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President, REUBEN T. SHAW

Executive Secretary, WILLARD E. GIVENS

Director of Research: William G. Carr; Associate Director: Frank W. Hubbard
Assistant Directors: Richard R. Foster, Ivan A. Booker, Hazel Davis, Charles R. Tupper
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Haddow, Madaline K. Remmlin, Mildred Wharton, and Theo C. Hartman

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FOREWORD

FIVE YEARS AGO in the Foreword to a similar summary of tax legislation the statement was made: "With the weakening and collapse of prevailing systems of taxation in some states, educational leaders have been forced to turn their attention increasingly to questions of public financial policy." At that time new state revenue legislation was designed to offset declining property values, tax delinquency, and other effects of the depression. The primary goal during those critical years was to hold intact the financial support of the existing governmental activities.

In the past five years the situation has become more complicated. Today state governments are faced with the problem of permanently supporting activities developed during the depression years or designed to complete federal social security legislation. Some states are finding it difficult to pay for these new services without curtailing the programs of long-established governmental agencies. Appropriations for relief and pension plans have particularly intensified the search for new sources of revenue. So acute has the situation become in some areas that many are asking the question, "Must we choose between schools for the young and pensions for the aged?"

It is to be hoped that this "either or" point of view will not become too widespread. As a social policy it is neither constructive nor necessary. Few would say that there should be no relief measures; few would refuse humane treatment of the indigent and the aged. But when a state curtails education *today*, it is increasing the likelihood of large pension and relief rolls *tomorrow*. An adequate program of education is a state's surest guarantee against unemployment, disease, crime, poverty, and similar social ills. It is inhuman to neglect presentday relief and pension problems; it is social suicide to neglect the education of tomorrow's adults. Both areas of governmental service must be financed in a twentieth-century civilization.

Today even more than during the depression years, educational leadership must concern itself with public financial policy. The present *Research Bulletin* will be of inestimable value because of the inclusive view which it gives of the experience of the forty-eight states. It should help materially in the development of sound and comprehensive systems of state taxation.

WILLARD E. GIVENS, *Executive Secretary*
National Education Association

I. Introduction

A previous number of the **RESEARCH BULLETIN** of the National Education Association, published in January 1934, reviewed changes made in state tax laws, during the years 1929 to 1933, inclusive, in their relation to state revenues for public education. This was Volume XII, Number 1, entitled "Five Years of State School Revenue Legislation." The legislation reviewed affected taxes of two types: (1) state taxes, all or a part of whose proceeds were earmarked by state legislatures directly for the support of schools or other public educational institutions; (2) state taxes which provided financial aid for public education indirectly, thru significant contributions to revenues in state general funds. No attention was given to legislation affecting state taxes from which education derives little or no benefit, or to legislation pertaining to local taxation only.

The present publication contains a review of the same kinds of legislation as those covered in the previous bulletin, but enacted in another five-year period, 1934-38. While 1929-33 were years of ever deepening financial depression, the ensuing five-year period, 1934-38, witnessed a gradual, if still incomplete, recovery. A comparison of legislation passed during the two periods should be enlightening. What was the relative importance of the various types of taxes in the fiscal structure of our states in 1938, as compared with 1929? While there seems to be no clear pattern in the revenue measures passed in the intervening decade, certain tendencies are discernible which may carry implications as to the future financing of public education. In a period of experimentation and change, such as the present, it is highly important that educators be on the alert to observe what is happening.

Methods Used in Obtaining Data

The facts presented in this bulletin were gathered by much the same methods as those used in connection with the previous report. Tax laws passed at the 114 regular, and 137 special,¹ sessions of state legislatures which met in the five years, from 1934 to 1938, were first examined and information derived directly from the laws was checked with that obtained from books, magazine articles, and official reports, and thru correspondence with state edu-

cation and state tax departments. The list of sources of general tax information, which appears on page 154, includes some of the published sources which were found to be most helpful in connection with the compilation of data for this bulletin.

Plan of Organization of Bulletin

In order to facilitate comparisons between the two five-year periods, the plan followed in presenting the material of this bulletin has been little changed from that used in the earlier report. A separate section has been devoted to "Selective Sales Taxes" owing to the great volume of alcoholic beverage tax legislation, classified under that head, which was passed in the years 1934-38. In the earlier bulletin, all sales taxes, general and special, were included in the same part. The scope of the section on "License Taxes" is slightly more restricted than formerly, and that of the section on "Corporation Taxes" is somewhat enlarged. The order of appearance of the parts dealing with the various types of taxes has been slightly revised.

This bulletin treats the following topics in the order named:

Income taxes—Taxes on both personal and corporation incomes. Corporation income taxes, as defined in this bulletin, includes corporation excise and franchise taxes, if the tax is measured by the amount of net income.

General sales taxes—Taxes on gross income, or gross receipts, from sales of both goods and services, or on the value of the product sold, or on the wholesale or retail selling price, usually at proportional and sometimes classified rates.

Selective sales taxes—Taxes on sales of specific commodities. They may be imposed at a proportion of the value of manufacturers' wholesale or retail sales, or on the selling price, or on the amount of the product sold.

Chain-store taxes—Taxes specifically aimed at persons operating one or more stores or places of business, usually levied at graduated amounts on the number of stores.

Severance taxes—Taxes on the privilege of severing natural resources from the soil or water, levied at proportional rates on the gross or market value of the product or on the gross income or gross receipts from production.

Inheritance, estate, and gift taxes—The rates are usually graduated and applied to the value of the entire estate (in the case of estate taxes) or on the value of the transfer to the separate beneficiaries (in the case of inheritance and gift taxes). Rates

¹ Some states held as many as four special sessions in a single year.

are commonly differentiated with respect to transfers to "direct" or "collateral" heirs.

Corporation taxes—Taxes on corporations not elsewhere included in the bulletin, such as capital stock, gross receipts, and corporate excess taxes on corporations including public utilities, banks and trust companies, and insurance companies.

License taxes—Taxes required in lump-sum payments in return for the privilege of engaging in a specific activity, or occupation.

Property taxes—Rates are proportional and may be applied to the value of real or tangible personal property, and some classes of intangible property. They may be general on all classes of property, or differentiated according to the class of property taxed.

State tax surveys and commissions—A brief statement is given of whatever information is available concerning the effect of legislation on regular and special state tax commissions and their work.

Territories and Possessions

An attempt has been made at the end of each part of this bulletin to include changes in tax laws of territories and possessions so far as these laws affect revenues for public schools. Since similar information was not presented in the 1934 report and because of some delay in receiving replies, these changes are not included in the tables of the present report.

II. Tendencies in State Tax Legislation, 1934-38

Certain tendencies revealed by the legislation reported in the following chapters bear a direct relationship to methods used in financing the public schools and thus appear to be worthy of special mention. Some of these tendencies, no doubt, are only temporary, the immediate outgrowth of the depression, yet they may have far-reaching results. Others are known to have had their roots in the predepression era.

Property Tax Relief

States continued after 1934 to take steps, begun in the late years of the depression, to relieve the tax burden on real estate and to ease the payment of delinquent taxes. While some such action was probably taken, at one time or another, by practically every state, this tendency was especially noticeable in rural areas where the collapse of property values, after 1929, was particularly severe and where a large volume of delinquent taxes had accumulated.

Twenty-three states and one territory passed one or more of the following types of measures aimed at property-tax relief and directly or indirectly affecting state revenues for public education, between 1934 and 1938: (1) provision of new or increased homestead exemptions—Alabama, Arkansas, Florida, Louisiana, Minnesota, Mississippi, Utah; (2) provision of new or increased exemptions of tangible or intangible personal property—Georgia, Minnesota, Mississippi, New Jersey, Pennsylvania; (3) extension of exemptions to include property of special classes of taxpayers, such as religious and educational institutions, war veterans, housing authorities, etc.—Alabama, Florida, Georgia, Louisiana, Mississippi, Nebraska, New Hampshire, Pennsylvania, South Carolina, Tennessee, Texas, Puerto Rico; (4) waivers of interest and penalties on delinquent tax payments—Nebraska, New Mexico, South Carolina, Tennessee; (5) allowance of delinquent tax payments in installments—Arizona, Nebraska, New Mexico, Puerto Rico; and (6) postponement of tax sales and liberalization of provisions for the redemption of land sold for taxes—Alabama, Nebraska, New Mexico, Tennessee, Utah, and Puerto Rico. New or reduced limits were placed on state, or state and local, property tax rates by Nevada, Ohio, and Wash-

ington, but in only one of these states, Washington, were *state* property levies for educational purposes reduced as a consequence. In addition to Washington, one other state, Kentucky, radically reduced its state property tax rate between 1934 and 1938 (repealing the provision which earmarked certain parts of the total for education); Indiana suspended for a number of years its levy for buildings and improvements at higher educational institutions; Rhode Island abandoned entirely the use of the property tax for state purposes.

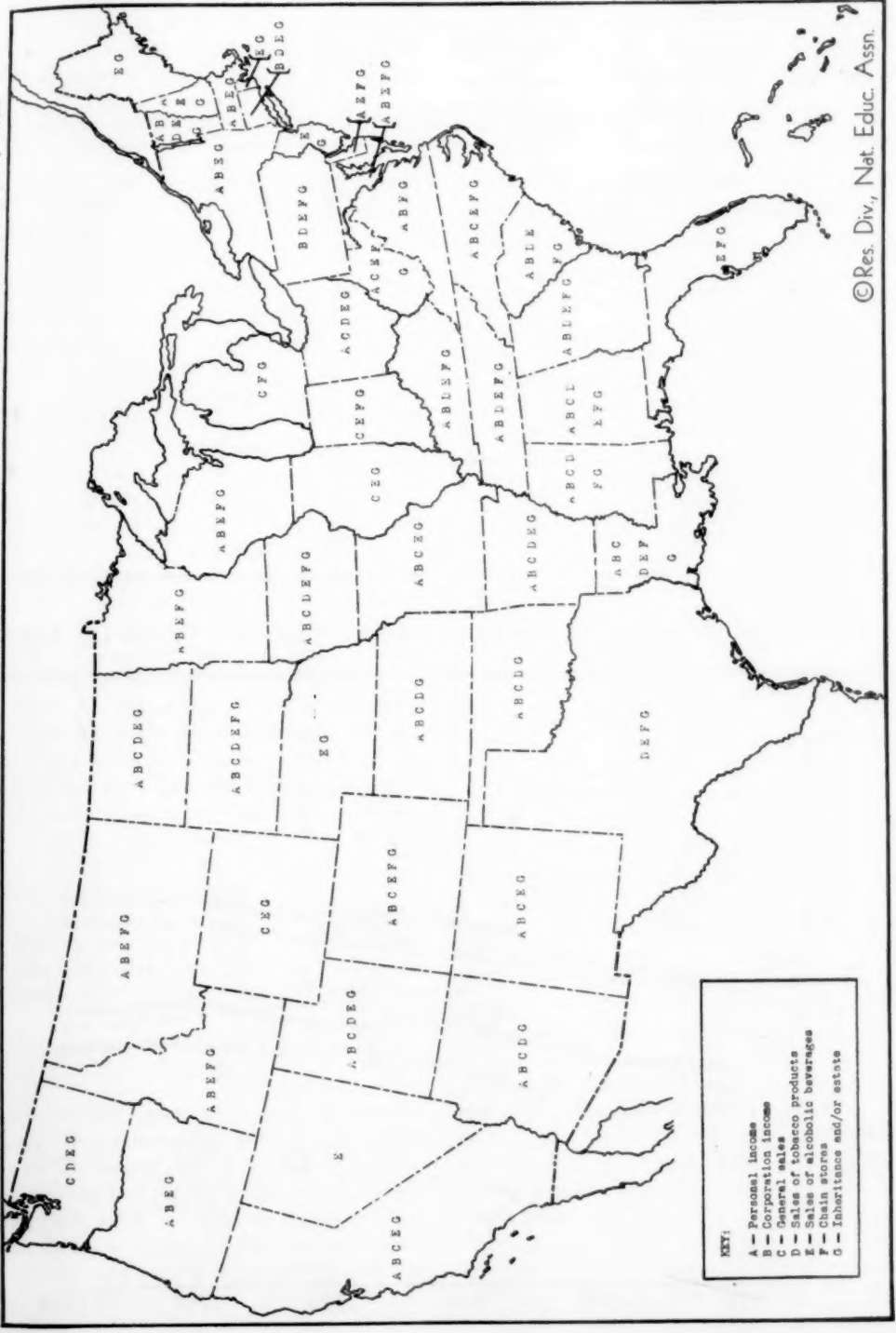
Three states (Alabama, Arkansas, and Louisiana) provided for the replacement of state and local property taxes by other types of state tax revenues placed in "property tax relief" and "property tax reduction" funds. Proceeds of income taxes, general sales taxes, and alcoholic beverage excises were earmarked in part for the reduction of state or local property taxes by three states (Colorado, Louisiana, and Oklahoma), nine states (Alabama, Arizona, Arkansas, Illinois, Kansas, Louisiana, Ohio, Utah, and Wyoming), and two states (Idaho and Louisiana), respectively.

Property Tax Replacement and the Search for New Revenues

Measures such as those described above increased the need of states for new and larger revenues, both for the financing of their own state activities and as a means of extending aid to local governments. Figures I, II, and III and Tables 1, 2, 3, 5, 7, and 11 show the growth in the use of certain non-property taxes, as sources of state, and state school, revenues in the decade, 1929-38.

Between 1934 and 1938 seven new states (Colorado, Iowa, Kentucky, Louisiana, Pennsylvania, South Dakota, and West Virginia) were added to the list of those taxing personal, or corporation net income, or both, bringing the total number up to thirty-six. Fifteen states (Alabama, Arkansas, Colorado, Idaho, Iowa, Kansas, Louisiana, Maine, Maryland, Missouri, New Jersey, New Mexico, North Dakota, Ohio, and Wyoming) enacted new general sales tax laws in the years 1934-38. However, in four of these states (Idaho, Maine, Maryland, and New Jersey) the sales tax laws were repealed, rejected by popular referendum, or allowed to expire. Sales tax laws enacted

FIGURE II—STATUS OF CERTAIN TYPES OF TAXES IN THE UNITED STATES, JANUARY 1, 1939



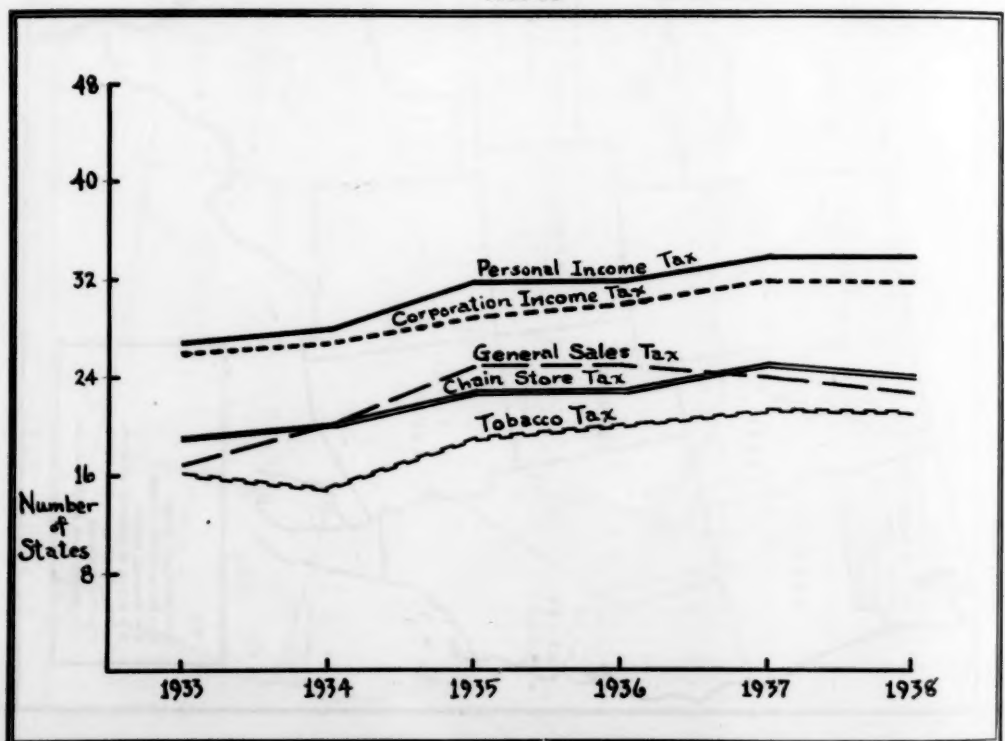
prior to 1934 by three other states (Kentucky, New York, and Oregon) were also repealed or allowed to expire during the 1934-38 period, reducing the net gain in the number of states using general sales taxes to eight.

Gasoline taxes which have been imposed by all states since 1929 and which have become, thru the levy of increased or additional rates, the greatest single source of state tax revenue, are used principally for financing the main-

TABLE 1.—TAX PROVISIONS AFFECTING SCHOOL SUPPORT, 1933-38

Number of States	Year					
	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7
Levying:						
Personal income taxes.....	27	28	32	32	34	34
Corporation income taxes.....	26	27	29	30	32	32
General sales taxes.....	17	20	25	25	24	23
Chain-store taxes.....	19	20	23	23	25	24
Tobacco taxes.....	16	15	19	20	21	21
Allocating all or part to public education:						
Personal income taxes.....	12	12	14	13	13	14
Corporation income taxes.....	7	7	7	7	7	8
General sales taxes.....	7	10	10	11	13	11
Chain-store taxes.....	9	9	10	10	9	9
Tobacco taxes.....	6	5	6	6	6	6
In which tax contributes to education indirectly thru significant general fund appropriations:						
Personal income taxes.....	11	12	14	15	15	15
Corporation income taxes.....	15	16	18	20	20	20
General sales taxes.....	7	8	11	11	10	10
Chain-store taxes.....	7	9	10	10	11	10
Tobacco taxes.....	6	6	8	10	11	11

FIGURE III—NUMBER OF STATES LEVYING CERTAIN TYPES OF TAXES, 1933-38



tenance and construction of highways. Nevertheless, between 1934 and 1938 at least nine states legislatures passed or continued measures which allotted gasoline tax revenues to state general or state educational purposes (Florida, Georgia, Massachusetts, Nebraska, New York, North Carolina, Ohio, Pennsylvania, and Texas).

Alcoholic beverage tax laws passed in nearly all states as recently as 1933 are proving a fruitful source of revenue. Four states (Connecticut, Kentucky, Pennsylvania, and Vermont) derive revenues from new tobacco tax laws. The number of states levying chain-store taxes rose from eighteen in 1933 to twenty-four in 1938. New chain-store tax laws were enacted in eleven states (California, Colorado, Georgia, Iowa, Kentucky, Mississippi, Pennsylvania, South Dakota, Tennessee, and Texas) during the intervening years but laws of six states (Arizona, California, Delaware, Maine, New Mexico, and Vermont) taxing chain stores were repealed or held unconstitutional. New or increased taxes on corporations, on inheritances and estates, and on the severance of natural resources from the soil or water also provided needed state revenues during the years 1934-38.

Each of the above types of taxes was employed by at least as many states at the end of the five-year period as at the beginning and many of them were far more numerous. All of them increased in number during the decade 1929-38. Whereas in 1929 only about 80 percent of state tax revenues were derived from non-property tax sources, this percent had increased to over 93 percent by 1938. Only in the case of general sales and chain-store taxes does the number of laws recently repealed suggest the possibility that these taxes may have passed the zenith of their popularity.

Overlapping Fields of Federal-State Taxation

The tendency away from property taxation toward the increased employment of other sources of revenue in the financing of state governments does not imply that the states hold undisputed sway in these non-property tax fields. In many of these fields they are forced to compete with the federal government for the same economic resources. Information presented in the following sections shows that the states are drawing heavily from fields of taxation (especially income taxes, gasoline taxes,

and alcoholic beverage taxes) which also are important sources of federal revenue. Only in the field of death taxation has there been a partial coordination of federal and state levies thru the 80 percent credit allowed on that portion of the federal estate tax collected under the 1926 revenue law.

State-Collected, Locally Shared Taxes versus General Fund Appropriations

The rival advantages of two methods used by the states in extending financial aid to their subsidiary governmental units have been argued at length by writers in public finance, and others. These two methods are: (1) the practice of earmarking all or a specified proportion of the proceeds of taxes, levied and collected by the states, for distribution to local governments; and (2) the practice of making annual or biennial appropriations of money to local governments by legislative enactment from state general funds. The question is one which is largely dependent upon circumstances existing in the individual state—the character of the state tax system, the budgetary setup of both state and local governments, and other considerations. No attempt will be made to answer it here. The legislation reported in the following sections of this bulletin, however, was scrutinized in an effort to determine, if possible, whether one of these practices was finding favor among the states, in the years 1934-38, at the expense of the other.

