for school support, and (3) a strong tax commission. Amendments based on these recommendations were adopted by the legislature and the electorate in 1931.¹⁶

Tax administration.—State tax administration legislation affecting the administration of state school revenues was enacted in Delaware and Utah.

Delaware. In 1929 the State School Tax Department, which had charge of the administration of the income tax and franchise tax became the State Tax Department, and the personnel of the State Tax Board, formerly comprised of the school tax commissioner, the secretary of state, and auditor of accounts, was changed to three citizens appointed by the governor for terms of four years.¹⁷

Utah. Utah in 1931 created a state tax commission to administer the new income taxes and the school equalization law.¹⁸

¹³ *Laws of 1930*, Chapter 726. *Laws of 1931*, Chapters 12 and 624. Mort, Paul R., and others. *State Support for Public Schools in New York as Related to Tax Relief and Educational Expansion*. Memorandum No. 2. Albany, N. Y.: New York State Commission for the Revision of the Tax Laws. (Seabury C. Mastick, chairman). 81 p.

¹⁴ *Public Laws of 1929*, Chapter 266. North Carolina Education Commission. *Report*. Raleigh, N. C.: State of North Carolina. 1931. 139 p.

¹⁵ *Laws of Ohio, 1933*, p. 676-77.

¹⁶ *Laws of Utah, 1929*, Chapter 99. Tax Revision Commission of the State of Utah (Harley L. Lutz, adviser). *Report*. Salt Lake City, Utah: State of Utah, November 30, 1929. 134 p.

¹⁷ National Tax Association. *Proceedings*, 1929. p. 13.

¹⁸ *Laws of Utah, 1931*, Chapter 53.

THERE were a few notable special investigations of taxes and related matters upwards of half a century ago. There appears to be, however, an increasing amount of interest in this manifestation of the scientific spirit. . . . This is a promising development. It does not mean that each new law is to be pulled up by the roots every year or so to ascertain whether it is vital or dead. Rather, it is an evidence of recognition of the fact that economic and social conditions are in a state of rapid change and development, and that only thru constant study can the outlines of the fiscal system be kept in approximate conformity to the new conditions.—Harley L. Lutz. *Public Finance*. p. 556.

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Government is a form of cooperation. It enables us to do many things as an organized group that we could not possibly do as individuals. The payment of taxes therefore may well be considered as a form of cooperative buying.—Harley L. Lutz and William G. Carr, *Essentials of Taxation*, p. 4.