The result of this scrutiny is far from conclusive but possibly the weight of the evidence is slightly on the side of a tendency toward the second of the two procedures. For example, earmarking of revenue for educational purposes was done by only three states (Colorado, Louisiana, South Dakota) of the seven imposing new personal income tax laws; by only three states (Colorado, Louisiana, South Dakota) of the six imposing new corporation income tax laws; by only nine states (Georgia, Idaho, Louisiana, Michigan, Nevada, Oklahoma, South Carolina, Texas, Wisconsin) out of twenty-four levying *new* alcoholic beverage excises; and by only three states (Florida, Pennsylvania, Texas) out of nine which passed new chain-store tax laws. Furthermore, revenues from income taxes, alcoholic beverage taxes, and chain-store taxes, formerly earmarked for education, were diverted to general fund purposes by one state (Oklahoma), three

states (Arkansas, New Mexico, and Tennessee), and one state (Florida), respectively. On the other hand, revenues of eleven (Alabama, Arkansas, Idaho, Kansas, Louisiana, Maine, Missouri, New Mexico, North Dakota, Ohio, Wyoming) out of fifteen such new general sales taxes were earmarked in whole, or in part, for public education, but revenues collected under four of these eleven laws (Louisiana,

Michigan, Missouri, Oklahoma) were redirected to other uses and two more of these laws (those of Idaho and Maine) were repealed. Thus only five of the thirteen new sales tax laws which contributed directly, or indirectly thru state general funds, to school support and which remained on the statute books had any part of their proceeds earmarked for school purposes.

TABLE 2.—STATE PERSONAL INCOME TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1929-38

States having personal income taxes in specified years

[CAPITALS indicate personal income tax revenues earmarked in whole or in part for state school support; *italics* indicate personal income tax revenues contributing to state school support indirectly thru state appropriations from general funds]

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7	8	9	10
DEL.	DEL.	DEL.	DEL.	DEL.	DEL.	DEL.	DEL.	DEL.	DEL.
MASS.	MASS.	MASS.	MASS.	MASS.	MASS.	MASS.	MASS.	MASS.	MASS.
Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.
Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.
N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b	N. Hamp. ^b
N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.
N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.
N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.
Okla.	Okla.	OKLA.	OKLA.	OKLA.	OKLA.	Okla.	Okla.	Okla.	Okla.
S. Car.	S. Car.	S. Car.	S. Car.	S. CAR.	S. CAR.	S. CAR.	S. CAR.	S. CAR.	S. CAR.
Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.
WIS.	WIS.	Wis.	Wis.	Wis.	Wis.	WIS.	WIS.	WIS.	WIS.
ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.
Ore.	Ore.	Ore.	ORE.	Ore.	Ore.	Ore.	Ore.	Ore.	Ore.
Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b	Tenn. ^b
Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.
		Idaho	Idaho	Idaho	Idaho	Idaho	Idaho	Idaho	Idaho
		UTAH	UTAH	UTAH	UTAH	UTAH	UTAH	UTAH	UTAH
		VT.	VT.	VT.	VT.	VT.	VT.	VT.	VT.
		OHIO ^b	OHIO ^b	OHIO ^b	OHIO ^b	OHIO ^b	OHIO ^b	OHIO ^b	OHIO ^b
			ILL. ^a						
			WASH. ^a	WASH. ^a					
				Ala.	Ala.	Ala.	Ala.	Ala.	Ala.
				Ariz.	Ariz.	Ariz.	Ariz.	Ariz.	Ariz.
				Kans.	Kans.	Kans.	Kans.	Kans.	Kans.
				MINN.	MINN.	MINN.	MINN.	MINN.	MINN.
				MONT.	MONT.	MONT.	MONT.	MONT.	MONT.
				N. MEX.	N. MEX.	N. MEX.	N. MEX.	N. MEX.	N. MEX.
				Iowa	Iowa	Iowa	Iowa	Iowa	Iowa
				LA.	LA.	LA.	LA.	LA.	LA.
					PA. ^a				
					Calif.	Calif.	Calif.	Calif.	Calif.
					S. DAK.	S. DAK.	S. DAK.	S. DAK.	S. DAK.
					W. Va.	W. Va.	W. Va.	W. Va.	W. Va.
						Ky.	Ky.	Ky.	Ky.
							COLO.	COLO.	COLO.
							Md.	Md.	Md.

^a Held invalid.

^b Applies only to income from intangibles. Legislation affecting the Ohio tax which is levied as part of the classified property tax is included in Part XI of this bulletin. In 1931 Tennessee passed a law taxing personal income from all sources which was declared invalid in 1932.

III. Income Taxes

Laws of thirty-six states and three territories, seven of which were passed during the five-year period 1934-38, impose taxes on individual or corporation net income, or both. Income tax laws define the term "net income" only by implication, by listing those classes of taxpayers' receipts which shall be considered as comprising "gross income" and those classes of receipts which may be deducted from "gross income" in computing "net income." While the concept of "net income," thus defined, differs from state to state, in general it is roughly comparable to an accountant's definition of the net income of a business. Exemptions and credits are usually allowed in determining the amount of net income which is taxable.

Net income taxes produced one-eighth of all state tax revenues in the fiscal year 1938.¹ In addition, the federal government derived over two-fifths of its total tax revenues from this source.²

In the years 1934 thru 1938 twenty-six states passed income tax legislation more or less directly affecting state school revenues (Table 2, page 108).

Personal Income Taxes

Thru rate differentiation and changes in deductions, exemptions, and credits, taxes on personal or individual net incomes are more highly adaptable than most other forms of taxation to the taxpayer's economic status. Rates are usually progressive, increasing as the amount of income increases, so that the higher income recipient must make a larger proportionate contribution to the support of government than is required of his poorer fellow citizens. A distinction may be made between earned and unearned income, by taxing the latter at a higher rate or by levying a tax on unearned income only, but neither of these practices is common in the United States. The majority of states tax personal income from all sources at the same rate and allow exemptions and credits which lighten the tax burden of the individual with large family responsibilities.

Twenty-six states enacted or revised personal income tax laws in the years 1934-38, in

such a way as to affect school revenues directly or indirectly. Three of the seven states which passed new personal income tax laws during that period allocated some part of the proceeds specifically for school support. In the other four states, schools share in income tax revenues indirectly thru general funds. Three states increased and four states reduced, at least temporarily, by 1934-38 legislation, the part of income tax proceeds earmarked directly for schools. Provisions governing the proportion of income tax proceeds credited to general funds from which the schools receive appropriations were amended in four states. Amendments to provisions governing the distribution of income tax proceeds in two other states did not materially affect school revenues. The need for increased state revenues for school and other governmental purposes was reflected in legislation passed by 13 states and Puerto Rico, between 1934 and 1938, raising rates, or imposing additional emergency rates. Personal exemptions allowed under income tax laws were reduced by three states and Puerto Rico, and increased by two states. Constitutional amendments permitting the levy of a tax on income from all sources were approved by the voters of three states.

Arizona. Provision was made, by act of 1935, for setting aside 4 percent of income tax proceeds for expenses of administration. A 1937 law amended the requirements for the filing of income tax returns.³

Arkansas. Legislation in 1937 provided for the equal division of income tax proceeds, in excess of the amount needed to meet payments on state hospital bonds, between the State Charities Fund and the State General Fund. This revenue, up to \$750,000, was formerly earmarked, under a 1931 law, for school equalization purposes, but actually the schools had received no income from this source since 1932. A 1938 law restored to the Equalization Fund the half of the excess revenues earmarked in 1937 for the State Charities Fund.⁴

California. A law enacted in 1935 taxed personal net incomes at graduated rates, ranging from 1 percent on incomes up to \$5000 in excess of exemptions, to 15 percent plus \$28,450 on incomes in excess of \$250,000. A 1937 act amended provisions with respect to the determination of net income and

¹ Tax Policy League. *Tax Policy*. Vol. 6, Nos. 2-3, December 1938, January 1939, p. vi, 5.

² United States Treasury Department. *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1938*. Washington, D. C.: Government Printing Office, 1939, p. 2.

³ *Arizona. Laws, 1935*. Chap. 80, p. 366-68. Approved March 25, 1935. ¶ *Laws, 1937*. Chap. 34, p. 95-99. Approved March 10, 1937.

⁴ *Arkansas. Acts, 1937*. No. 274, p. 964-65. Approved March 18, 1937. ¶ *Acts, Special Session, 1938*.

the administration of the tax. Proceeds, after providing for refunds and administrative expenses, are credited to the general fund of the state, from which transfers of money are made to state school funds.⁵

Colorado. A law passed in 1937 imposed a tax on net incomes of individuals at graduated rates of from 1 to 6 percent and allocated the proceeds for the replacement of local school property taxes. An additional 2 percent tax was levied on unearned income. This legislation followed the approval by the voters, at the 1936 general election, of a constitutional amendment permitting the levy of a state income tax and a decision by the supreme court of the state upholding the constitutionality of a state appropriation for school purposes.⁶

Delaware. Borrowing, for general fund and higher education purposes, of an amount not to exceed \$400,000 from the State School Fund and the State Highway Fund was authorized by a 1935 law. A large proportion of the State School Fund is made up of income tax proceeds. While this authority was not exercised, the legislature of 1937 further authorized appropriations from the State School Fund for the University of Delaware, the Delaware State College for Colored Students, and for the operation and maintenance of the State Tax Department, not to exceed \$445,000 in each fiscal year of the biennium 1937-39. Administrative provisions of the income tax law were revised in 1937.⁷

Georgia. Rates of the tax on individual incomes were raised, income brackets were revised, and personal exemptions were lowered by 1937 legislation. Income tax proceeds are paid into the State General Fund. One-half of the revenues, not otherwise earmarked, in the general fund are set aside, by law, for school purposes.⁸

Iowa. The legislature in 1934 adopted a 1 to 5 percent tax on individual net incomes. From the combined proceeds of income, sales, and certain business taxes, the State General Fund was to receive \$6,600,000 after \$3,000,000 was used for relief; any remaining proceeds to be distributed among counties on the basis of assessed valuation. Appropriations are made to schools from the State General Fund.⁹

Kentucky. A new income tax measure, passed by the first special session of the legislature, 1936, imposed rates on personal incomes, varying from

2 percent on incomes up to \$3000 to 5 percent on incomes in excess of \$5000. Personal exemptions of \$1000 for a single person, \$2500 for the head of a family, and \$400 for each dependent were allowed. All proceeds were made payable to the State General Fund from which appropriations are made for school purposes.¹⁰

Louisiana. Subject to approval later given by the voters the 1934 legislature passed an income tax law, imposing a 2 to 6 percent tax on individual net incomes and allocating the proceeds to a newly created Property Tax Relief Fund. Amounts in this fund, which also receives revenues from other tax sources, are apportioned in the ratio of \$3.50 to the State School Fund for each \$6.75 paid to state and local governments to reimburse them for losses due to homestead tax exemptions. A 1936 act revised the lowest personal income tax bracket, so that the 2 percent rate falls on that part of the first \$10,000 of net income which is in excess of exemptions, instead of on the whole of the first \$10,000, over and above exemptions, as formerly. The income tax law was further amended in 1936 to allow an individual only that part of the prescribed personal exemptions which the amount of his net income taxable in Louisiana represents of his total net income.¹¹

Massachusetts. The income tax, chief source of state reimbursements to towns and cities for school expenditures, was revised in several respects during the 1934-38 period, but only a few of these changes materially affected school revenues. The maximum amount which a town might receive from income tax proceeds as supplementary reimbursements (school equalization aid) in any one year was raised from \$15,000 to \$25,000 in 1934. An emergency levy of 10 percent of the tax, as computed under the law, was added in 1935 and a similar levy was imposed in each year thru 1938. Proceeds go to increase general revenues of the commonwealth from which the towns and cities receive reimbursements for certain special educational expenditures.¹²

Minnesota. Rates on personal incomes were revised by a 1937 law, to extend from 1 percent on the first \$1000 of income to 10 percent on the amount in excess of \$20,000, instead of from 1 percent on the first \$1000 to 5 percent on the amount in excess of \$10,000, as formerly. Income tax proceeds are paid into the Income Tax School Fund to be used, after paying expenses of administering the act, for distribution to school districts.¹³

⁵ California. *Statutes*, 1935. Chap. 329, p. 1090-1123. Approved June 11, 1935. ¶ *Statutes*, 1937. Chap. 668, p. 1831-61. Approved July 1, 1937.

⁶ Colorado. *Session Laws*, 1937. Chap. 175, p. 677-746. Approved June 2, 1937.

⁷ Delaware. *Laws*, 1935. Chap. 14, p. 86-93. Approved February 28, 1935. ¶ *Laws*, 1937. Chap. 26, p. 74. Approved April 12, 1937.

⁸ Georgia. *Laws*, 1937. No. 445, p. 109-48. Approved March 30, 1937. ¶ *Laws, Extra Session*, 1937-38. No. 121, p. 150-55. Approved December 29, 1937.

⁹ Iowa. *Code of Iowa*, 1935. Chap. 329-F1, Divisions II-III, p. 999-1009. Effective March 9, 1934.

¹⁰ Kentucky. *Acts, Special Revenue Session*, 1936. Chap. 7, p. 67-102. Approved May 8, 1936.

¹¹ Louisiana. *Session Laws*, 1934. Act No. 81, p. 700-701. Approved July 13, 1934; Act No. 21, p. 109-75; Act No. 54, p. 266-70. Approved July 12, 1934. ¶ *Session Laws*, 1936. Act No. 143, p. 425-37. Approved July 9, 1936.

¹² Massachusetts. *Acts and Resolves*, 1934. Chap. 143, p. 134. Approved April 13, 1934. ¶ *Acts and Resolves*, 1935. Chap. 480, p. 656. Approved August 13, 1935. ¶ *Acts and Resolves*, 1936. Chap. 397, p. 481. Approved June 24, 1936; Chap. 362, p. 446-47. Approved June 10, 1936. ¶ *Acts and Resolves*, 1937. Chap. 422, p. 534. Approved May 29, 1937. ¶ *Acts and Resolves*, 1938. Chap. 502, p. 702-03. Approved August 24, 1938.

¹³ Minnesota. *Session Laws, 1st Special Session*, 1937. Chap. 49, p. 60-84. Filed July 15, 1937, without approval.

Mississippi. The income tax law was rewritten in 1934. Administrative provisions were strengthened. Rates were increased in 1938 to range from 3 percent to 6½ percent, instead of 2½ percent to 6 percent, as formerly. Exemptions were increased to equal those allowed under the federal income tax law. Proceeds of income taxes are paid into the State General Fund which is the principal source of state aid for public schools.¹⁴

Montana. The part of income tax revenues going to the Common School Interest and Income Fund and the Common School Equalization Fund was reduced by a 1934 act to 40 percent, for the duration of the state fiscal emergency. According to the original act these two funds were to share equally in 50 percent of the proceeds. Acts of 1935 extended the emergency provisions relative to the disposition of income tax proceeds to March 1, 1937, and assigned all revenues allocated for school purposes, under the income tax and other state laws, to a newly created State Public School General Fund. It was provided that, after March 1, 1937, the allocation for schools from income tax proceeds should automatically revert to 50 percent. A surtax, levied in 1934, was declared unconstitutional. Exemptions were revised in 1937.¹⁵

New Mexico. A 1934 amendment to the net income tax law left the rates unchanged but raised personal exemptions and eliminated the property tax offset. Seventy-five percent of the net proceeds from this tax is paid into state school funds.¹⁶

New York. An additional emergency tax of 1 percent on personal net income was continued year by year thru 1938. Laws passed in 1934 and 1935 also continued previously doubled rates to apply to incomes received in 1933 and 1934, but revised upward the regular schedule of rates, applicable to incomes received in 1935 and thereafter. Other laws passed during the 1934-38 period revised provisions of the law relating to the ascertainment of gain or loss, provided for taxing capital net gains at new graduated rates and broadened the definition of "gross income" by providing for the inclusion of salaries of judges and other public officials and by repealing the clause excluding income received from the federal government by federal government em-

ployees. Provisions governing the disposition of personal income tax proceeds were amended in 1935 by allotting to the general fund of the state all the proceeds resulting from the increase in rates and the balance, after allowing \$250,000 for refunds and \$100,000 for administrative costs, and distributing to county governments one-half the revenues collected under the original rates of the act. The public schools are supported by means of general fund appropriations. The distribution to counties is further apportioned among cities and towns, and towns may allot not to exceed one-third of their receipts from this source to school districts, unless prohibited from doing so, by resolution of the town board.¹⁷

North Carolina. A constitutional amendment which raised the limitation on state income tax rates from 6 to 10 percent was ratified at the November 1936 election. As a result, the 1937 legislature raised the rate on individual incomes above \$10,000 from 6 percent to 7 percent. Proceeds from the state income tax are paid into the general fund of the state which is the source of support of the eight months' school term.¹⁸

Oklahoma. The 1931 income tax which was levied to provide reduction of the rates of local school ad valorem taxes, and which allocated three-fourths of 95 percent of the proceeds for the support of common schools, was repealed in 1935 and a new law enacted, with higher rates and lower personal exemptions. Net proceeds were diverted to the General Revenue Fund of the state from which schools receive legislative appropriations.¹⁹

Pennsylvania. A 1935 law which would have levied a graduated income tax and credited all revenues except 2 percent to the State School Fund was held invalid by the Pennsylvania Supreme Court.²⁰

South Carolina. The flat 5 percent tax on income derived from dividends and interest over \$100 was changed in 1934 to correspond with the regular 2 to 5 percent income levy. These rates were revised in 1938 to a levy ranging from 3 percent on amounts from \$500 to \$800, to 5 percent on amounts in excess of \$1200. Increased revenues from the tax were used for pupil transportation.²¹

¹⁴ Mississippi. *Laws, 1934*. Chap. 120, p. 185-204. Approved March 14, 1934. ¶ *Laws, 1938*. Chap. 115, p. 112-13; Chap. 116, p. 113-17. Approved March 8, 1938.

¹⁵ Montana. *Laws, Ex. Session, 1933-34*. Chap. 40, p. 117-21. Effective January 16, 1935. ¶ *Mills v. State Board of Equalization et al.* 33 Pac. (2d) 563. Decision rendered May 12, 1934. ¶ *Laws, 1935*. Chap. 109, p. 192. Approved March 11, 1935; Chap. 175, p. 358-63. Approved March 14, 1935.

¹⁶ New Mexico. *Laws, Special Session, 1934*. Chap. 29, p. 115-17. Approved April 27, 1934.

¹⁷ New York. *Laws, 1934*. Chaps. 457-58, p. 1041-46. Approved May 8, 1934. ¶ *Laws, Ex. Session, 1934*. Chap. 899, p. 1841-44. Approved August 24, 1934. ¶ *Laws, 1935*. Chap. 34, p. 393-95; Chap. 364, p. 883-86. Approved February 16, 1935. ¶ *Laws, 1936*. Chap. 127, p. 411-12. Approved March 18, 1936. ¶ *Laws, 1937*. Chap. 184, p. 656-57. Approved April 5, 1937. ¶ *Laws, 1938*. Chap. 66, p. 547-48. Approved March 3, 1938. ¶ *Laws, 1935*. Chap. 542, p. 1144-45. Approved April 29, 1935; Chap. 35, p. 395-403. Approved February 16, 1935. ¶ *Laws, 1937*. Chap. 547, p. 1221-22; Chap. 549, p. 1223-25. Approved May 22, 1937; Chap. 744, p. 1697; Chap. 719, p. 1610. Approved May 28, 1937. ¶ *Laws, 1938*. Chap. 50, p. 527. Approved March 3, 1938; Chap. 511, p. 1290-1301. Approved April 6, 1938.

¹⁸ North Carolina. *Laws, 1935*. Chap. 248, p. 270-71. Approved April 29, 1935. ¶ *Laws, 1937*. Chap. 127, p. 274-75. Approved March 13, 1937.

¹⁹ Oklahoma. *Laws, 1935*. Chap. 34, Article 5, p. 142-45; Chap. 66, Article 6, p. 286-307. Approved April 23, 1935; Chap. 66, Article 15, p. 333-35. Approved February 8, 1935. ¶ *Laws, Special Session 1936*. Chap. 66, Article 2, p. 56-57. Approved January 6, 1937.

²⁰ Pennsylvania. *Laws, 1935*. No. 314, p. 970-92. Approved July 12, 1935. ¶ *Pennsylvania State Reports*, Vol. 320, p. 180. *Kelly et al. v. Kalodner et al.*

²¹ South Carolina. *Laws, 1934*. No. 927, p. 1571-73. Approved April 16, 1934. ¶ *Laws, 1935*. No. 329, p. 471. Approved May 18, 1935. ¶ *Laws, 1938*. No. 966 (1309), p. 1928-30. Approved June 1, 1938.

South Dakota. A new tax was levied in 1935 on the net incomes of resident individuals at rates ranging from 1 percent on the first \$1000 to 8 percent on the excess of \$318,000. Thirty-two percent of the net proceeds was earmarked for schools. In 1937 the schools' share in the proceeds from this tax was increased to 35 percent. Another 1937 act extended the tax to the income of nonresident individuals, derived from property located and business transacted within the state.²²

Tennessee. The rate of the tax on income from intangibles (stocks and bonds) was raised by 1937 legislation from 5 percent to 7 percent, and later reduced to 6 percent by 1937 legislation. Income from the stock of any corporation, 75 percent of the corporate property of which is assessable for ad valorem taxes in Tennessee, was taxed first at 5 percent and later at 4 percent. Such income was formerly exempt. The State General Fund which formerly received the remainder of taxes on the income from stocks and bonds, after 45 percent of the net revenue had been distributed to the counties and municipalities, wherein collected, now gets all the revenue from the 4 percent tax and five-eighths of the revenues from the 6 percent tax. One-third of the revenues in the State General Fund are earmarked for public school support. A proposal to amend Section 28 of Article 2 of the state constitution so as to permit the levy of a state tax on income from whatever source derived passed the legislature in 1937.²³

Utah. Graduated rates of the tax on individual net incomes were raised in 1935 and personal exemptions were lowered. After setting aside 5 percent of the proceeds to provide for refunds, 75 percent of the remainder, as far as needed, is earmarked for the State District School Fund.²⁴

Vermont. All the net revenues from income taxes for the years 1936 and 1937, in excess of a \$300,000 appropriation to the Consolidated School Fund, were credited to the State General Fund, as

a result of the two-year suspension of a \$150,000 appropriation to towns and incorporated villages on the basis of road mileage. General Fund appropriations are used in Vermont to supplement school revenues from earmarked sources. Laws of 1936 and 1937 revised income tax exemptions.²⁵

Virginia. A 1936 law made permanent the lower personal exemptions first provided for, as a temporary measure, in 1934. Income tax proceeds are paid to the State General Fund from which appropriations are made for public school support.²⁶

West Virginia. Rates levied in 1935 on personal net incomes ranged from 1 percent on the first \$1000 to 3 percent on the amount above \$6000 in excess of exemptions: for single people, \$600; heads of families, \$1300; and each dependent, \$200. In 1937 the rates were increased to a high of 4 percent on any amount in excess of \$3000 and exemptions were raised to \$1000, \$2000, and \$300. Proceeds are paid to the state treasury from which legislative appropriations are made for schools.²⁷

Wisconsin. A 1935 act imposed an emergency surtax, equal to 60 percent of the normal tax on personal net incomes, and a privilege dividends tax of 2½ percent on dividends derived from business transacted in Wisconsin for the fiscal years 1935 and 1936. Revenues from these taxes were made payable to the state treasury subject to appropriation by the legislature for old age pensions and state school aids. Both of these taxes were continued by 1937 legislation to July 1, 1939. The act extending these taxes guaranteed payment of an appropriation of \$1,385,000 for emergency high-school aid in full.²⁸

Puerto Rico. Rates were raised and exemptions lowered by a 1936 law which revised provisions relating to the surtax on individual incomes. All income tax proceeds are placed in the Insular Treasury from which schools receive appropriations.²⁹

²² South Dakota. *Session Laws, 1935*. Chap. 205, p. 326-52. Approved March 14, 1935. *Session Laws, 1937*. Chap. 54, p. 68-69. Approved March 3, 1937; Chap. 251, p. 353-54. Approved March 9, 1937.

²³ Tennessee. *Public Acts, 1937*. Chap. 117, p. 516-20. Approved March 5, 1937; Chap. 297, p. 1158-61; S. J. R. No. 22, p. 1260-62. Approved May 21, 1937.

²⁴ Utah. *Session Laws, 1935*. Chap. 90, p. 181-82. Approved March 23, 1935.

²⁵ Vermont. *Public Acts, 1935-36*. No. 1, p. 420. Approved January 23, 1936. ¶ *Public Acts, 1935*. No. 106, p. 127-28. Approved April 11, 1935. ¶ *Public Acts, 1937*. Chap. 103, p. 140. Approved April 8, 1937; Chap. 72, p. 102-103. Approved March 19, 1937.

²⁶ Virginia. *Amendments to the Tax Code of Virginia, 1934*. Chap. 137, p. 4-6. Approved March 16, 1934. ¶ *Acts of Assembly, 1936*. Chap. 119, p. 200-209. Approved March 6, 1936.

²⁷ West Virginia. *Laws, 1935*. Chap. 89, p. 385-409. Passed March 9, 1935. ¶ *Laws, 1937*. Chap. 111, p. 453-55. Passed March 12, 1937.

²⁸ Wisconsin. *Session Laws, 1935*. Chap. 505, p. 866-73. Approved September 25, 1935; Chap. 552, p. 1179-80. Approved October 7, 1935. ¶ *Session Laws, 1937*. Chap. 233, p. 379-80. Approved June 12, 1937; Chap. 309, p. 480-83. Approved June 30, 1937; Chap. 249, p. 403. Approved June 16, 1937.

²⁹ Puerto Rico. *Acts of 1936*. No. 87, p. 460-64. Approved May 14, 1936.

Corporation Income Taxes

Corporation income taxes, as understood in this section, include corporation excise and franchise taxes measured by net income, as well as those levied on net income directly. Taxes on corporation income are less readily adjustable than taxes on personal income to the taxpayer's economic status. While levied nominally on the income, or on the excise or franchise privilege, of the corporation as an entity, these taxes rest in the last analysis on the stockholders of the corporation. The rates levied, whether proportional or progressive, are unrelated to the way in which the corporation's income is distributed among the individual stockholders. The burden is the same, in proportion to the number of shares held by all stockholders, large and small. In practice the

rates imposed under state income tax laws are usually proportional, altho the federal government and six states (Arizona, Idaho, Mississippi, North Dakota, South Dakota, and Wisconsin) of the thirty-three taxing corporation net income, employed progressive rates in 1938.

Corporation income tax legislation passed in twenty states, in the years 1934-38, affected school revenues in a greater or lesser degree. Six states passed new corporation income tax laws, three of them earmarking a part of the proceeds for educational purposes. Schools are benefited indirectly from corporation income tax revenues placed in general funds of the other three states. One state levied a tax on the net income from unincorporated business and credited the revenues to the General Fund from which the public schools receive appropriations.⁸⁰

⁸⁰ This legislation, altho not a tax on corporations, is included in this section for convenience.

TABLE 3.—STATE CORPORATION INCOME TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1929-38

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; *italics* indicate corporation income tax revenues contributing to state school support thru state appropriations from general funds.]

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7	8	9	10
Conn.	Conn.	Conn.	Conn.	Conn.	Conn.	Conn.	Conn.	Conn.	Conn.
Mass.	Mass.	Mass.	Mass.	Mass.	Mass.	Mass.	Mass.	Mass.	Mass.
Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.
Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.	Mo.
Mont.	Mont.	Mont.	Mont.	Mont.	Mont.	Mont.	Mont.	Mont.	Mont.
N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.	N. Y.
N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.	N. Car.
N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.	N. Dak.
S. Car.	S. Car.	S. Car.	S. Car.	S. Car.	S. Car.	S. Car.	S. Car.	S. Car.	S. Car.
Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a	Tenn. ^a
Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.
WIS.	WIS.	Wis.	Wis.	Wis.	Wis.	Wis.	Wis.	Wis.	Wis.
ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.
Calif.	Calif.	Calif.	Calif.	Calif.	Calif.	Calif.	Calif.	Calif.	Calif.
Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.
Ore.	Ore.	Ore.	Ore.	Ore.	Ore.	Ore.	Ore.	Ore.	Ore.
		Idaho	Idaho	Idaho	Idaho	Idaho	Idaho	Idaho	Idaho
		OKLA.	OKLA.	OKLA.	OKLA.	Okla.	Okla.	Okla.	Okla.
		UTAH	UTAH	UTAH	UTAH	UTAH	UTAH	UTAH	UTAH
		Vt.	Vt.	Vt.	Vt.	Vt.	Vt.	Vt.	Vt.
		WASH.	WASH. ^b						
				Ala.	Ala.	Ala.	Ala.	Md.	Md.
				Aris.	Aris.	Aris.	Aris.	Aris.	Aris.
				Kans.	Kans.	Kans.	Kans.	Kans.	Kans.
				MINN.	MINN.	MINN.	MINN.	MINN.	MINN.
				N. MEX.	N. MEX.	N. MEX.	N. MEX.	N. MEX.	N. MEX.
				Iowa	Iowa				
				LA.	LA.	LA.	LA.	LA.	LA.
					Pa.			Pa.	
					S. DAK.	S. DAK.	S. DAK.	S. DAK.	S. DAK.
						Ky.		Ky.	
								COLO.	COLO.

^a Tennessee levies two taxes, one on intangibles only.

^b Held invalid.

TABLE 4.—TOTAL YIELD OF PERSONAL AND CORPORATION INCOME TAXES CONTRIBUTING * DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Arkansas.....	\$700,906
Colorado.....	811,836
Delaware ^b	1,469,420
Louisiana.....	2,798,007
Massachusetts ^c	24,517,155
Minnesota.....	10,115,900
Montana.....	992,043
New Mexico.....	380,313
Ohio ^d	6,238,474
South Carolina ^e	3,770,282
South Dakota.....	559,499
Utah.....	1,701,644
Vermont ^f	761,737
Wisconsin ^g	24,955,739

Source: *Tax Policy* 6: 5; December 1938-January 1939.

^a Revenues earmarked wholly or partly for school support.

^b Levies only a personal income tax.

^c Schools receive direct benefit only from tax on personal incomes.

^d Levied on income from intangible property only.

The earmarked share of the schools in corporation income tax revenues was increased in two states. One state law diverted revenues formerly earmarked for schools to the State General Fund, but in three other states schools were indirectly benefited by an increase in the proportion of corporation income tax revenues going to general funds.

Higher or additional income tax rates were levied in six states; progressive rates were replaced by proportional rates in two states. In addition, corporation income tax legislation was passed between 1934 and 1938, concerning exemptions, minimum taxes, types of corporations subject to the tax, elimination of property tax offsets, and the administration and computation of the tax.

Arkansas. Legislation in 1937 provided for the equal division of income tax proceeds, in excess of the amount needed to meet payments on state hospital bonds, between the State Charities Fund and the State General Fund. A 1938 law restored to the Equalization Fund the half of the excess revenues earmarked in 1937 for the State Charities Fund.²¹

California. Legislation in 1935 increased the rates imposed on incomes of nonfinancial corpora-

tions, from 2 to 4 percent; and those on incomes of banks and other financial corporations, from a range of 2 to 6 percent to a range of 4 to 8 percent. Both types of corporations were required to pay a minimum tax of \$25. A law passed in 1937 brought public utilities doing an interstate business, and formerly taxed on the basis of gross receipts from operation, within the application of the 4 percent tax. Net proceeds of corporation income taxes are credited to the general fund of the state, from which transfers of money are made to State School Funds.²²

Colorado. The income tax law of 1937 imposed a tax of 4 percent on net incomes of corporations. Proceeds, as is the case of individual income taxes, are allocated for the replacement of local school property taxes.²³

Connecticut. The 2 percent tax on the net income of miscellaneous corporations was repealed in 1935 and a new law was enacted providing that all corporations reporting to the Bureau of Internal Revenue for federal income tax purposes, except certain insurance companies and public utilities, taxed on the basis of gross earnings, be required to pay a tax of 2 percent on their net income derived in Connecticut, with a minimum tax of \$10 or 1 mill per dollar on the value of capital stock and other intangible assets, whichever is greater. Another 1935 law provided for taxing domestic insurance companies at the rate of 2 percent of net income from premiums, interest, and dividends.²⁴

Georgia. The corporation income tax rate was increased from 4 to 5½ percent in 1937 and rules governing the interstate allocation of corporation income were amended. A provision for the reduction of the state property tax rate in proportion to income tax receipts in the General Fund was repealed. A further amendment of the income tax law, passed at the 1937-38 extra session of the legislature, revised certain definitions, exempted corporate income in the form of dividends received from other corporations, and repealed provisions requiring the payment by corporations of a minimum tax of \$10. Income tax proceeds are paid into the State General Fund. The law assigns 50 percent of general fund revenues, not otherwise earmarked, for public schools.²⁵

Iowa. The legislature in 1934 imposed a 2 percent tax on the net incomes of foreign and domestic corporations. From the combined proceeds of income, sales, and certain business taxes, \$6,600,000 was assigned to the State General Fund after appropriating \$3,000,000 for emergency relief. Appropriations are made to schools from the State General Fund.²⁶

²¹ Arkansas. *Acts, 1937*. No. 274, p. 964-65. Approved March 18, 1937. ¶ *Acts, Special Session, 1938*.

²² California. *Statutes, 1935*. Chap. 275, p. 959-84. Approved June 6, 1935; Chap. 281, p. 995-1001. Approved June 7, 1935; Chap. 353, p. 1245-50. Approved June 25, 1935. ¶ *Statutes, 1937*. Chap. 765, p. 2184-2202; Chap. 836, p. 2324-49. Approved July 1, 1937.

²³ Colorado. *Session Laws, 1937*. (H. C. R. 13) Chap. 175, p. 677-746. Approved June 2, 1937.

²⁴ Connecticut. *General Statutes, Supplement 1931, 1933, 1935*. Chap. 74, p. 184; Chap. 66b, p. 164-77. Effective July 1, 1935; Chap. 66a, p. 159-64. Effective October 1, 1935.

²⁵ Georgia. *Laws, 1937*. No. 445, p. 109-48. Approved March 30, 1937. ¶ *Laws, Extra Session, 1937-38*. No. 121, p. 150-55. Approved December 29, 1937.

²⁶ Iowa. *Code of Iowa, 1933*. Chap. 329-F1, Divisions II-III, p. 999-1009. Effective March 9, 1934.

Kentucky. The new income tax measure, passed in 1936, imposed a 4 percent tax on the entire net income of corporations. All proceeds collected under this act were credited to the State General Fund from which appropriations are made for school purposes.³⁷

Louisiana. The income tax law of 1934 taxed corporation net income in excess of \$3000, at 4 percent. A 1935 amendment made minor changes in exemptions and provided for taxing, as foreign corporations, railroads doing business in more than one state. Corporations doing business outside the state were allowed, by a 1936 law, only that proportion of the prescribed \$3000 exemption which the amount of their net income taxable in Louisiana represents of their total net income. Another 1936 act exempted companies engaged exclusively in the business of water transportation. Corporation income tax proceeds are credited to the Property Tax Relief Fund and disposed of, as are personal income tax proceeds.³⁸

Massachusetts. Corporations, as well as individuals, were required to pay an additional tax equal to 10 percent of the regular income tax, as computed, beginning with 1935. Proceeds of the additional 10 percent tax were used to increase state general revenues from which the towns and cities receive reimbursements for certain special school expenditures.³⁹

Minnesota. A 1937 law replaced graduated rates on corporation income by a flat rate of 7 percent for the years 1937 and 1938 and 6 percent thereafter. Proceeds of the tax on corporation income are paid into the Income Tax School Fund for distribution to school districts.⁴⁰

Mississippi. Administrative provisions of the income tax law were strengthened in 1934. In 1938 rates, which are the same on both corporate and individual incomes, were increased to range from 3 percent to 6½ percent, instead of 2½ percent to 6 percent. The exemption allowed corporations was increased from \$750 to \$1000. Corporation income taxes, like personal income taxes, are paid into the State General Fund.⁴¹

Montana. The rate on the net income of corporations was increased from 2 percent to 3 percent in 1937. Of the proceeds of this tax, 25 percent is allo-

cated for school purposes; 75 percent goes to the State General Fund.⁴²

New Mexico. A 1934 amendment to the net income tax law left the rates unchanged, eliminated the property tax offset, and extended the provisions to include foreign corporations doing business in the state. Seventy-five percent of the net proceeds from this tax is paid into the state school funds.⁴³

New York. Acts of 1935 increased the rate of the corporation income tax from 4½ to 6 percent, for one year beginning with November 1, 1936, and revised the provisions governing the disposition of the proceeds, so as to place in the General Fund all of the revenues from the additional 1½ percent tax, as well as two-thirds of the revenue collected under the previous 4½ percent rate. The required minimum tax was also increased. The above increases in rates were extended to apply to income received in the fiscal years beginning in 1937, 1938, and 1939. Laws of 1937 revised deductions and the formula for allocating interstate income for state taxation purposes. A 4 percent tax, levied on the net income of unincorporated businesses in 1935 was extended to apply to such income received in the calendar years 1936, 1937, and 1938, or in any fiscal years ending in 1937, 1938, or 1939. All of the proceeds except \$150,000 allowed for administration expenses and refunds were allotted for purposes of the General Fund from which the schools receive appropriations. The definition of "gross income of unincorporated business" and the basis of allocating for state taxation purposes the net income from interstate business were revised by 1938 laws.⁴⁴

Oklahoma. The new 1935 law replaced the graduated rates formerly imposed on corporation incomes with a flat rate of 6 percent. Net proceeds, three-fourths of which had been earmarked for schools, were placed in the General Revenue Fund from which schools receive legislative appropriations.⁴⁵

Pennsylvania. A corporate net income tax was levied for two years in 1935 and continued by 1936 and 1937 laws at rates of 6 percent, 10 percent, and 7 percent, respectively. During the first year of its effectiveness, proceeds were used for unemployment relief, but later were placed in the State General Fund from which the schools receive financial aid.⁴⁶

³⁷ Kentucky. *Acts, Special Revenue Session, 1936*. Chap. 7, p. 67-102. Approved May 8, 1936.

³⁸ Louisiana. *Session Laws, 1934*. Act No. 21, p. 109-75. Approved July 12, 1934. *Session Laws, Extra Session, 1935*. Act No. 21, p. 78-83. Approved July 2, 1935. *Session Laws, 1936*. Act No. 143, p. 425-37. Approved July 9, 1936; Act No. 26, p. 80. Approved July 2, 1936.

³⁹ Massachusetts. *Acts and Resolves, 1935*. Chap. 489, p. 664-67. Approved August 14, 1935. *Acts and Resolves, 1937*. Chap. 395, p. 442-45. Approved May 28, 1937. *Acts and Resolves, 1938*. Chap. 489, p. 657-60. Approved July 15, 1938.

⁴⁰ Minnesota. *Session Laws, 1st Special Session, 1937*. Chap. 49, p. 60-84. Filed July 15, 1937, without approval.

⁴¹ Mississippi. *Laws, 1934*. Chap. 120, p. 135-204. Approved March 14, 1934. *Laws, 1938*. Chap. 115, p. 112-13; Chap. 116, p. 113-17. Approved March 8, 1938.

⁴² Montana. *Laws, 1937*. Chap. 92, p. 257-61. Approved March 12, 1937.

⁴³ New Mexico. *Laws, Special Session, 1934*. Chap. 29, p. 115-17. Approved April 27, 1934.

⁴⁴ New York. *Laws, 1935*. Chap. 37, p. 405-12. Approved February 16, 1935; Chap. 745, p. 1456-59. Approved May 6, 1935. *Laws, 1936*. Chap. 513, p. 1242-44. Approved May 11, 1936; Chap. 125, p. 405-407. Approved March 18, 1936. *Laws, 1937*. Chap. 183, p. 653-56. Approved April 5, 1937. *Laws, 1938*. Chap. 71, p. 561-63. Approved March 7, 1938. *Laws, 1937*. Chap. 499, p. 1155-56. Approved May 22, 1937; Chap. 905, p. 2058-60. Approved June 4, 1937. *Laws, 1938*. Chap. 199, p. 789. Approved March 29, 1938; Chap. 284, p. 910-12. Approved March 31, 1938.

⁴⁵ Oklahoma. *Laws, 1935*. Chap. 34, Article 5, p. 142-45; Chap. 66, Article 6, p. 286-307. Approved April 23, 1935; Chap. 66, Article 15, p. 333-35. Approved February 8, 1935. *Laws, Special Session, 1936*. Chap. 66, Article 2, p. 56-57. Approved January 6, 1937.

⁴⁶ Pennsylvania. *Laws, 1935*. No. 91, p. 208-17. Approved May 16, 1935. *Laws, Special Session, 1936*. No. 52, p. 127-31. Approved August 7, 1936. *Laws, 1937*. No. 54, p. 227-39. Approved April 8, 1937.

South Carolina. A $4\frac{1}{2}$ percent net income tax levied on banks in 1937 was earmarked: 10 percent to the State General Fund, from which the schools receive the bulk of their state aid, 60 percent to the counties, and 20 percent to the municipalities where the banks are located. This disposition was revised in 1938 to give 40 percent to the general fund of the state and 60 percent to the counties.⁴⁷

South Dakota. The income tax law passed in 1935 taxed the net income of corporations at the same rate as those applied to personal net income. Proceeds are disposed of as are personal income tax proceeds.⁴⁸

Tennessee. The rate of the excise tax based on the net income of corporations was first increased from 3 percent to 4 percent, and then reduced to $3\frac{3}{4}$ percent in 1937. Provisions allowing gross receipts and other state taxes paid by corporations as credits

against the net income tax were repealed. Revenues from this tax are paid into state general revenues, one-third of which are appropriated for purposes of public school support.⁴⁹

Utah. The property tax offset allowed against the 3 percent tax on corporation net income was repealed in 1935. A 1937 act repealed the provision allowing interest on obligations of the United States, states, or political subdivisions as a deduction from gross income. Proceeds of the corporation income are disposed of in the same way as personal income tax proceeds.⁵⁰

Hawaii. The 10 percent net income tax on banks was repealed by a 1935 act which levied a capital stock tax. Proceeds of both taxes were payable to the territorial treasury from which funds are appropriated for school support.⁵¹

⁴⁷ South Carolina. *Laws, 1937*. No. 349, p. 565-66. Approved May 15, 1937. ¶ *Laws, 1938*. No. 862 (1154), p. 1762-63. Approved April 30, 1938.

⁴⁸ South Dakota. *Session Laws, 1935*. Chap. 205, p. 326-52. Approved March 14, 1935. ¶ *Session Laws, 1937*. Chap. 54, p. 68-69. Approved March 3, 1937; Chap. 251, p. 353-54. Approved March 9, 1937.

⁴⁹ Tennessee. *Public Acts, 1937*. Chap. 99, p. 375-76. Approved March 4, 1937.

⁵⁰ Utah. *Session Laws, 1935*. Chap. 89, p. 179-81. Approved March 25, 1935. Chap. 90, p. 181-82. Approved March 23, 1935. ¶ *Session Laws, 1937*. Chap. 109, p. 201. Approved March 22, 1937.

⁵¹ Hawaii. *Session Laws, 1935*. Series A-41, p. 55-65. Approved May 10, 1935.

IV. General Sales Taxes

General sales taxes levied in twenty-three states¹ in 1938 supplied approximately 14 percent of all state tax revenues in that year. Sales tax rates, usually between 1 and 3 percent, may apply to the gross income, or the gross receipts, from sales of goods and services, or to the retail selling price of tangible personal property. Among the groups of sales commonly taxed are those by manufacturers, importers, wholesale and retail merchants, and persons engaged in the severance of natural resources from the soil or water, and sales of services by public utilities and by individuals engaged in trades and personal and professional service occupations.

Some states make it mandatory upon retail dealers to collect the tax on each sale from the consumer, but whether or not this is required by law, sales taxes tend to be shifted from seller to purchaser. Since the tax applies at the same proportional rate to all of a given class of sales, without regard to differences in the economic status of the individual consumers, it tends to rest most heavily upon the low income groups of the population by increasing the already large proportion of their incomes which they must spend for consumption goods.

Thirteen states and Hawaii supplement their general sales taxes with "use" or "compensating" taxes, usually levied at the general sales

¹ See Table 5, page 117. This number is exclusive of mercantile license taxes measured by gross sales, or by the gross value of purchases which have been levied, at relatively low rates in Delaware, Pennsylvania, and Virginia since 1915, 1899, and 1914, respectively. A Connecticut gross income which is restricted to the gross income from unincorporated manufacturing, mercantile, amusement, and motor transportation business, and has been levied since 1921, is also omitted from this total.

TABLE 5.—STATE GENERAL SALES TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1929-38

States having general sales tax laws in specified years*

[CAPITALS indicate general sales tax revenues earmarked in whole or in part for state school support; *italics* indicate general sales tax revenues contributing to state school support indirectly thru state appropriations from general fund.]

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7	8	9	10
W. Va. Ga.	W. Va. Ga. Ky. Miss. N. Car.	W. Va. Ga. Ky. Miss. N. Car.	W. Va. Ky. Miss. N. Car. Pa. La.	W. Va. Ky. Miss. N. Car. Pa. La. Ariz. Calif. ILL. Ind. MICH. N. Y. OKLA. ORE. S. DAK. UTAH WASH.	W. Va. ^c Ky. Miss. N. Car. La. Ariz. Calif. ILL. Ind. MICH. N. Y. OKLA. ORE. S. DAK. UTAH WASH. Iowa MO. N. MEX. OHIO Colo. ARK. N. DAK. WYO. IDAHO N. J. Md.	W. Va. ^c Miss. N. Car. La. Ariz. Calif. ILL. Ind. Mich. Okla. Ore. S. DAK. UTAH WASH. Iowa Mo. N. MEX. OHIO Colo. ARK. N. DAK. WYO. IDAHO ^b N. J. Md.	W. Va. ^c Miss. N. Car. La. Ariz. Calif. ILL. Ind. Mich. Okla. Ore. ^b S. DAK. UTAH WASH. Iowa Mo. N. MEX. OHIO Colo. ARK. N. DAK. WYO. KANS. ALA. ME. ^b	W. Va. ^c Miss. N. Car. La. Ariz. Calif. ILL. Ind. Mich. Okla. ^d S. DAK. UTAH WASH. Iowa Mo. N. MEX. OHIO Colo. ARK. N. DAK. WYO. KANS. ALA.	W. Va. ^c Miss. N. Car. La. Ariz. Calif. ILL. Ind. Mich. Okla. ^d S. DAK. UTAH WASH. Iowa Mo. N. MEX. OHIO Colo. ARK. N. DAK. WYO.

* Exclusive of older type sales taxes levied at relatively low rates in Delaware and Pennsylvania and a gross income tax restricted to certain types of unincorporated business in Connecticut.

^b Defeated by referendum vote.

^c Two taxes. The new tax, levied in 1934, is allocated by law for public schools but actually is placed in the general fund subject to legislative appropriations for schools and other purposes.

^d Schools benefit indirectly thru the general fund from the use tax only. Proceeds from the sales tax are earmarked for relief.

^e Effective only from September 1, 1932, until February 28, 1933.

TABLE 6.—TOTAL YIELD OF GENERAL SALES TAXES CONTRIBUTING* DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Alabama.....	\$5,645,163
Arkansas.....	4,789,924
Illinois.....	80,917,601
Kansas.....	
New Mexico.....	3,672,576
North Dakota.....	2,880,987
Ohio.....	50,561,010
South Dakota.....	3,718,192
Utah.....	3,309,426
Washington.....	18,596,164
Wyoming.....	1,880,508

Source: *Tax Policy* 6: 4; December 1938-January 1939.
* Revenues earmarked wholly or partly for school support.

tax rates. These taxes, on the use, storage, or consumption within the taxing state of goods purchased in other states, are designed to discourage consumers from purchasing tax-free goods across state lines, for purposes of tax avoidance.

Fifteen states adopted their first sales taxes during the 1934-38 period—five states in 1934, seven in 1935, and three in 1937. Eleven of these states earmarked all or a part of sales tax proceeds for educational purposes. The sales tax laws of two states contributed to school support indirectly by placing revenues in the State General Fund. In two states schools received no benefit from new sales taxes. New sales taxes in four of the above states were repealed, rejected by popular referendum, or allowed to expire, and laws of three other states which imposed sales taxes prior to 1934 were repealed or allowed to expire in the years 1934 thru 1938. On the other hand, sixteen states passed legislation reenacting or extending the life of sales taxes already in effect. Four states and Hawaii revised the basis of their sales taxes; four states raised sales tax rates; and two states revised rates on sales of specific products. Four states directed funds previously earmarked for educational support to general fund and other purposes; two states increased the allotment for education; in seven states the effect on school revenues of amendments to provisions governing the disposition of sales tax

proceeds was unimportant or difficult to ascertain.

All of the thirteen state laws imposing use taxes were enacted during the 1934-38 period.

Alabama. A 1½ percent sales tax imposed by the second extra session of the legislature, 1936-37, was replaced later in the same session by a tax of 2 percent on the gross proceeds of retail sales. Replacement of losses, due to homestead exemptions, in the State School Fund, Soldiers' Relief Fund, and General Fund are a first charge against the revenues from this tax. Of the balance, three-fourths is earmarked for the Educational Trust Fund and one-fourth is distributed among the counties.²

Arizona. A law passed in 1935 repealed the classified gross income tax and imposed in its stead a tax of 2 percent on sales of tangible personal property. Of the net proceeds 5 percent was earmarked for the Governor's Relief Fund, and the remainder for the State General Fund to be used in part for reducing or eliminating the annual state property levies.³

Arkansas. An "emergency retail sales tax law" passed in 1935 to be effective until May 30, 1937, allocated 65 percent of the net revenues for the Common School Fund. Legislation in 1937 repealed this law and enacted a new 2 percent retail sales and use tax law, eliminating certain food and drug exemptions, and reducing the share of the Common School Fund in the proceeds from 65 to 50 percent. In addition, 7 percent of the net revenues, up to \$350,000, was set aside for the purpose of providing free textbooks in the public schools, and 8 percent, up to \$500,000, for replacing losses in state property tax revenues, caused by homestead tax exemptions. The remaining 35 percent was allocated to the charitable institutions and public welfare funds. The Common School Fund was also to receive 17½ percent of any excess not needed in the textbook and homestead tax exemption funds. Amendments to the sales tax law in 1937 appropriated funds for the maintenance of a library service and diverted \$45,000 for each of the fiscal years 1938 and 1939, for the payment of salaries of county examiners from sales tax revenues in the Common School Fund; specifically exempted sales of cotton and cotton seed; and earmarked back taxes due under the "Emergency Sales Tax Law" of 1935 for property tax reduction purposes.⁴

California. A 1935 amendment to the retail sales tax act of 1933 provided for an increase in the rate from 2½ percent to 3 percent. A 3 percent tax on the use, or other consumption, of tangible personal property was also imposed in 1935. Certain definitions and exemptions were revised and administrative provisions were strengthened in 1937.⁵

² Alabama. *General Laws, Extra Session, 1936-37*. No. 1, p. 1-3. Approved December 17, 1936; No. 126, p. 125-42. Approved February 23, 1937.

³ Arizona. *Laws, 1935*. Chap. 77, p. 310-41. Approved March 23, 1935.

⁴ Arkansas. *Acts, 1935*. Chap. 233, p. 591-605. Approved March 28, 1935. *Acts, 1937*. No. 154, p. 513-29. Approved February 26, 1937; No. 368, p. 1341. Approved March 25, 1937; No. 189, p. 680. Approved March 3, 1937; No. 243, p. 872-75. Approved March 12, 1937.

⁵ California. *Statutes, 1935*. Chap. 355, p. 1252-54; Chap. 357, p. 1256-66; Chap. 361, p. 1297-1312. Approved June 25, 1935. *Statutes, 1937*. Chap. 400, p. 1326. Approved June 15, 1937; Chap. 671, p. 1874-75. Approved June 30, 1937; Chap. 778, p. 2222-28. Approved June 29, 1937.

Idaho. A 1935 law which levied a 2 percent retail sales tax and allocated a part of the proceeds for the Public School Income Fund, was submitted to the voters at the November 1936 election and rejected.⁶

Illinois. The 1933 sales tax, which was to expire July 1, 1935, was extended for an indefinite period. The 1935 regular session of the legislature increased the rate from 2 to 3 percent on sales made between July 1, 1935, and January 1, 1937. Proceeds were earmarked one-third for emergency relief purposes and two-thirds for the Retail Occupational Tax Fund. An act passed at the second extra session of the legislature, held in 1936, extended the 3 percent rate to May 1, 1937, and retained the provisions governing the disposition of the proceeds. Legislation in 1937 again extended the 3 percent rate to February 15, 1939. Since 1933, according to an act passed in that year, transfers have been made from sales tax proceeds in the Retail Occupational Tax Fund, to the State School and University of Illinois Funds. The amount of such transfers, which are in lieu of former general property levies, are determined by legislative appropriations.⁷

Indiana. The gross income tax act of 1933 was amended by 1937 legislation with respect to exemptions and permitted deductions. The proceeds of the gross income tax, credited to the general fund of the state, are a source of state appropriations for the support of schools.⁸

Iowa. A 2 percent sales tax was levied for three years, beginning with 1934, with the proceeds earmarked for the State General Fund and relief. The sales tax was continued indefinitely and a tax of 2 percent was imposed on the use of tangible personal property in 1937. All the net revenues from sales and use taxes are paid into the general fund of the state from which the schools receive appropriations.⁹

Kansas. A 1937 law levied a tax of 2 percent on gross receipts from sales of tangible personal property, services of public utilities, meals or drinks served in restaurants, and admissions to places of amusement. Net revenues are payable to the Retail Sales Tax Fund, out of which the 1937 act provided \$2,500,000 for state aid for schools, after appropriations totaling \$2,660,000 had been made for social

welfare purposes. Of any balance, 80 percent was directed to be distributed to county general funds to be used for general and tax reduction purposes. A 1938 amendment provided an additional \$350,000 for relief, and gave all the balance, in excess of specific appropriations, to the counties. A use tax was imposed at the rates of the sales tax by a 1937 law which directed that proceeds should be distributed in combination with sales tax proceeds.¹⁰

Kentucky. The legislature of 1934 repealed the gross sales tax law of 1930, and in its stead placed a 3 percent tax on gross receipts from retail sales. Proceeds were credited to the State General Fund. The 1934 act was repealed in 1936.¹¹

Maine. A law taxing at 1 percent the gross receipts from retail sales of tangible personal property was passed in 1937. Proceeds were to be used for old age assistance and the financing of a minimum educational program. This measure was defeated, however, by referendum vote in the August 1937 election.¹²

Michigan. Certain items of personal property were exempted in 1934 from the 3 percent tax on retail sales. This tax contributed directly to the support of public schools and state educational institutions thru appropriations from a special state fund. By an act of 1935, sales tax proceeds were diverted to the State General Fund. General fund revenues now constitute the principal source of state educational support in Michigan. A tax on the privilege of using, storing, or consuming tangible personal property, purchased outside the state, was levied in 1937, at the rate of 3 percent of the retail selling price. Use tax proceeds, like those of the sales tax, are paid into the State General Fund.¹³

Mississippi. The emergency revenue act of 1934 rewrote the law taxing the gross proceeds of sales, eliminating the \$1200 exemption and placing new levies on certain businesses. A proposed constitutional amendment, which would have made it mandatory upon merchants to shift the sales tax to the consumer, was defeated by the voters in 1936. A series of acts passed in 1938 revised rates on specific products and extended the list of exemptions. The use, storage, or consumption within Mississippi of tangible personal property purchased at retail outside the state was taxed at the rates of the sales tax, by act of 1938. All proceeds of the

⁶ Idaho. *Session Laws, Extra Session, 1935*. Chap. 12, p. 26-42. Approved March 20, 1935. Rejected at general election November 3, 1936.

⁷ Illinois. *Laws of the Fourth Special Session of the Fifty-eighth General Assembly, November 19-23, 1934*. House Bill No. 1, p. 3-4. Approved December 4, 1934. *¶ Laws, 1935*. S. B. 207, p. 1200-1201. Approved May 23, 1935. *¶ Laws, 2nd Extra Session, 1935-36*. H. B. 94, p. 81-82. *¶ Laws, 1937*. H. B. 246, p. 1052-57. Approved March 11, 1937; H. B. 563, p. 1058-60. Approved April 29, 1937.

⁸ Indiana. *Laws, 1937*. Chap. 117, p. 604-45. Approved March 9, 1937.

⁹ Iowa. *Code of Iowa, 1935*. Chap. 329-F1, Division IV, p. 1009-12. Effective March 9, 1934. *¶ Laws, 1937*. Chap. 198, p. 418-25. Approved April 12, 1937.

¹⁰ Kansas. *Laws, 1937*. Chap. 374, p. 610-19; Chap. 375, p. 619-21. Approved April 2, 1937. Chap. 78, p. 99-100; Chap. 80, p. 102-104. Approved March 3, 1938. *¶ Laws, Special Session, 1938*. Chap. 77, p. 99. Approved March 1, 1938; Chap. 79, p. 101-102. Approved March 2, 1938.

¹¹ Kentucky. *Acts, 1934*. Chap. 25, p. 214-27. Effective June 15, 1934. *¶ Acts, 1st Special Session, 1936-37*. Chap. 19, p. 144. Approved January 13, 1937.

¹² Maine. *Laws, 1937*. Chap. 242, p. 310-26. Approved April 24, 1937.

¹³ Michigan. *Public Acts, Extra Session, 1934*. No. 10, p. 78-80. Approved March 19, 1934. *¶ Public Acts, 1935*. No. 77, p. 119-21. Approved May 23, 1935. *¶ Public Acts, 1937*. No. 94, p. 129-35. Approved June 18, 1937.

general sales and use taxes are credited to the State General Fund from which the schools receive appropriations.¹⁴

Missouri. A $\frac{1}{2}$ percent tax was levied in 1934 on the gross receipts from retail sales of tangible personal property, services and admissions, effective until December 31, 1935. Of the proceeds, after paying costs of administration, one-half was allocated to the Governor's Relief Fund, and the balance to the State School Fund. The "Emergency Revenue Act of 1935" repealed the 1933-34 law and imposed a new tax effective to December 31, 1937, raising the rate to 1 percent and diverting all revenue to the State General Fund. The life of the sales tax was again extended and the rate further increased to 2 percent, by a law passed in 1937.¹⁵

New Jersey. The 2 percent tax, levied in 1935, on retail sales of tangible personal property was repealed in 1936. Under the 1935 act all revenues were allocated to the general fund of the state. General fund appropriations have been used in New Jersey in recent years to supplement school revenues from earmarked sources.¹⁶

New Mexico. An emergency general sales tax, levied in 1934, on the gross receipts of nearly all businesses at rates ranging from one-eighth of 1 percent to 2 percent was reenacted in 1935. The schools receive all proceeds except a deduction for expenses which was increased from 3 percent to 4 percent in 1937.¹⁷

New York. The 1 percent tax on retail sales of tangible personal property, adopted in 1933, expired June 30, 1934. Revenue from this tax went to the State General Fund, from which educational appropriations are made.¹⁸

North Carolina. An act of 1935 provided for the transfer from the State Highway Fund to the General Revenue Fund of a part of the six cent gasoline tax, equal to the amount of the retail sales tax on gasoline under the retail sales tax schedule. The same act continued the sales tax for two years, making it effective to June 30, 1937, and increased

the rate of taxation on the gross sales of wholesalers from 1/25 percent to 1/20 percent. The 1937 legislature again continued the sales tax until June 30, 1939, as well as the provision allowing for diversion of a portion of the gasoline tax from the State Highway Fund to the General Revenue Fund. The General Revenue Fund is the source of practically all state aid for schools in North Carolina.¹⁹

North Dakota. Following the defeat at the polls of the 1933 retail sales tax law, the 1935 legislature passed a law which taxed, at 2 percent, retail sales of tangible personal property, services, and admissions, and allocated \$2,650,000 for the biennium 1935-37, for the equalization of public school support. This act expired May 1, 1937, but was reenacted by the 1937 legislature for another biennium with only slight changes and a provision which allocated a sum not in excess of \$3,500,000 to the State School Equalization Fund.²⁰

Ohio. A law passed in 1934 taxed retail sales of tangible personal property, during the calendar year 1935, at graduated rates and earmarked 60 percent of the net proceeds, after appropriating \$16,000,000 for relief and old age pensions, for the State Public School Fund. Amendments passed at the special legislative sessions of 1935-36 and 1938 extended the life of the sales tax to March 31, 1939, strengthened administrative provisions, revised the lists of articles exempted, and gave the schools 60 percent of the net proceeds after deducting specific appropriations, totaling \$8,000,000, plus an additional appropriation of \$750,000 for the State School Fund. Proceeds of a use tax levied by a 1936 law, after deducting a total sum of \$137,500 for various administrative departments of the state, were allotted to the State School Fund.²¹

Oklahoma. The sales tax law of 1933, designed to provide relief to the common school districts, was replaced in 1935 by a new law which levied sales and use taxes at 1 percent and credited the net proceeds to state general revenues. An initiated measure adopted in July 1936, which would have increased the rate to 2 percent, was later repealed.

¹⁴ Mississippi. *Laws, 1934*. Chap. 119, p. 164-85. Approved March 1, 1934. *¶ Laws, 1936*. Chap. 353 (H. C. R. No. 13), p. 622. Defeated by voters at general election November 3, 1936. *¶ Laws, 1938*. Chap. 113, p. 88-102. Approved April 4, 1938; Chap. 114, p. 102-11. Approved March 20, 1938; Chap. 126, p. 152-54. Approved March 10, 1938; Chap. 138, p. 179-80. Approved March 30, 1938; Chap. 158, p. 174. Approved March 26, 1938. *¶ Laws, Extra Session, 1938*. S. B. 104. Effective, September 1, 1938. S. B. 36, H. B. 122. Effective August 20, 1938.

¹⁵ Missouri. *Laws, Extra Session, 1933-34*. H. B. 5, p. 155-66. Approved January 15, 1934. *¶ Laws, 1935*. Committee Substitute for H. B. 198, p. 411-26. Approved June 5, 1935. *¶ Laws, 1937*. Committee Substitute for H. B. 6, p. 552-69. Approved July 7, 1937.

¹⁶ New Jersey. *Session Laws, 1935*. Chap. 268, p. 850-74. Approved June 11, 1935. *¶ Session Laws, 1936, Preceded by Additional Acts of 1935*. Chap. 329, p. 1323-24. Approved October 23, 1935.

¹⁷ New Mexico. *Laws, Special Session, 1934*. Chap. 7, p. 11-33. Approved April 25, 1934. *¶ Laws, 1935*. Chap. 73, p. 152-73. Approved February 25, 1935. *¶ Laws, 1937*. Chap. 192, p. 513. Approved March 15, 1937.

¹⁸ New York. *Laws, 1933*. Chap. 281, p. 764-73. Approved April 19, 1933.

¹⁹ North Carolina. *Laws, 1935*. Chap. 371, p. 429-590. Approved May 9, 1935. *¶ Laws, 1937*. Chap. 127, p. 296-310. Approved March 13, 1937.

²⁰ North Dakota. *Laws, 1935*. Chap. 276, p. 401-11. Approved March 11, 1935. *¶ Laws, 1937*. Chap. 249, p. 464-77. Approved March 12, 1937.

²¹ Ohio. *Laws, 2nd Special Session, 1934*. H. B. 134, p. 306-21. Approved December 13, 1934. *¶ Laws, 1935*. H. B. 121, p. 41-45. Approved March 27, 1935. *¶ Laws, Special Session, 1935-36*. H. B. 572, p. 69-83. Approved December 20, 1935; H. B. 694, p. 323-40. Approved December 30, 1936. *¶ Baldwin's Ohio Code Service, June 1938*. Sec. 5546-18, p. 223-24. As amended by H. B. 744, 2nd Special Session, 1937-38, p. 723-25. Approved January 7, 1938; and S. B. 486, 3rd Special Session, 1938, p. 855-58. Approved June 9, 1938; Sec. 5546-2, p. 216-17. As amended by H. B. 760, 2nd Special Session, 1938, p. 761-67. Approved January 28, 1938. *¶ Laws, Special Session, 1935-36*. H. B. 590, p. 101-13. Approved December 23, 1935; H. B. 698, p. 346-52. Approved December 30, 1936.

In 1937, however, sales and use taxes were enacted at the 2 percent rate with proceeds from the sales tax credited entirely, save for expenses, to the State Assistance Fund, and the use tax proceeds paid into the General Revenue Fund from which the schools receive appropriations.²²

Oregon. The sales tax law passed at the 2d Special Session of the legislature in 1933, which placed all net revenues in the State Common School Fund was rejected by the voters at a special election, May 18, 1934.²³

South Dakota. The gross income tax law which allocated 50 percent of the net revenues for school purposes was allowed to expire on June 30, 1935, but was supplanted by a 2 percent tax on retail sales of tangible personal property, services of public utilities, and admissions to places of amusement. Thirty-two percent of the net proceeds was earmarked by this act for public schools. In 1937 the sales tax rate was raised to 3 percent, and the share of the schools in the 2 percent tax was increased to 35 percent. Revenues from the additional 1 percent tax were earmarked for old age assistance.²⁴

Utah. Amendments to the sales tax law passed in 1935 and 1937 revised provisions relating to the disposition of the proceeds, for educational, relief, and other state purposes. In 1937 the appropriation for relief was reduced from \$2,000,000 to \$1,000,000. After appropriating this sum and paying costs of administration, schools were given as much of the remainder as needed for equalization and property tax replacement purposes, and also certain specific sums totaling \$830,000, after appropriating \$3,530,000 for other state purposes. Proceeds of a use tax levied by act of 1937 are distributed in combination with sales tax proceeds.²⁵

Washington. In place of the sales tax act of 1933, which earmarked net proceeds for school purposes and which expired July 31, 1935, the 1935 legislature enacted a new law taxing retail sales at 2 percent and other sales of goods and services at one-fourth, or one-half, of 1 percent. Of the taxes collected under this act 58.51 percent was earmarked for the State Current School Fund and 4.53 percent for institutions of higher education. Amendments passed in 1937 reduced the share of the schools to 49 percent and the share going to higher

educational institutions to 3.23 percent. A law passed in 1935 taxing the use of tangible personal property at 2 percent of the purchase price was amended in 1937 to apply to property purchased at wholesale and to exempt property with a purchase price of less than \$50, instead of less than \$20, as formerly.²⁶

West Virginia. A 2 percent consumer's sales tax was placed on retail sales of tangible personal property in 1934, effective to June 30, 1935. The statute which provided that all proceeds should be placed in the State General Fund for appropriation to the public schools was extended in 1935 and made permanent in 1937. A surtax of three-tenths of each tax imposed under the gross income tax law of West Virginia, except those on certain public utilities and sales of tangible personal property, was added in 1935. Revenues derived from the gross income tax are paid into the general fund of the state from which the schools are benefited indirectly thru legislative appropriations.²⁷

Wyoming. A law imposing a 2 percent tax on retail sales of tangible personal property, sales of services of public utilities, and admissions to amusements, was imposed in 1935, effective to March 31, 1937, with \$287,000 of the net proceeds earmarked for public schools, after appropriating \$500,000 for relief purposes. Any balance in excess of these appropriations was designated for use in reducing the rate of the state property tax. The 1937 legislature reenacted the 2 percent tax, revising the provisions as to exemptions and requiring the use of the proceeds, in excess of \$500,000 allocated for public welfare and \$287,000 for school purposes, to be used in reimbursing counties for losses in revenues due to homestead exemptions. A 2 percent use tax was also levied in 1937, proceeds of which were to be distributed in combination with sales tax proceeds.²⁸

Hawaii. General sales and use taxes were levied, and a "business excise tax," measured by net income from business, carried on within the territory plus operating costs, was repealed by acts of 1935. The sales tax applies to gross income from sales of goods by manufacturers, producers, and wholesale and retail dealers, and from sales of business, personal, and professional services at rates varying from 1/4 of 1 percent to 1 percent, according to the occupation of the taxpayer. The use tax is levied at 1/4

²² Oklahoma. *Laws, 1935*. Chap. 66, Article 7, p. 308-14. Approved April 23, 1935. ¶ *Laws, Special Session, 1936*. Chap. 24, Article 4, p. 19-20. Adopted at primary election, July 7, 1936. ¶ *Laws, 1937*. Chap. 66, Article 10, p. 445-56. Approved May 4, 1937; Chap. 66, Article 11, p. 456-61. Approved May 5, 1937.

²³ Oregon. "Referendum Vote, 1934," *Laws, 1935*. p. 6.

²⁴ South Dakota. *Session Laws, 1935*. Chap. 205, p. 326-52. Approved March 14, 1935. ¶ *Session Laws, 1937*. Chap. 54, p. 68-69. Approved March 9, 1937. Chap. 253, p. 356-57. Approved March 10, 1937.

²⁵ Utah. *Session Laws, 1935*. Chap. 92, p. 183-84. Approved March 31, 1935. ¶ *Session Laws, 1937*. Chap. 111, p. 203-204; Chap. 113, p. 205-206; Chap. 114, p. 206-12. Approved March 23, 1937.

²⁶ Washington. *Session Laws, 1935*. Chap. 180, p. 706-849. Approved March 25, 1935. ¶ *Session Laws, 1937*. Chap. 191, p. 943-46. Approved March 17, 1937; Chap. 227, p. 1138-67. Approved March 23, 1937.

²⁷ West Virginia. *Laws, Special Session, 1933-34*. Chap. 66, p. 146-52. Passed March 23, 1934. ¶ *Laws, 1935*. Chap. 84, p. 365-75; Chap. 86, p. 376-81. Passed March 9, 1935. ¶ *Laws, 1937*. Chap. 11, p. 92-93. Passed March-13, 1937; Chap. 105, p. 433-34. Passed March 3, 1937; Chap. 108, p. 439-49. Passed February 11, 1937.

²⁸ Wyoming. *Session Laws, 1935*. Chap. 74, p. 88-96. Approved February 18, 1935. ¶ *Session Laws, 1937*. Chap. 102, p. 160-72. Approved February 24, 1937; Chap. 118, p. 218-29. Approved February 28, 1937.

percent of the value of tangible personal property imported into the territory. Collections under all these acts were designated as territorial realizations from which the schools of Hawaii derive support.²⁹

Puerto Rico. Exemptions from the 2 percent sales tax were extended by an act of 1938. All sales tax proceeds are used for insular purposes. Schools receive appropriations from the Insular Treasury.³⁰

²⁹ Hawaii. *Session Laws, 1935*. Series A-42. Act 119, p. 66. Approved May 9, 1936; Series A-43, Chap. 63a (Act 160), p. 67-74. Approved May 13, 1935; Series A-44, Chap. 64a (Act 141), p. 75-89. Approved May 11, 1935.

³⁰ Puerto Rico. *Session Laws, 1938*. Chap. 315, p. 556-57. Approved May 13, 1938.

V. Selective Sales Taxes

Most of the states, whether or not they impose general sales taxes, have passed separate laws taxing specifically the sale of alcoholic beverages. All states have special laws taxing gasoline sales. Special sales or excise taxes are also levied by many states on other articles, among them, tobacco products, oleomargarine, nonintoxicating beverages, tickets to places of amusement and automobiles.

The incidence of special sales taxes within a more restricted field is similar to that of the general sales tax with respect to the economic classes of the population most affected, unless the articles taxed are of the so-called luxury class, which the consumer can refrain from purchasing at will. It is difficult to determine what taxes can be classed as luxury taxes, however, since the definition of the term "luxury" varies from year to year, from population group to population group, and from individual to individual.

Special sales taxes are sometimes imposed for other than revenue purposes. Altho alcoholic beverage taxes are good revenue producers, they are also levied for purposes of regulation of the liquor industry and control of liquor consumption.¹ It is said that one purpose in levying oleomargarine excise taxes has been to protect the dairy industry from adverse competition.²

Alcoholic Beverage Taxes

All but three states, Kansas, Mississippi, and Oklahoma, now have liquor tax laws imposing excise taxes, or license fees, or both. None of these laws was enacted earlier than 1933, following the repeal of the National Prohibition Amendment, and the great bulk of liquor tax legislation, now on the statute books, occurred during the five-year period, 1934-38. This section is concerned only with *excise taxes*, or taxes on *sales* of alcoholic beverages. Changes in alcoholic beverage *license fees* are dealt with in Part IX. Legislation affecting taxes on sales of alcoholic beverages, imposed under general

sales tax laws, is also omitted here, since it is covered in Part IV. However, this section reports legislation related to taxes on sales of nonintoxicating beverages—light wines, and beer with an alcoholic content up to 3.2, 4, 5, or 6 percent—together with other alcoholic beverage tax legislation.

Alcoholic beverage taxes contributed about 8¾ percent of total state tax revenues in the fiscal year 1938, but this percent is based upon a figure which includes license fees, fines and penalties, net receipts of state liquor stores, as well as the special alcoholic beverage excise taxes with which this section is concerned.³ The federal government derived approximately one-tenth of its total internal revenue collections from liquor excises in the fiscal year 1938.⁴

In all, twenty-eight states and two territories enacted or amended laws taxing sales of alcoholic beverages in the years 1934 thru 1938, in such a way as to affect school revenues in some degree. Schools benefited under these laws directly in eleven states; indirectly thru revenues placed in general funds in fourteen states and the two territories. Three states diverted revenues, formerly earmarked for schools, to other noneducational purposes. Twelve states and two territories took action increasing the rates of taxes levied on sales of alcoholic beverages, or adding new rates during the 1934-38 period; in five states, tax rates were reduced.

Arkansas. Laws of 1937 levied an additional liquor tax of 25 cents per gallon, increased the beer tax, 70 percent of which was formerly earmarked for schools, from \$1 to \$1.50 per barrel, and allocated the proceeds for agricultural extension and welfare purposes.⁵

California. Voters in California in 1934 approved a measure permitting state regulation of the manufacture, sale, possession, and transportation of alcoholic beverages. The liquor tax act of 1933 was replaced in 1935 by a new law levying excise (stamp) taxes of 62 cents per 31-gallon barrel on beer, 2 cents per gallon on wine, 3 cents per quart on champagne, and 80 cents per gallon on distilled

¹ This statement is probably even more applicable to license taxes imposed under alcoholic beverage control laws than to the excise taxes dealt with in this section.

² Twentieth Century Fund, Inc., Committee on Taxation. *Facing the Tax Problem*. New York: the Fund, 1937. p. 146, 395, 434.

³ Tax Policy League. *Tax Policy*, *op. cit.*, p. vi, 1.

⁴ U. S. Treasury Department, *op. cit.*, p. 2.

⁵ *Arkansas. Acts, 1937*. No. 236, p. 847-51. Approved March 10, 1937; No. 274, p. 964-65. Approved March 18, 1937.

spirits. A 1937 amendment to the 1935 law increased the tax on champagne and sparkling wines from 3 to 6 cents per quart. All excise taxes, after appropriations have been made to various state departments for carrying out the provisions of the act, are paid into the general fund of the state from which monies are transferred to state school funds.⁶

Florida. The 1933 act, taxing sales of beverages of not more than 3.2 percent alcoholic content and crediting the proceeds to "unappropriated funds" in the state treasury for transfer to county school funds, was repealed in 1935. The new law which levied excise taxes on sales of malt, vinous, and spirituous beverages, at rates varying according to alcoholic content, placed all revenues in the general fund. A 1937 amendment increased the rates on all classes of liquor and appropriated proceeds, as far as needed, for emergency relief, with any remaining balance credited to county school funds.⁷

Georgia. A tax imposed by a 1935 law on sales of malt beverages at the rate of \$1.25 for each container of 31 gallons was increased by legislation passed at the 1937-38 extra session to \$4.50 per 31-gallon container. The manufacture and sale of distilled spirits and alcohol on a local option basis were legalized in 1938 subject to an excise tax of \$1 per wine gallon on imported distilled liquor and \$2 per wine gallon on imported alcohol with rates on domestic products equal to one-half of those on imported distilled liquors and alcohol. A 1937 law taxed sales of wines at rates ranging from 5 to 60 cents per gallon, according to alcoholic content. All wines of more than 21 percent alcohol were defined as distilled spirits. Proceeds of all liquor taxes are dedicated to the support of schools by constitutional provision.⁸

Idaho. The beer tax law was amended in 1935 by making an appropriation from the general fund to take care of tax refunds. One half of the proceeds of the excise tax of \$1.55 per barrel of 31 gallons is assigned to the State Public School Income Fund; the other half to the State General Fund to be used for property tax reduction purposes.⁹

Indiana. A 1935 measure reduced taxes on malt and vinous beverages and taxed spirituous liquors at the rate of 25 cents per quart. Proceeds from ex-

cise taxes are paid into the general fund for distribution, in part, to local school units.¹⁰

Kentucky. In 1934 a temporary additional excise tax of 5 cents per gallon was levied on whiskey. A law passed in 1936 repealed all former excise taxes, levied at varying rates, and taxed sales of alcoholic beverages as follows: beer, \$1.50 per 31-gallon barrel; wine, 25 cents per gallon or fraction thereof; distilled spirits, \$1.04 per wine gallon. All proceeds were credited to the general fund of the state from which appropriations are made for educational purposes. An amendment which provided for taxing sales in 1/2-pint or 2-ounce containers at 7 cents and 2 cents, respectively, was repealed by 1938 legislation.¹¹

Louisiana. The malt tax adopted prior to 1930, revenues from which went to the Educational Equalization Fund, was repealed in 1934. Under the new law, alcoholic beverages were taxed as follows: distilled liquors, 50 cents per gallon; still wines, 5 to 50 cents per gallon, according to alcoholic content; sparkling wines, 50 cents per gallon; and beer, \$1.50 per 31-gallon barrel. Proceeds were assigned to the Property Tax Relief Fund from which transfers are made to the State School Fund and for replacement of revenues lost due to homestead exemptions. Excise taxes imposed under the 1934 act on distilled liquors, sparkling wines, and still wines containing more than 24 percent alcohol, were increased to 60 cents per gallon in 1935 and again to \$1 per gallon in 1938. The tax on still wines was made to apply to all those with an alcoholic content greater than 14 percent.¹²

Maryland. The rate of the excise tax on wines was reduced in 1935 by removing wines from the general classification of liquors containing more than 14 percent alcohol which are taxed at \$1.10 per gallon. A new rate of 20 cents per gallon was imposed on all wines regardless of alcoholic content. Proceeds of state liquor license and excise taxes go to the State General Fund from which the schools receive appropriations.¹³

Michigan. A new excise tax of 50 cents per gallon on wine made from grapes outside of Michigan was added in 1937 by an act which allocated any balance from beer and wine excise taxes, after taking care of appropriations totaling \$1,102,000, for loans to needy school districts.¹⁴

⁶ California. *Initiative Measure No. 2*. Submitted to the Vote of Electors, November 6, 1934. ¶ *Statutes*, 1935. Chap. 330, p. 1123-53. Approved June 13, 1935. ¶ *Statutes*, 1937. Chap. 2126-78. Approved July 1, 1937.

⁷ Florida. *Laws*, 1935. Chap. 16774, p. 21-46. Approved May 27, 1935. ¶ *Laws*, 1937. Chap. 15015, p. 608-15. Approved June 15, 1937.

⁸ Georgia. *Laws*, 1935. No. 267, Part 1, Title 2, p. 73-81. Approved March 28, 1935. ¶ *Laws, Ex. Session, 1937-38*. No. 404, p. 175-76. Approved February 16, 1938. ¶ *Laws*, 1937. No. 378, p. 851-61. Approved March 30, 1937. ¶ *Laws, Extra Session, 1937-38*. No. 395, p. 185-88. Approved February 16, 1938.

⁹ Idaho. *General Statutes*, 1935. Chap. 132, p. 312-18. Approved March 19, 1935.

¹⁰ Indiana. *Laws*, 1935. Chap. 226, p. 1056-1197. Approved March 11, 1935.

¹¹ Kentucky. *Acts, Special Revenue Session, 1936*. Chap. 1, p. 1-13. Approved April 9, 1936; Chap. 2, p. 13-14. Approved May 1, 1936. ¶ *Acts*, 1938. Chap. 2, p. 48-133. Approved March 7, 1938.

¹² Louisiana. *Session Laws, 1934*. Act No. 15, p. 67-91; Act No. 22, p. 175-76; Act No. 36, p. 215-17. Approved July 12, 1934. ¶ *Session Laws, Extra Session, 1934*. Act No. 3, p. 7-10. Approved August 20, 1934. ¶ *Session Laws, 4th Special Session, 1935*. Act No. 6, p. 9-22. Approved September 11, 1935. ¶ *Session Laws, 1938*. Act No. 44, p. 152-57. Approved June 30, 1938.

¹³ Maryland. *Laws*, 1935. Chap. 322, p. 734-36. Approved May 17, 1935.

¹⁴ Michigan. *Acts*, 1937. No. 281, p. 509-22. Approved July 21, 1937.

Minnesota. All rates of the excise tax on fortified still and sparkling wines and distilled liquors were raised by a 1937 act. Excise taxes are paid into the State General Fund. Schools receive legislative appropriations from general fund revenues.¹⁵

Mississippi. A 5 cent per gallon tax levied in 1934 on sales of beer and light wines was increased in 1938 to 21.34 cents per gallon. Proceeds are credited to the State General Fund in which the schools share thru legislative appropriations.¹⁶

Missouri. Excise taxes on wine were reduced in 1935. Light wines were redefined as those containing less than 14 percent alcohol, instead of less than 12 percent, as heretofore. Proceeds go to the general revenues, one-third of which is customarily appropriated for public schools.¹⁷

Nevada. A new liquor control act, passed in 1935, which imposed a stamp tax on sales of liquors, wine, and beer earmarked \$24,000 of the proceeds for the State University Fund and \$100,000 for the State Distributive School Fund. Legislation passed in 1937 extended the life of these taxes and provided for the distribution of the proceeds, after paying costs of administration on a percent basis: 50 percent to the schools; 15 percent to the university; and 35 percent for payments on unemployment relief bonds.¹⁸

New Jersey. State gallonage taxes levied in 1934 on beer, liquors, and still and sparkling wines were revised in 1935. The tax on still wines was repealed in 1938. All proceeds of state liquor license and excise taxes are credited to the State General Fund, from which appropriations are made for schools.¹⁹

New Mexico. Proceeds of excise taxes on alcoholic beverages earmarked in 1934 for public school equalization were transferred, up to \$250,000 per annum, to the State Relief Fund by a 1935 law. Later acts of 1935 and 1937 increased rates and diverted all proceeds to the State Relief Fund.²⁰

New York. Liquor license and excise taxes were levied in 1934 with 50 percent of excise tax receipts in excess of an amount allowed for refunds credited to the State General Fund from which the schools receive appropriations. The 50 cent per gallon rate of the excise tax was extended in 1935 to apply to sales of liquor having an alcoholic content of 24 percent. The provision of a 1933 law for an appropriation of \$50,000 for administrative expenses of local beverage control boards was continued by a 1936 law, but eliminated in 1938.²¹

North Carolina. Excise taxes on beer and wine and spirituous liquors were imposed by the General Revenue Act of 1937. All revenues are credited to the State General Fund which is the source of state school support.²²

Oklahoma. The tax on nonintoxicating beverages which is earmarked for school support was lowered in 1937 from \$2.50 to \$2.00 per barrel of 31 gallons.²³

Pennsylvania. A 4 percent tax, effective until May 31, 1937, was levied in 1936 on the price of distilled, rectified, and blended spirits. An additional tax of 10 percent of the net price of all liquors sold by the Liquor Control Board was imposed by another 1936 act and extended by a 1937 act until June 1, 1939. The law taxing sales of malt and brewed beverages was revised in 1935 and 1937. The proceeds from these taxes are paid into the general fund of the state from which fund the schools receive financial aid.²⁴

Rhode Island. New excise taxes on still and sparkling wines, distilled spirits, and brandy were imposed by a 1934 law. The rate on still wines was reduced from 20 to 5 cents per gallon in 1935. Provisions for the reciprocal taxation of imported beverages were enacted in 1937 and 1938. Proceeds are paid into the State General Fund from which monies are appropriated for the public schools.²⁵

South Carolina. Acts passed in 1935 imposed a stamp tax of 80 cents for each gallon of distilled

¹⁵ Minnesota. *Session Laws, 1935*. Chap. 130, p. 263-64. Approved April 5, 1935. ¶ *Session Laws, 1st Special Session, 1937*. Chap. 8, p. 12-16. Approved June 30, 1937.

¹⁶ Mississippi. *Laws, 1934*. Chap. 127, p. 263-76. Approved February 26, 1934. ¶ *Laws Special Session, 1938*. H. B. 151. Effective August 19, 1938.

¹⁷ Missouri. *Laws, 1935*. S. B. 30, p. 267-85. Approved May 9, 1935.

¹⁸ Nevada. *Laws, 1935*. Chap. 160, p. 340-48. Approved March 30, 1935. ¶ *Laws, 1937*. Chap. 170, p. 374-75. Approved March 26, 1937.

¹⁹ New Jersey. *Session Laws, 1934*. Chap. 50, p. 137-44. Approved June 5, 1934. ¶ *Session Laws, 1938*. Chap. 319, p. 795-813. Approved June 14, 1938.

²⁰ New Mexico. *Laws, 1934, Special Session*. Chap. 30, p. 117-19. Approved April 13, 1934. ¶ *Laws, 1935*. Chap. 12, p. 23-24. Approved February 9, 1935; Chap. 112, p. 253-78. Approved February 25, 1935. ¶ *Laws, 1937*. Chap. 130, p. 347-86. Approved March 15, 1937.

²¹ New York. *Laws, 1934*. Chap. 94, p. 510-22. Approved April 2, 1934. *Laws, 1935*. Chap. 559, p. 1170. Approved April 29, 1935. ¶ *Laws, 1936*. Chap. 456, p. 1154-55. Approved May 5, 1936. ¶ *Laws, 1938*. Chap. 453, p. 1181-82. Approved April 4, 1938.

²² North Carolina. *Laws, 1937*. Chap. 127, p. 311-22. Approved March 13, 1937.

²³ Oklahoma. *Laws, 1937*. Chap. 16, p. 15-19. Approved April 30, 1937.

²⁴ Pennsylvania. *Laws, 1935*. No. 222, p. 628-36. Approved July 9, 1935. ¶ *Laws, 1936, Extra Session*. No. 37, p. 92-93. Approved August 6, 1936. No. 4, p. 13-14. Approved June 9, 1936. ¶ *Laws, 1937*. No. 58, p. 250-51. Approved April 8, 1937; No. 119, p. 527-33. Approved April 29, 1937.

²⁵ Rhode Island. *Laws, Special Session, 1934*. Chap. 2088, p. 39-63. Approved May 7, 1934. ¶ *Laws, 1936*. Chap. 2337, p. 305-307. Approved May 5, 1936. ¶ *Laws, 1937*. Chap. 2523, p. 175-76. Approved April 27, 1937. ¶ *Laws, 1938*. Chap. 2608, p. 589-92. Approved April 23, 1938.

liquors sold and gave 65 percent of taxes on sales of distilled liquors, beer, and wine until July 1, 1936, to the state for school purposes in addition to an appropriation of \$24,000 from beer and wine taxes made available annually since 1933. After July 1, 1936, schools were to receive from beer and wine taxes, only the \$24,000 appropriation and 50 percent of the collections in unincorporated places. In 1936 the rate on distilled liquors with an alcoholic content of 14 to 21 percent was reduced to 32 cents per gallon and in 1937 the rate on distilled liquors with a greater than 21 percent alcoholic content was raised from 80 cents to 96 cents per gallon. All the proceeds from the additional 16 cents were earmarked for the state school account. Under a 1938 law, wine with an alcoholic content of 14 to 21 percent was taxed at 30 cents per gallon and wine with a greater than 21 percent alcoholic content was taxed with distilled spirits at 96 cents per gallon. Formerly, all wines were taxed at the same rates as beer.²⁰

Tennessee. The beer excise tax was extended in 1935 to apply to beer containing up to 5 percent instead of up to 3.2 percent of alcohol by weight. A 1937 act increased the rate from \$1.20 to \$1.70 per barrel of 31 gallons. While formerly two-thirds of the net proceeds was used for state and local elementary-school purposes, eight-sevenths now goes to counties and municipalities, and the remainder to the State General Fund. One-third of the revenues in the general fund of Tennessee is used for public school purposes.²¹

Texas. A law passed in 1935 repealed existing beer and malt liquor tax laws, levied new taxes on sales of spirituous, vinous, and malt beverages, and earmarked one-fourth of the net proceeds for the Available School Fund. Rates on spirituous liquors and still wines were increased in 1936. Administration and enforcement provisions were strengthened and clarified in 1937.²²

Vermont. Taxes of 3¼ cents per gallon on sales of malt and vinous beverages and 10 cents per pint on spirituous liquors were levied in 1934 and 1935,

and increased by laws of 1936 and 1937 to 12½ cents per pint on fortified wines and 10 cents per gallon on malt beverages and unfortified wines, and 23 cents per pint on spirituous liquors.²³

Virginia. A new alcoholic beverage control law, enacted in 1934, levied an excise tax on beer at the rate of \$2.75 per barrel and credited the proceeds to the State General Fund. In 1936 provision was made for paying this tax thru the use of stamps.²⁴

West Virginia. The barrel tax levied on manufacturers and distributors of nonintoxicating beer was increased in 1937 from \$1 to \$1.37½. Proceeds are credited to the State General Fund from which the schools receive financial aid.²⁵

Wisconsin. From proceeds of the occupational tax on sales of intoxicating liquors, the first \$150,000, above the cost of collection, was earmarked for special aid to needy public elementary and high schools by a 1934 law. Proceeds of an occupational tax on fermented malt beverages were credited to the State General Fund. The law taxing sales of distilled liquors and wines was revised in 1935 with respect to the provisions for refunds and by prescribing rates, varying according to alcoholic content, on sales in small quantities. Another 1935 law reserved the proceeds up to \$175,000 of the tax on sales of malt beverages for emergency aid to high schools in a weak financial condition until June 30, 1937.²⁶

Alaska. Regulations of the Board of Liquor Control, effective since April 3, 1935, were revised in 1937 by repealing the excise tax on hard and distilled liquor levied at 5 percent of the invoice price and imposing new rates of 5 cents per gallon on malt beverages; 15 cents per gallon on wine and other liquors with an alcoholic content up to 19 percent; and 50 cents per gallon on liquors with a greater than 19 percent alcoholic content. Proceeds, 60 percent of which were formerly refunded to towns where collected, were credited by the 1937 act to the territorial treasury for general territorial, including school, purposes.²⁷

²⁰ South Carolina. *Acts, 1935*. No. 232, p. 325-41. Approved May 14, 1935; No. 204, p. 276-78. Approved April 20, 1935. No. 329, p. 471. Approved May 18, 1935. No. 599, p. 1211-14. Approved June 21, 1935. *Acts, 1936*. No. 972, p. 1781. Approved June 15, 1936. *Acts, 1937*. No. 339, Art. II, p. 546-47. Approved May 18, 1937. *Acts, 1938*. No. 895 (1201), p. 1811. Approved May 7, 1938.

²¹ Tennessee. *Public Acts, 1935*. Chap. 170, p. 360-61. Approved April 22, 1935. *Public Acts, 1937*. Chap. 303, p. 1183-87. Approved May 21, 1937.

²² Texas. *Session Laws, 2d Called Session, 1935*. Chap. 467, p. 1795-1842. Approved November 15, 1935. *Session Laws, 3d Called Session, 1936*. Chap. 495, p. 2040-84. Approved October 31, 1936. *Session Laws, 1937*. Chap. 448, p. 1053-1118. Approved June 8, 1937.

²³ Vermont. *Public Acts, 1935*. Chap. 28, p. 34-35. Approved April 11, 1935. *Public Acts, Special Session, 1935-36*. Chap. 5, p. 423. Approved December 14, 1935.

²⁴ Virginia. *Acts of Assembly, 1934*. Chap. 94, p. 100-36. Approved March 7, 1934. *Acts of Assembly, 1936*. Chap. 165, p. 282-86; Chap. 166, p. 286-89. Approved March 12, 1936.

²⁵ West Virginia. *Laws, 1937*. Chap. 12, p. 94-108. Passed March 13, 1937.

²⁶ Wisconsin. *Laws, Special Session, 1933-1934*. Chaps. 1, 3, 14. Approved July 12, 1934. *Session Laws, 1935*. Chap. 103, p. 150-52. Approved May 29, 1935; Chap. 217, p. 333-38. Approved July 1, 1935; Chap. 470, p. 746. Approved September 18, 1935.

²⁷ Alaska. *Laws, 1935*. Chap. 81, p. 169. Approved March 14, 1935. *Laws, 1937*. Chap. 78, p. 167-80. Approved March 12, 1937.

Puerto Rico. The new excise tax on alcoholic beverages levied by a 1935 act, at rates varying from 7 cents to 35 cents per liter, was revised later in the same year by the addition of a 50 cent per liter rate on alcohol. Under both 1935 acts, proceeds were assigned to the Insular General Fund. The 1935 act was repealed in 1936 by a law which taxed spirits, up to 185 proof, at \$1.20 per gallon, above 185 proof at \$1.45 per gallon; wines and ciders at 30 or 40 cents per gallon depending on alcoholic content; champagne and sparkling wines at \$1.40 to \$1.80 per gallon; beer and other malt beverages at 15 to 20 cents per gallon. Of the proceeds, \$60,000 was appropriated for relief and \$75,000 for Public Hospitals Charities Service before placing the balance in the Insular General Fund. An act passed at the third special session of the 1936 legislature extended the \$1.20 rate to apply to spirits up to 189 proof; eliminated the 15 cent rate on beer; and increased the appropriation for administrative expenses to \$103,056.²⁴

TABLE 7.—TOTAL YIELD^a IN CERTAIN STATES OF ALCOHOLIC BEVERAGE TAXES CONTRIBUTING^b DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Georgia.....	\$2,133,658
Idaho.....	4,963,750
Indiana.....	2,243,807
Louisiana.....	1,709,462
Michigan.....	22,786,157
Nevada.....	200,928
South Carolina.....	2,576,668
Texas.....	6,815,837
Wisconsin.....	5,968,905

Source: *Tax Policy* 6: 1; December 1938-January 1939.

^a Includes both excise and license taxes.

^b Revenues earmarked wholly or partly for school support.

Gasoline Taxes

Beginning with Oregon in 1919, all the states had adopted gasoline tax laws prior to 1930. Rates vary among the states from 2 to 7 cents per gallon of gasoline sold. Differences in rates tend to encourage purchasing across state lines and complicate problems of tax administration.

Taxes on sales of gasoline and other motor fuels were the largest single source of state tax revenue in 1938, yielding almost one-fourth of the total. Over 3 percent of total federal internal revenue receipts was also derived from a manufacturer's excise tax on gasoline, in the

fiscal year 1938. In the early period of gasoline taxation, when the incidence of the tax was upon the relatively small class of the population who used the highways for motor travel, all the revenues were dedicated for purposes of highway construction and maintenance. As gasoline tax rates have been raised and the yield increased, and as motorists on the highways have come to represent a very large proportion of the population, there has been a noticeable tendency to employ a part of the revenues for other, including school, uses.

Six states levied additional gasoline taxes or earmarked additional proceeds for state school funds (one state) or for state general funds from which the public schools receive appropriations (five states). Additional rates already imposed and earmarked for school funds were continued by three states, but one state redirected gasoline tax proceeds which had been earmarked for schools to other state and local purposes. One state cut in half the rate of a tax credited to the general fund in which schools customarily share.

TABLE 8.—TOTAL YIELD IN CERTAIN STATES OF GASOLINE TAXES CONTRIBUTING^a DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Florida.....	\$22,709,617
Georgia ^b	19,804,822
Louisiana.....	17,021,381
Ohio ^b	47,146,243
Texas.....	42,409,873

Source: *Tax Policy* 6: 4; December 1938-January 1939.

^a Revenues earmarked wholly or partly for school support.

^b Gasoline and kerosene in Georgia; liquid fuels in Ohio.

California. A constitutional amendment approved by the voters in 1938 allocates the proceeds of all motor fuel taxes, now or hereafter levied, exclusively for highway purposes, but reaffirms the prior claim of the public schools upon state tax revenues in the general fund.²⁵

Florida. An additional 1 cent of the gasoline tax, bringing the total up to 7 cents, was levied in 1935. An act of 1937 continued the tax in effect

²⁴ Puerto Rico. *Session Laws (2d Special Session), 1935*. Chap. 1, p. 2-44. Effective July 1, 1935; Chap. 38, p. 438-86. Effective July 30, 1935. ¶ *Session Laws, 1936*. Act No. 115, p. 610. Approved May 15, 1936. ¶ *Session Laws (3d Special Session), 1936*. Act No. 6, p. 44-113. Approved June 30, 1936.

²⁵ California. *Statutes, 1937*. Chap. 141, p. 3055-57. Filed with the Secretary of State, June 11, 1937.

until July 1, 1939, with provisions for distributing the proceeds equally between general revenues and county school funds.³⁶

Georgia. The use of \$2,000,000 of state highway funds for the purpose of paying past due balances in appropriations for confederate pensions and the State School Fund was authorized in 1935. The legislature of 1937 strengthened provisions for enforcement and collection and continued provisions allocating 1 cent of the total 6-cent gasoline tax and all of the 1-cent kerosene tax for the Public School Equalization Fund.³⁷

Illinois. One-third of the proceeds from a 3-cent gasoline tax was earmarked between July 1, 1934, and March 1, 1935, for the State Common School Fund. One-third of Chicago's share in the gasoline tax proceeds was to go to the Chicago Educational Fund. The 1937 legislature amended the motor fuel tax law by omitting the clause giving one-third of the revenue to the Common School Fund. From Chicago's share of the distribution, the city treasurer was directed to pay one-half to the City Educational Fund but an act of 1938 required that \$500,000 for the year 1938, \$1,000,000 for the year 1939, and \$1,000,000 for the year 1940 be deducted from the allotment to Chicago schools.³⁸

Massachusetts. A 1935 act directed the allotment of \$9,500,000 of gasoline tax proceeds to the general fund of the state. Towns and cities are reimbursed for certain special school expenditures from general fund revenues. An additional 1-cent gasoline tax was continued by act of 1936 to April 30, 1939.³⁹

Mississippi. The 1 cent per gallon tax on kerosene and fuel oil was cut in half by a law passed in 1938. Proceeds are paid into the State General Fund.⁴⁰

Nebraska. An additional 1 cent per gallon tax on motor fuels was levied between March 1 and September 20, 1935, and credited to the general fund

of the state from which appropriations are made for the support of public schools.⁴¹

New York. Two additional emergency 1 cent levies on sales of motor fuel imposed in 1935, with the proceeds earmarked for the State General Fund, were continued from year to year to June 30, 1939. Laws passed in 1937 gave one-half of the revenues from these taxes and the regular 2 cent levy imposed continuously since 1929 to the State General Fund from which appropriations are made for the support of public schools.⁴²

North Carolina. An act of 1935 credited an amount of the 6-cent gasoline tax, equal to the retail sales tax on gasoline, to the General Revenue Fund.⁴³

Ohio. Acts passed during 1934, 1935, and 1936 extended the 1 cent per gallon tax on liquid fuel to March 31, 1939, and continued the allocation to the State School Fund of proceeds in excess of an appropriation of \$35,000 for administrative expenses.⁴⁴

Pennsylvania. Proceeds of an additional tax of 1 cent per gallon on sales of liquid fuels, levied in 1935 and extended thru 1939 by a 1937 act, were used for unemployment in 1935-36 and thereafter were placed in the State General Fund.⁴⁵

Texas. Enforcement provisions of the gasoline tax law were strengthened in 1935 and the portion of the proceeds set aside to meet administrative expenses was increased. One-fourth of the net proceeds of this tax is earmarked for the State Available School Fund.⁴⁶

Tobacco Taxes

Tobacco taxes, including taxes on tobacco sales and license fees imposed on tobacco manufacturers and dealers levied by twenty-two states, comprised slightly less than 2 percent of total state tax collections in the fiscal year ending June 30, 1938.⁴⁷ The federal govern-

³⁶ Florida. *Laws, 1935*. Chap. 17033, p. 604-607. Approved May 28, 1935. ¶ *Laws, 1937*. Chap. 18299, p. 1100-1104. Approved June 8, 1937.

³⁷ Georgia. *Laws, 1935*. No. 4, p. 5-6. Approved February 1, 1935. ¶ *Laws, 1937*. No. 191, p. 167-207. Approved March 31, 1937.

³⁸ Illinois. *Laws, Special Session, 1934*. S. B. 70, p. 227-30. Approved May 4, 1934. ¶ *Laws, 1937*. H. B. 541, p. 1040-46. Approved July 8, 1937.

³⁹ Massachusetts. *Acts and Resolves, 1935*. Chap. 476, p. 628. Approved August 9, 1935. ¶ *Acts and Resolves, 1936*. Chap. 398, p. 482. Approved June 24, 1936.

⁴⁰ Mississippi. *Laws, 1st Sp. Sess., 1938*. H. B. 374. Effective May 1, 1938.

⁴¹ Nebraska. *Laws, Special Session, 1935*. Chap. 19, p. 132-33. Approved November 26, 1935.

⁴² New York. *Laws, 1934*. Chap. 413, p. 987-88. Approved May 8, 1934. ¶ *Laws, 1935*. Chap. 40, p. 428-29; Chap. 41, p. 429-30. Approved February 16, 1935. ¶ *Laws, 1936*. Chap. 869, p. 1815-16. Approved June 4, 1936. ¶ *Laws, 1937*. Chap. 180, p. 645-46. Approved April 5, 1937; Chap. 316, p. 847-48. Approved May 6, 1937. ¶ *Laws, 1938*. Chap. 63, p. 543-44; Chap. 64, p. 544-45. Approved March 3, 1938.

⁴³ North Carolina. *Laws, 1935*. Chap. 371, p. 429-500. Approved May 9, 1935.

⁴⁴ Ohio. *Laws, 2nd Special Session, 1934*. H. B. 136, p. 303-305. Approved December 8, 1934. ¶ *Laws, 1935*. H. B. 341, p. 422-36. Approved May 31, 1935. ¶ *Laws, Special Session, 1935-36*. S. B. 361, p. 48-51. Approved December 12, 1935; H. B. 697, p. 344-46. Approved December 22, 1936.

⁴⁵ Pennsylvania. *Laws, 1935*. No. 181, p. 412-14. Approved June 21, 1935. ¶ *Laws, 1937*. No. 57, p. 248-49. Approved April 8, 1937.

⁴⁶ Texas. *Session Laws, 1935*. Chap. 240, p. 558-75. Approved May 11, 1935.

⁴⁷ Tax Policy League, *op. cit.*, p. vi, 12.

ment also derived about 10 percent of its total internal revenue collections from a tax on the sales of tobacco manufacturers and importers.⁴⁸

State tobacco taxes are usually levied on the quantity of the products sold or on the retail selling price.

Action taken by thirteen state legislatures during the 1934-38 period, in creating or revising laws taxing sales of tobacco products, affected school revenues, directly, in six states; indirectly, in seven states. Four states enacted new tobacco tax laws, crediting the proceeds to general funds in which schools share. One state reenacted a law previously defeated by referendum. One state brought cigars within the application of the general sales tax, exempting them from the tobacco tax. Another state

diverted tobacco tax proceeds, formerly earmarked especially for schools, to the State General Fund from which schools receive appropriations. Use taxes on tobacco products were imposed by two states.

Alabama. The rate of the cigarette tax was revised and a 10 percent tax levied on chewing tobacco and snuff by a 1935 act. Proceeds of tobacco taxes are earmarked for the State Educational Trust Fund.⁴⁹

Arkansas. A 1937 act removed cigars from the provisions of the tobacco excise tax and brought them within the application of the general sales tax, thus reducing tobacco tax revenues in the Equalization Fund. Another act of 1937 provided for strengthening the administrative and enforcement provisions of the tobacco tax law of 1929.⁵⁰

⁴⁸ U. S. Treasury Department, *op. cit.*, p. 2.

⁴⁹ Alabama. *Laws, 1935*. Act. No. 193, p. 530-48. Approved July 10, 1935.

⁵⁰ Arkansas. *Acts, 1937*. No. 314, p. 1206-07; No. 336, p. 1251-63. Approved March 25, 1937.

TABLE 9.—STATE TOBACCO TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1929-38

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.]

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7	8	9	10
ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.
ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.	ARK.
Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.	Ga.
<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>	<i>Iowa</i>
Kans.	Kans.	Kans.	Kans.	Kans.	Kans.	Kans.	Kans.	Kans.	Kans.
<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>	<i>N. Dak.</i>
<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>	<i>S. Car.</i>
<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>	<i>S. Dak.</i>
TENN.	TENN.	TENN.	TENN.	TENN.	TENN.	TENN.	TENN.	TENN.	TENN.
Utah	Utah	Utah	Utah	Utah	Utah	Utah	Utah	Utah	Utah
Mich.*	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.	Miss.
	OHIO	OHIO	OHIO	OHIO	OHIO	OHIO	OHIO	OHIO	OHIO
	TEX.	TEX.	TEX.	TEX.	TEX.	TEX.	TEX.	TEX.	TEX.
			<i>La.</i>	<i>La.</i>	<i>La.</i>	<i>La.</i>	<i>La.</i>	<i>La.</i>	<i>La.</i>
			Ariz.	Ariz.	Ariz.	Ariz.	Ariz.	Ariz.	Ariz.
			OKLA.*						
						Okla.	Okla.	Okla.	Okla.
						Conn.	Conn.	Conn.	Conn.
						Pa.	Pa.	Pa.	Pa.
						WASH.	WASH.	WASH.	WASH.
						Ky.	Ky.	Ky.	Ky.
								Vt.	Vt.

* Defeated at referendum.

Connecticut. Proceeds of a new tax imposed in 1935 on cigarette sales are placed in the general fund from which appropriations are made for school support.⁵¹

Kentucky. A 10 percent tax on the retail selling price of cigarettes was imposed by a law passed at the first special session of the legislature in 1936. All proceeds from this tax go to the State General Fund.⁵²

Mississippi. The tax on cigars, cheroots, and stogies, as levied in 1934 was revised in 1938 to apply at rates varying from 75 cents to \$13.50 per 1000, but was later restored to the former rate of 1 cent for each 5 cents of the retail price. The rate on cigarettes was changed to 1/5 cent for each cigarette sold. Tobacco tax revenues go to the State General Fund from which appropriations are made for public schools.⁵³

Ohio. Acts of 1935 and 1936 continued the cigarette tax at the rate of 1 cent on each ten cigarettes or fraction thereof to March 31, 1939, and allocated the proceeds, after deducting sums for administrative expenses, to the State Public School Fund.⁵⁴

Oklahoma. The cigarette stamp tax revised in 1935 imposed rates ranging from 1½ cents on each package of ten cigarettes or less to \$1.50 on each 1000 cigarettes sold. Net proceeds were allotted to the General Revenue Fund from which the schools receive legislative appropriations. The 1937 legislature repealed and reenacted the cigarette stamp tax, but with no changes in rates or disposition of the proceeds.⁵⁵

Pennsylvania. A stamp tax of 1 cent on each ten cigarettes sold was levied in 1935 and extended in 1937 to May 31, 1939. During the first year the proceeds were used for unemployment relief, and thereafter paid into the general fund of the state.⁵⁶

South Carolina. The tax on cigars was slightly revised and a use tax on tobacco products was levied in 1938.⁵⁷

Tennessee. Proceeds of a tax levied by a 1935 law on the use, storage, and consumption of tobacco products at the same rates as those imposed on tobacco sales are added to and distributed with the tobacco sales tax proceeds for public educational purposes. Rates of the excise tax on cigarettes and cigars were revised temporarily until March 1, 1939.⁵⁸

Texas. Revisions of the cigarette stamp tax act in 1935 and 1936 reduced from 98 percent the proportion of the revenues earmarked for the State Available School Fund, first to two-thirds and then to one-third of the net proceeds. A 1937 amendment to the cigarette tax law strengthened enforcement provisions.⁵⁹

Vermont. A new law passed in 1937 imposed a tax of ¾ mill on each cigarette sold, effective to June 30, 1939. Proceeds are paid into the state treasury from which the schools and institutions of higher education receive appropriations.⁶⁰

Washington. Of the proceeds of a new tax of 1/20 of 1 cent on each cigarette sold, 58.51 percent was earmarked for schools by a 1935 act in addition to special appropriations to state educational institutions. The share of the schools was reduced to 49 percent in 1937.⁶¹

TABLE 10.—TOTAL YIELD OF TOBACCO TAXES CONTRIBUTING* DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Alabama.....	\$2,977,760
Arkansas.....	1,456,538
Ohio.....	8,175,524
Tennessee.....	2,747,536
Texas.....	7,006,492
Washington.....	1,103,526

Source: *Tax Policy* 6: 12; December 1938-January 1939.
* Revenues earmarked wholly or partly for school support.

⁵¹ Connecticut. *General Statutes, Supplement 1931, 1933, 1935*. Chap. 75a, p. 189-97. Effective July 1, 1935.

⁵² Kentucky. *Acts, Special Revenue Session, 1936*. Chap. 4, p. 28-35. Approved May 1, 1936.

⁵³ Mississippi. *Laws, 1934*. Chap. 125, p. 226-42. Approved February 20, 1934. ¶ *Laws, 1938*. Chap. 118, p. 136. Approved March 28, 1938. ¶ *Laws, 1st Special Session, 1938*. H. B. 152. Effective August 25, 1938.

⁵⁴ Ohio. *Laws, 1935*. H. B. 334, p. 336. Approved May 28, 1935. ¶ *Laws, Special Session, 1935-36*. H. B. 581, p. 172-75. Approved March 11, 1936; H. B. 695, p. 341-43. Approved December 30, 1936.

⁵⁵ Oklahoma. *Laws, 1935*. Chap. 66, Article 8A, p. 320-25. Approved February 5, 1935; Chap. 66, Article 8, p. 315-20. Approved March 20, 1935; Chap. 66, Article 9, p. 325. Approved April 27, 1935. ¶ *Laws, 1937*. Chap. 66, Article 7, p. 426-34. Approved May 3, 1937.

⁵⁶ Pennsylvania. *Laws, 1935*. No. 155, p. 341-48. Approved June 14, 1935. ¶ *Laws, 1937*. No. 53, p. 220-27. Approved April 8, 1937.

⁵⁷ South Carolina. *Laws, 1938*. No. 1356 (1339), p. 2925. Approved June 11, 1938; No. 861 (1151), p. 1761-62. Approved April 30, 1938.

⁵⁸ Tennessee. *Public Acts, Special Session, 1935*. Chap. 46, p. 337-39. Approved February 19, 1935. ¶ *Public Acts, 1937*. Chap. 295, p. 1151-55. Approved July 1, 1937. ¶ *Public Acts, 3rd Sp. Session, 1937*. Chap. 7, p. 336. Approved November 18, 1937.

⁵⁹ Texas. *Session Laws, 1935*. Chap. 241, p. 575-603. Approved May 11, 1935. ¶ *Session Laws, 3rd Called Session, 1936*. Chap. 495, p. 2050-84. Approved October 31, 1936. ¶ *Session Laws, 1937*. Chap. 310, p. 621-36. Approved May 13, 1937.

⁶⁰ Vermont. *Public Acts, 1937*. Chap. 38, p. 54-59. Approved April 10, 1937.

⁶¹ Washington. *Session Laws, 1935*. Chap. 180, p. 751-63. Approved March 25, 1935. ¶ *Session Laws, 1937*. Chap. 227, p. 1138-67. Approved March 23, 1937.

Miscellaneous Sales Taxes

School revenues were affected by legislation, passed in twelve states and two territories in the years 1934-38, inclusive, concerning the special taxation of sales of commodities other than those mentioned in the foregoing pages of this section. Among the commodities taxed under the new or amended laws were: admissions (five states); soft drinks, candies, carbonic acid gas, etc. (four states); oleomargarine (three states); and motor vehicles (three states).

Alabama. An act of 1935 imposed a stamp tax of 10 cents per pound on certain types of oleomargarine sold within the state. Revenues are paid into the State General Fund.⁶²

Georgia. An excise tax of 10 cents per pound on sales of certain types of oleomargarine was imposed by 1935 legislation. Proceeds from this tax were credited to the State General Fund.⁶³

Kentucky. A luxury excise tax law, enacted in 1936, which taxed sales of soft drinks, syrups, candy, ice cream, chewing gum, nuts, and cosmetics at the rate of one-fifth of the retail selling price was repealed later in the same year. A motor vehicle excise tax, equal to 3 percent of the retail selling price, was levied by a law passed at the first special session of the legislature in 1936. Admissions were taxed at graduated rates by act of 1936. In 1938 a law was passed taxing securities purchased on margin, at 10 percent of their cash value. Proceeds of all these taxes were credited to the State General Fund.⁶⁴

Louisiana. The first \$1,500,000 of the net proceeds of a new tax on sales of soft drinks was earmarked by a 1936 law for a special fund to be used for construction and repair of buildings at state educational and charitable institutions. A 1938 amendment limited to \$75,000 the amount set aside for administrative expenses, and provided that after making appropriations to state educational and charitable institutions, any balance should be placed to the credit of the Louisiana State Univer-

sity and the Agricultural and Mechanical College Funds. Taxes of 2 percent on sales of cotton futures and gross receipts from advertising in newspapers and periodicals were earmarked in 1934 for the newly created Property Tax Relief Fund in which schools share.⁶⁵

New York. The emergency stock transfer tax first imposed for the period between March 1, 1932, and June 30, 1933, was continued from year to year to June 30, 1939. Rates of original and emergency levies on shares selling for less than \$20 were reduced in 1935.⁶⁶

North Carolina. The revenue act was amended in 1937 to insure the shifting of the tax on admissions to the consumer.⁶⁷

Oklahoma. A tax of 1 percent upon the value of motor vehicles when first registered in the state was levied in 1935 effective until July 1, 1937. The net proceeds went to the General Revenue Fund. The 1936 special session of the legislature partially provided for the creation of the State Assistance Fund by increasing the motor vehicle excise tax to 2 percent and allocating 50 percent of the proceeds to said fund, 49 percent to the General Revenue Fund, and the remainder for expenses. The 1937 legislature provided for placing 97 percent of the proceeds of this tax in the General Revenue Fund. Proceeds of an oleomargarine tax, formerly paid into the General Revenue Fund, were allocated by a 1937 act for the support of the common schools.⁶⁸

Pennsylvania. A temporary tax of 1 cent on each 25 cents charged for admissions was levied in 1935 to be effective for two years. Proceeds were earmarked during the first year for unemployment relief and during the second year for the State General Fund.⁶⁹

South Carolina. The exemption, provided in 1935, of crystallized and glazed nuts or fruits used for cooking purposes from the 10 percent tax on the price of candy retailing at 50 cents per pound and above was repealed in 1937. A 1937 act reduced the tax on ammunition from \$4 to \$2 per thousand rounds. The list of exemptions from admissions taxes was extended in each year of the 1934-38 period. Proceeds from these taxes are used for general state, including public school, purposes.⁷⁰

⁶² Alabama. *General Acts, 1935*. No. 145, p. 183-84. Approved June 15, 1935.

⁶³ Georgia. *Laws, 1935*. No. 208, p. 81-82. Approved March 21, 1935.

⁶⁴ Kentucky. *Acts, Special Revenue Session, 1936*. Chap. 3, p. 14-28; Chap. 14, p. 151-55; Chap. 15, p. 155-64. Approved by the Governor. *Acts, 1938*. Chap. 22, p. 1073-76. Approved April 21, 1938.

⁶⁵ Louisiana. *Session Laws, 1934*. Act No. 23, p. 176-80; Act No. 24, p. 180-84. Approved July 12, 1934. *Session Laws, 1936*. Act No. 95, p. 288-307. Approved July 2, 1936. *Session Laws, 1938*. Act No. 18, p. 106-107. Approved June 30, 1938.

⁶⁶ New York. *Laws, 1935*. Chap. 749, p. 1477-78. Approved May 6, 1935. *Laws, 1936*. Chap. 124, p. 402-405. Approved March 18, 1936. *Laws, 1937*. Chap. 181, p. 646-47. Approved April 5, 1937. *Laws, 1938*. Chap. 62, p. 540-43. Approved March 3, 1938.

⁶⁷ North Carolina. *Laws, 1937*. Chap. 366, p. 698. Approved March 22, 1937.

⁶⁸ Oklahoma. *Laws, 1935*. Chap. 66, Article 12, p. 328-30. Approved April 22, 1935. *Laws, Special Session, 1936*. Chap. 24, Article 4, p. 13-22. *Laws, 1937*. Chap. 50, Article 8, p. 362-66. Approved May 5, 1937. *Laws, 1937*. Chap. 24, Article 27, p. 89-90. Approved April 20, 1937; Chap. 16, p. 15-19. Approved April 30, 1937; Chap. 66, Article 5, p. 423-25. Approved April 28, 1937.

⁶⁹ Pennsylvania. *Laws, 1935*. No. 183, p. 429-39. Approved June 22, 1935.

⁷⁰ South Carolina. *Acts, 1934*. No. 934 (1178), p. 1577-80. Approved April 14, 1934. *Acts, 1935*. No. 207, p. 282. Approved April 26, 1935. No. 273, p. 384-85; No. 254, p. 365. Approved May 11, 1935. Resolution No. 586, p. 1191-92. Approved January 31, 1935. *Acts, 1936*. No. 850, p. 1591-92. Approved May 20, 1936. No. 963, p. 1771-72. Approved June 5, 1936. No. 1290, p. 2591-92. Approved April 30, 1936. No. 1293, p. 2594. Approved March 27, 1936. *Acts, 1937*. No. 337, p. 539-40; No. 378, p. 610-11. Approved May 17, 1937. Resolution No. 447, p. 882. Approved April 29, 1937. *Acts, 1938*. No. 1188. Effective May 6, 1938. No. 1356 (1339), p. 2925. Approved June 11, 1938; No. 861 (1151), p. 1761-62. Approved April 30, 1938.

Tennessee. A 1935 law permitted the taxing of sales of carbonic acid gas at 2 cents per 16 ounces when the tax is measured by the amount of carbonic acid gas in its solid state. Liquid carbonic acid gas would be taxed at 5 cents for each 16 ounces.⁷¹

Texas. A tax of 1 cent on each 10 cents of the price of admissions, in excess of 51 cents, was levied in 1936, with one-fourth of the proceeds earmarked for the Available School Fund. Exemptions from this tax were revised by a law enacted in 1937.⁷²

Washington. By act of 1937, the tax on motor vehicles was converted from a personal property to an excise base at 1½ percent of the fair market value of the vehicle. All revenues derived from this tax were credited, as far as needed, to the State School Equalization Fund.⁷³

Alaska. Taxes on purchases of fish in excess of 400 pounds except for sale at retail and on admissions to pugilistic encounters were repealed by laws passed in 1937. Both taxes were credited to the general fund of the territory from which schools receive appropriations.⁷⁴

Puerto Rico. Proceeds of excise taxes of 10 percent of winnings on horse races and prizes distributed from receipts from sales of tickets to the Subscription Fund are used to finance a school lunchroom, according to an act passed in 1936. A 1938 law earmarked a tax of 1/5 cent on all sugar cane molasses sold, produced, or consumed for the support of a faculty of industrial science at the University of Puerto Rico.⁷⁵

⁷¹ Tennessee. *Public Acts, Special Session, 1935*. Chap. 47, p. 340. Approved August 3, 1935.

⁷² Texas. *Session Laws, 3rd Called Session, 1936*. Chap. 495, p. 2040-84. Approved October 31, 1936. ¶ *Session Laws, 1937*, Chap. 161, p. 311-13. Approved April 15, 1937.

⁷³ Washington. *Session Laws, 1937*. Chap. 228, p. 1167-72. Approved March 22, 1937.

⁷⁴ Alaska. *Laws, 1937*. Chap. 2, p. 2. Approved February 19, 1937; Chap. 56, p. 127. Approved March 11, 1937.

⁷⁵ Puerto Rico. *Session Laws, 1938*. Chap. 254, p. 479-80. Effective August 15, 1938.

VI. Chain-Store Taxes

Twenty-four states taxed chain stores in 1938, principally at graduated rates, increasing with the number of stores. Formerly, there was a tendency to tax retail chains at progressive rates based on the volume of sales but such taxes were found to involve constitutional difficulties and were gradually abandoned or replaced. One state taxes gross receipts¹ and one state, the aggregate value of goods offered for sale,² but at flat rates. One state levies a progressive tax, which enlarges with the increase in the number of square feet of floor space. One state uses the number of counters as the basis of progression of chain-store taxes. Progressive

rates of chain-store taxes in all other states are based on the number of stores.

Revenues from chain-store taxes in twenty-two³ of the twenty-four states levying such taxes constituted about $\frac{1}{4}$ percent of total state tax revenues in the fiscal year 1938.

Chain-store tax laws enacted or revised in seven states during the years 1934-38, inclusive, contributed directly to the support of public schools. One of these laws was later declared unconstitutional, however, and one is still in litigation, while in the case of a third, the proceeds were later diverted to the general fund of the state. Chain-store tax laws newly enacted

¹ Florida. A flat rate on gross receipts is levied in combination with a graduated tax on number of stores.

² Delaware.

³ All except North Carolina and Virginia.

TABLE 11.—CHAIN-STORE TAXES AS RELATED TO STATE SCHOOL SUPPORT, 1929-38

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.]

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
1	2	3	4	5	6	7	8	9	10
Del.	Del.	Del.	Del.	Del.	Del.	Del.	Del.	Del.	Del.
Ga.	Ga.	Ga.							
IND.	IND.	IND.	IND.	IND.	IND.	IND.	IND.	IND.	IND.
No. Car.	No. Car.	No. Car.	No. Car.	No. Car.	No. Car.	No. Car.	No. Car.	No. Car.	No. Car.
Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.	Va.
	Miss. ^a						Miss.	Miss.	Miss.
	So. Car.	So. Car.	So. Car.	So. Car.	So. Car.	So. Car.	So. Car.	So. Car.	So. Car.
		ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.	ALA.
		Ariz.	Ariz.	Ariz. ^b					
		Fla.	Fla.	Fla.	Fla.	FLA.	FLA.	FLA.	FLA.
		Wis.	Wis.	Wis.	Wis.	Wis.	Wis.	Wis.	Wis.
		LA.	LA.	LA.	LA.	LA.	LA.	LA.	LA.
			IDAHO	IDAHO	IDAHO	IDAHO	IDAHO	IDAHO	IDAHO
			Me.	Me.	Me.	Me.	Me.	Me.	Me.
			Md.	Md.	Md.	Md.	Md.	Md.	Md.
			MICH.	MICH.	MICH.	MICH.	MICH.	MICH.	MICH.
			MINN.	MINN.	MINN.	MINN.	MINN.	MINN.	MINN.
			MONT.	MONT.	MONT.	MONT.	MONT.	MONT.	MONT.
			N. MEX.	N. MEX.	N. MEX.	N. MEX.	N. MEX. ^c		
			Vt. ^b	Vt. ^b					
			W. VA.	W. VA.	W. VA.	W. VA.	W. VA.	W. VA.	W. VA.
				Colo.	Colo.	Colo.	Colo.	Colo.	Colo.
				Ky.	Ky.	Ky.	Ky.	Ky.	Ky.
				Iowa	Iowa	Iowa	Iowa	Iowa	Iowa
				Calif. ^c					
				TEX.	TEX.	TEX.	TEX.	TEX.	TEX.
				So. Dak.	So. Dak.	So. Dak.	So. Dak.	So. Dak.	So. Dak.
							PA. ^d	PA. ^d	PA. ^d
							Ga.	Ga.	Ga.
							Tenn.	Tenn.	Tenn.

^a Held invalid.

^b Repealed.

^c Defeated at election, November 1936.

^d In litigation.

TABLE 12.—TOTAL YIELD OF CHAIN-STORE TAXES CONTRIBUTING* DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Alabama.....	\$118,321
Florida.....	2,930,058
Idaho.....	60,119
Indiana.....	568,610
Louisiana.....	344,550
Montana.....	168,215
Pennsylvania.....	260,793
Texas.....	1,992,890
West Virginia.....	117,725

Source: *Tax Policy* 6: 2; December 1938-January 1939.

* Revenues earmarked wholly or partly for school support.

or revised in eight states during the 1934-38 period provided for placing the proceeds in general revenues of which the schools receive a share. One of these laws was later defeated by referendum vote. Of four state laws which levied taxes at graduated rates on the gross receipts or gross sales of chain stores during the years 1934-38, one was repealed, one declared unconstitutional, and two were converted to the "number of stores" basis.

Colorado. On November 6, 1934, the voters approved an initiative measure which placed annual license fees on chain stores, ranging from \$2 on one store to \$300 for each store over 24. Proceeds go to the State General Fund, from which the state now appropriates money for public schools.⁴

Florida. The graduated license tax imposed on chain stores by act of 1931 was repealed and a new law was enacted in 1935 taxing gross receipts from chain stores at rates ranging from $\frac{1}{2}$ of 1 percent to 5 percent, and imposing graduated license fees of from \$10 to \$400. Net receipts were allocated for County School Fund purposes. Under the 1931 law, receipts from the chain-store tax were credited to the General Revenue Fund. The graduated tax on gross receipts was held unconstitutional; only the minimum rate is therefore imposed.⁵

Iowa. A law imposing sales and license taxes on chain stores was passed in 1935. The excise tax ranged from a \$25 minimum on chains whose gross receipts are not in excess of \$50,000, to \$1000 on each \$10,000 of gross receipts in excess of \$9,000,000. License taxes imposed by this act vary from \$5 per

store on chains of 2 to 10 stores, inclusive, to \$155 on chains of 50 or more stores. All proceeds were credited by this act to the State General Fund. The gross receipts tax imposed under this act was declared unconstitutional by a decision of the United States Supreme Court, November 9, 1935.⁶

Kentucky. An annual tax was placed on chain stores in 1934 ranging from \$2 on one store to \$150 on each store over 50. Proceeds were to go to the State General Fund, from which appropriations are made for educational purposes. A 1936 amendment provided for a steeper graduation of the taxes imposed, extending from \$2 on the first store to \$352 plus an additional \$300 on each store in excess of 50, on chains of 51 stores or more. A further amendment passed in 1938 eliminated the \$2 tax on one store, so as to tax only those firms operating 2 or more stores.⁷

Louisiana. Graduated rates of the chain-store tax were revised in 1934 to range from \$10 each on the first 10 stores in excess of one, to \$550 on each store in excess of 500. After bonded indebtedness⁸ of parishes is taken care of the balance is distributed to the parishes wherein it was collected on the basis of population, for the use of parish school funds.⁹

Michigan. The chain-store tax of 1933 was amended in 1935 by the addition of a "counter tax," ranging from \$10 on each of the first 10 counters in excess of one to \$25 on each counter in excess of 25. Proceeds of the chain-store tax which, after paying costs of administration, were formerly distributed to school districts on a teacher-unit basis, were diverted by this act to the State General Fund.¹⁰

Minnesota. The law taxing chains of stores on two bases, (1) number of stores, and (2) the amount of gross sales, was repealed in 1937 and a new tax was imposed based on the number of stores only. The tax levied by the 1937 act extends from \$10 on each of the first 2 stores in a chain to \$350 on each store in excess of 150. Special high rates were imposed on mail order establishments ranging from \$200 on the first store to \$1200 on each store in excess of 10. All proceeds of the chain-store tax are paid to the general fund of the state. Schools receive general fund appropriations.¹¹

Mississippi. A new chain-store tax was imposed by act of 1936. The range in rates is from \$3 on each of the first 2 stores to \$300 on each store in excess of 40. Proceeds are credited to the State General Fund, chief source of state school appropriations. A 1938 act clarified provisions with respect to the application of rates.¹²

⁴ Colorado. *Laws, 1935*. Chap. 216, p. 1090-95. Approved by people at election, November 6, 1934.

⁵ Florida. *Laws, 1935*. Chap. 16848, p. 193-206. Approved June 1, 1935. *State ex rel. Adams v. See*, 122, Fla. 639, 166 So. 249.

⁶ Iowa. *Session Laws, 1935*. Chap. 75, p. 89-98. Approved April 29, 1935. *Valentine et al. v. Great Atlantic and Pacific Tea Co. et al.* U. S. Supreme Court, November 9, 1936.

⁷ Kentucky. *Acts, Ex. Session, 1934*. Chap. 26, p. 227-32. Approved July 3, 1934. *Acts, Special Revenue Session, 1936*. Chap. 11, p. 132-34. Approved by the Governor. *Acts, 1938*. Chap. 66, p. 403-404. Approved March 12, 1938.

⁸ Louisiana. *Laws, 1934*. Act No. 31, p. 251-55. Approved July 12, 1934.

⁹ Michigan. *Public Acts of 1935*. No. 177, p. 278-81. Approved July 6, 1935.

¹⁰ Minnesota. *Session Laws, 1st Special Session, 1937*. Chap. 93, p. 170-75. Approved July 24, 1937.

¹¹ Mississippi. *Laws, 1st Sp. Sess., 1938*. H. B. 100. Effective August 20, 1938.

Montana. A 1937 amendment to the chain-store tax law, which would have raised the rates and placed all of the proceeds in the State General Fund, was invalidated because of a defect in the enacting clause. Provisions of the 1933 law earmarking 50 percent of the proceeds for school purposes continued in effect thruout the years 1937 and 1938.¹²

New Mexico. The 1933 chain-store tax based on gross retail sales was increased in 1934 and the disposition of proceeds was changed to give one-half of the proceeds from the tax on gross annual sales in excess of \$150,000 to the State Public School Equalization Fund. Formerly, the State Common School Current Fund received one-third of the proceeds from the tax on businesses over \$100,000. This law was declared invalid in 1936 by the New Mexico supreme court.¹³

North Carolina. In 1935 the graduated tax on chain stores was revised with an increase in the higher brackets. The former rates ranged from \$50 on the second to the fifth stores up to \$150 on each store in excess of 50 while the new rates started at the \$50 rate and ranged up to \$225 on each store in excess of 200. Under this act, chain filling stations were taxed separately at rates from \$10 on 2 to 5 stations to \$85 on each station in excess of 100. Revenue is credited to the general fund of the state, which with the exception of certain endowment funds is the sole source of state school support. The 1935 provision which taxed chain filling stations was repealed in 1937 and a tax on wholesale dis-

tributors of motor fuel at the rate of \$4 per pump was substituted.¹⁴

Pennsylvania. A tax, earmarked for the State School Fund, was levied in 1937 on chains of stores and theaters at a range from \$1 on one store or theater to \$500 on each store or theater in excess of 500. The net proceeds from this tax were used to carry out the provisions of Act No. 345 of 1937 fixing the minimum salary schedule of teachers.¹⁵

Tennessee. Net revenues of a new chain-store tax of \$3 per 100 square feet of floor space, on each store in excess of one, were credited to the State General Fund in 1937. Schools receive one-third of the revenues in this fund.¹⁶

Texas. One-fourth of the proceeds of a license tax imposed in 1935 on chain stores, rates graduated from \$1 on the first store and \$6 on the second store, to \$750 on each store in excess of 50, was allocated to the State Available School Fund.¹⁷

Vermont. The law taxing chain stores at graduated rates on the basis of gross retail sales was repealed in 1935. Proceeds of this tax were paid into the State General Fund from which appropriations are made for the public schools.¹⁸

Wisconsin. The chain-store tax act of 1933 was amended in 1935 and again in 1937. Taxes were reduced under the 1937 law, as compared with those required to be paid in 1933. Revenues from the chain-store tax are credited to the State General Fund.¹⁹

¹² Montana. *Laws, 1937*. Chap. 199, p. 608-13. Approved March 18, 1937.

¹³ New Mexico. *Laws, Special Session, 1934*. Chap. 33, p. 127-34. Approved April 30, 1934. *Safeway Stores, Inc. v. Vigil et al.* (N. M.) 57 P. (2d) 287.

¹⁴ North Carolina. *Laws, 1935*. Chap. 371, p. 513-17. Approved May 9, 1935. ¶ *Laws, 1937*. Chap. 127, p. 250-51. Approved March 13, 1937.

¹⁵ Pennsylvania. *Laws, 1937*. No. 344, p. 1656-59. Approved June 5, 1937. In a letter dated April 13, 1939, the state superintendent of education states that this tax was declared unconstitutional by the Court of Common Pleas of Dauphin County in a case entitled *Commonwealth of Pennsylvania v. American Stores Company*, which is now under appeal to the state supreme court.

¹⁶ Tennessee. *Public Acts, 1937*. Chap. 108, p. 403-95. Approved March 5, 1937.

¹⁷ Texas. *Session Laws, 1st Called Session, 1935*. Chap. 400, p. 1589-94. Approved October 16, 1935.

¹⁸ Vermont. *Public Acts, 1935*. Chap. 36, p. 41. Approved March 29, 1935.

¹⁹ Wisconsin. *Session Laws, 1935*. Chap. 545, p. 1068-76. Approved October 2, 1935. ¶ *Session Laws, 1937*. Chap. 12, p. 68-71. Approved October 16, 1937.

VII. Inheritance, Estate, and Gift Taxes

Every state, with the exception of Nevada, levies an inheritance tax, an estate tax, or both. Up to the present the inheritance tax, which is laid at separate, usually progressive, rates upon the value of the transfer to each heir or beneficiary, has found greater favor among the states than the estate tax. Twelve states and the federal government rely upon the estate tax, which is levied as one tax upon the value of the entire estate, in preference to the inheritance tax. Some of the other states supplement inheritance taxes with estate taxes in order to take full advantage of the credit allowed on the federal estate tax under the Federal Revenue Act of 1926. The federal government allows a credit for any state inheritance and estate taxes paid, up to 80 percent of the federal estate tax imposed by the 1926 law.

Rates of both estate and inheritance taxes are usually progressive, increasing with the value of the property transferred. Taxes are also levied by six states (Colorado, North Carolina, Minnesota, Oregon, Virginia, and Wisconsin) on "transfers by gift in contemplation of death." In the fiscal year 1938, the states derived approximately 5 percent of their total tax revenues from inheritance, estate, and gift taxes.¹ About 7 percent of federal internal revenues came from the federal estate tax in the same year.²

Schools benefited directly in three states and indirectly in eight states and one territory from action taken in the years 1934-38, raising the rates of inheritance taxes. One state diverted inheritance tax proceeds previously earmarked for schools to general revenues. One state abandoned its inheritance tax in favor of an estate tax. Two states imposed new gift taxes during the 1934-38 period.

Arizona. The former inheritance tax law was repealed in 1937 and a new estates tax law was enacted, imposing a graduated tax of from 2 to 20

percent on the value of net estates of decedents. All taxes collected under the 1937 law, less expenses of collection, are used for general fund purposes.³

California. By act of 1935, graduated rates of the inheritance tax, varying according to the degree of relationship between the heir and the decedent, and the market value of the property transferred, were increased. All proceeds received under this act go to the State General Fund but with 5 percent of them credited to the teachers' permanent (retirement) fund. Administrative provisions were amended in 1937.⁴

Connecticut. Inheritance tax rates, levied on a graduated scale depending upon the valuation of the property transferred and the relationship between transferor and transferee, were increased in 1937.⁵

Kentucky. An amendment passed in 1936 reduced the exemptions and raised the rates on all classes of beneficiaries under the inheritance tax law. The one-half of the proceeds from the inheritance tax, formerly allocated for building purposes at state institutions of higher education, was allotted to the State General Fund.⁶

Massachusetts. An additional 10 percent increase in the computed amount of the inheritance tax was levied for 1935 and extended from year to year thru 1938. Proceeds are paid into the State General Fund from which are derived a small proportion (about one-seventh in 1938) of reimbursements to towns and cities for educational expenditures.⁷

Michigan. Rates in the lower brackets on values of transfers by gift or inheritance to both direct and collateral heirs were raised by act of 1935 to range from 2 to 8 percent, instead of 1 to 8 percent, on direct heirs, and from 10 to 15 percent, instead of 5 to 15 percent, on collateral heirs. Inheritance tax proceeds are used, first, to pay interest owed by the state to certain educational funds; second, for interest and principal payments on noneducational state debt; third, to increase the revenues in the Primary School Interest and Income Fund.⁸

Minnesota. The inheritance tax law was amended in 1935 with respect to the part of the transfer of property held jointly by decedent and one or more

¹ Tax Policy League, *op. cit.*, p. vi, 6.

² U. S. Treasury Department, *op. cit.*, p. 2.

³ Arizona. *Session Laws, 1937*. Chap. 27, p. 47-77. Approved March 5, 1937.

⁴ California. *Statutes, 1935*. Chap. 358, p. 1266-93. Approved June 25, 1935. ¶ *Statutes, 1937*. Chap. 296, p. 650-56. Approved May 12, 1937; Chap. 333, p. 731-32. Approved May 22, 1937; Chap. 421, p. 1380. Approved June 17, 1937.

⁵ Connecticut. *General Statutes, Supplement, 1937*. Chap. 77, p. 157-65. Effective April 7, 1937.

⁶ Kentucky. *Acts, Special Revenue Session, 1936*. Chap. 8, p. 103-27. Approved April 24, 1936.

⁷ Massachusetts. *Acts and Resolves, 1935*. Chap. 480, p. 656. Approved August 13, 1935. ¶ *Acts and Resolves, 1936*. Chap. 397, p. 481. Approved June 24, 1936. ¶ *Acts and Resolves, 1937*. Chap. 422, p. 534. Approved May 29, 1937. ¶ *Acts and Resolves, 1938*. Chap. 502. Approved August 24, 1938.

⁸ Michigan. *Public Acts, 1935*. No. 161, p. 253-54. Approved July 6, 1935.

other persons, which is taxable. The scale of graduation of rates on both direct and collateral heirs was extended in 1937. Provision was made for taxing proceeds of life or accident insurance policies in excess of \$32,500. A new gift tax law was also passed in 1937. The State General Fund from which appropriations are made to Minnesota schools, receives 90 percent of the proceeds; the remaining 10 percent is distributed to local governments.⁹

Mississippi. The exemption allowed on taxable estates was reduced from \$100,000 to \$50,000 in 1934. Estate tax revenues contribute indirectly to educational support thru general fund appropriations.¹⁰

Montana. Inheritance tax rates were doubled in 1934. Proceeds of this tax, until January 1, 1935, were assigned: 15 percent each to the Common School Interest and Income Fund and the Common School Equalization Fund; 30 percent to the State Emergency Relief Fund; 40 percent to the State General Fund. Formerly the two school funds shared equally in 50 percent of the proceeds. In 1935 the distribution of inheritance tax proceeds to the State Public School General Fund was reduced to 30 percent until March 1, 1937. After March 1, 1937, provisions of the original law which gave 50 percent of the proceeds to the schools and 50 percent to the general fund were automatically to become effective.¹¹

New Hampshire. The tax on the value of inheritances of collateral heirs was increased from 5 to 7½ percent in 1935, and to 8½ percent in 1937. Proceeds of the inheritance tax are paid to the state treasurer to the credit of the State General Fund, from which public schools receive biennial appropriations.¹²

New Jersey. Acts of 1937 (1) extended to transfers to stepchildren, and children to whom the decedent had stood in the relation of parent for

more than ten years, the same exemptions as those allowed on transfers to the decedent's own children, and (2) authorized the abatement and revision of penalties on inheritance taxes past due for a period of not more than sixty days. Provisions of this act were continued in effect until June 30, 1939, by 1938 legislation.¹³

New York. Rates of estates taxes, increased in 1933, were continued to July 1, 1939. Estate tax revenues are assigned to the State General Fund from which the schools receive appropriations.¹⁴

Oklahoma. A new inheritance and transfer tax in 1935 generally lowered rates on large estates and waived penalties accrued on inheritance taxes due prior to July 1, 1931, and paid in full by July 1, 1935. This provision was later extended to July 1, 1937. Net proceeds continued to be paid to the general revenue fund from which schools receive legislative appropriations.¹⁵

South Carolina. An additional tax was imposed in 1936 on inheritances sufficient to bring the aggregate tax up to the 80 percent federal credit allowed. Proceeds of this tax are paid into the general fund of the state from which the schools receive financial aid.¹⁶

Tennessee. Rates on the value of transfers to direct heirs in excess of \$100,000 and to collateral heirs in excess of \$50,000 were raised in 1935.¹⁷

Virginia. A gift tax was adopted and exemptions were reduced under the inheritance tax law in 1934. A 1936 law continued and made permanent the lower exemptions from the inheritance tax. Proceeds from the inheritance and gift taxes go to the State General Fund from which Virginia schools receive appropriations.¹⁸

Puerto Rico. Inheritance tax rates were raised in 1935 and again in 1936. Inheritance tax proceeds go to the Insular Treasury for general insular, including school, purposes.¹⁹

⁹ Minnesota. *Session Laws, 1935*. Chap. 334, p. 612-14. Approved April 29, 1935. ¶ *Session Laws, 1st Special Session, 1937*. Chap. 50, p. 84-89. Approved July 15, 1937; Chap. 70, p. 116-25. Approved July 16, 1937.

¹⁰ Mississippi. *Laws, 1934*. Chap. 129, p. 278-80. Approved February 20, 1934.

¹¹ Montana. *Laws, Extra Session, 1933-34*. Chap. 48, p. 143-47. Effective January 16, 1934. ¶ *Laws, 1935*. Chap. 109, p. 193. Approved March 11, 1935; Chap. 175, p. 358-63. Approved March 14, 1935.

¹² New Hampshire. *Laws, 1935*. Chap. 130, p. 294. Approved July 20, 1935. ¶ *Laws, 1937*. Chap. 204, p. 446. Approved August 20, 1937.

¹³ New Jersey. *Session Laws, 1937*. Chap. 17, p. 32-33. Approved April 6, 1937; Chap. 128, p. 293-94. Approved June 2, 1937. ¶ *Session Laws, 1938*. Chap. 136, p. 287-88. Approved May 5, 1938.

¹⁴ New York. *Laws, 1935*. Chap. 39, p. 424-38. Approved February 16, 1935. ¶ *Laws, 1936*. Chap. 126, p. 407-11. Approved March 18, 1936. ¶ *Laws, 1937*. Chap. 182, p. 650-53. Approved April 5, 1937. ¶ *Laws, 1938*. Chap. 68, p. 550-53. Approved March 3, 1938.

¹⁵ Oklahoma. *Laws, 1935*. Chap. 66, Article 5, p. 274-85. Approved April 23, 1935; Chap. 66, Article 15, p. 333-35. Approved February 8, 1935. ¶ *Laws, Special Session, 1936*. Chap. 66, Article 2, p. 56-57. Approved January 6, 1937.

¹⁶ South Carolina. *Laws, 1936*. No. 960, p. 1768-69. Approved June 5, 1936.

¹⁷ Tennessee. *Public Acts, Special Session, 1935*. Chap. 41, p. 323-24. Approved August 3, 1935.

¹⁸ Virginia. *Amendments to the Tax Code, 1934*. Chap. 137, p. 8-16. Approved March 16, 1934. ¶ *Acts 1936*. Chap. 119. Approved March 6, 1936.

¹⁹ Puerto Rico. *Session Laws, 1935*. Chap. 34, p. 420-24. Approved July 22, 1935. ¶ *Session Laws, 1936*. Act No. 72, p. 370-71. Approved May 12, 1936.

VIII. Severance Taxes

Laws of eight states and one territory, taxing the severance of natural resources from the soil or water, were amended in the years 1934-38 in such a way as to directly affect school revenues. Severance taxes may be levied at a percent of the gross or net proceeds from production, or of the gross or market value of production. They are also sometimes levied in the form of a specific monetary sum for each unit (as defined by law) of the amount produced. Severance taxes imposed by sixteen states produced slightly less than 2 percent of all state tax revenues in the fiscal year 1938.

TABLE 13.—TOTAL YIELD OF SEVERANCE TAXES CONTRIBUTING* DIRECTLY TO STATE SCHOOL SUPPORT, 1937-38

State	Annual yield
1	2
Alabama.....	\$297,997
Arkansas.....	550,360
Idaho.....	12,274
Louisiana.....	9,267,067
Minnesota.....	10,339,315
Montana.....	595,659
New Mexico.....	749,908
Oklahoma.....	13,210,470
Texas.....	21,558,851

Source: *Tax Policy* 6: 11; December 1938-January 1939.
* Revenues earmarked wholly or partly for school support.

New severance taxes were levied in two states and one territory and rates of already existing taxes were raised in four states in the years 1934 thru 1938. Some part of the proceeds of each of the state taxes is directly earmarked for school support. One state passed a law diverting revenues previously allocated for common school purposes to other educational and noneducational purposes. One state law which earmarked severance tax proceeds directly for schools was repealed.

Arkansas. An act of 1937 diverted proceeds of the severance tax on timber from the Common School Fund to the State Forestry Commission. Other 1937 laws earmarked part of the severance

tax proceeds in the Common School Fund for Arkansas schools for the deaf and blind and to the State Textbook Fund.¹

Idaho. A 1935 act taxed at 3 percent the value of ores mined and earmarked the proceeds for the Public School Income Fund.²

Louisiana. The tax on sulfur was increased from 27 to 60 cents per ton in 1934, to \$2 in 1936, and reduced to \$1.03 in 1938; that on natural gas was increased from 1/5 cent to 3/10 cent per 1000 cubic feet in 1935; that on gravel was reduced from 1 1/2 cents to 1 1/4 cents per ton in 1935 and again raised to 1 1/2 cents in 1936. All pine timber, both second growth and virgin pine, was made subject to the same rate of 12 cents per 1000 feet in 1935. With the exception of the increases in rates levied on sulfur and natural gas in 1936, severance tax proceeds are by constitutional provision, after returning one-third of the tax on sulfur and one-fifth of the tax on other products to the parishes of origin, used for the purchase of free school textbooks and school supplies. The additional rates imposed in 1936 were earmarked for state educational, charitable, and correctional institutions. A 1938 amendment to the constitution limits the rate of the tax on sulfur to \$1.03 per long ton.³

Minnesota. The tax on the value of iron ore production and royalties was increased from 6 to 10 percent for the year 1937 and 8 percent thereafter. Fifty percent of the proceeds goes to the State General Fund; 40 percent to the Permanent School Fund; and 10 percent to the permanent fund of the University of Minnesota.⁴

Montana. Fifty percent of the proceeds of a 1/8 cent tax on natural gas, formerly credited to the State General Fund, was allotted for schools by a 1935 act, after March 1, 1937.⁵

New Mexico. The severance tax on oil and gas was repealed with the adoption of the general sales tax which imposed taxes on gross receipts from extracting natural resources. One-third of the severance tax had gone to the Common School Fund.⁶

Oklahoma. Ten percent of the proceeds of the tax on the gross production of oil, gas, and certain minerals was, by a 1935 act, allotted to the counties where severance was made for the maintenance of common schools. Formerly one-third of the proceeds was divided equally between schools and construction of roads and bridges. Rates of the gross produc-

¹ Arkansas. *Acts, 1937*. No. 158, p. 581-84; No. 163, p. 609-10. Approved March 1, 1937; No. 192, p. 683-86. Approved March 3, 1937; No. 202, p. 729-38. Approved March 8, 1937.

² Idaho. *Session Laws, Extra Session, 1935*. Chap. 65, p. 182-84. Approved April 1, 1935.

³ Louisiana. *Session Laws, 1934*. Act No. 53, p. 263-66. Approved July 12, 1934. *Session Laws, 2nd Extra Session, 1935*. Act No. 24, p. 47-56. Approved April 20, 1935. *Session Laws, 1936*. Act No. 119, p. 381-83. Approved July 6, 1936. *Constitution*, Article 10, section 21, as amended by *Session Laws, 1938*. Act No. 395. Ratified by voters at general election, November 8, 1938. *Constitution*, Article 12, section 14, paragraph 4 (b), as amended by *Session Laws, 1936*. Act No. 89, p. 89-90. Ratified by voters, November 6, 1936. *Session Laws, 1938*. Act No. 395. Approved by popular vote, November 8, 1938.

⁴ Minnesota. *Session Laws, 1st Extra Session, 1937*. Chap. 84, p. 151-52; Chap. 85, p. 152-53. Approved July 23, 1937.

⁵ Montana. *Laws, 1935*. Chap. 109, p. 194. Approved March 11, 1935; Chap. 175, p. 358-63. Approved March 14, 1935.

⁶ New Mexico. *Laws, Special Session, 1934*. Chap. 7, p. 11-33. Approved April 25, 1934.

tion tax were raised in 1937 and penalties accrued prior to July 1, 1931, were waived and released on taxes paid in full by July 1, 1935, later extended to July 1, 1937.⁷

Texas. One-eighth of 1 percent of the proceeds of the occupation tax on oil were required by a 1935 act to be set aside for meeting administrative expenses, before distributing 50 percent of the balance to the Public School Fund. The rate of this tax was raised from 2 to $2\frac{3}{4}$ percent and that on the production, storage, and importation of gas in Texas from 2 to 3 percent of the market value, in 1936. The occupation tax on sulfur producers was raised from 75 cents to \$1.03 per long ton produced. Fifty-five cents of the total tax is earmarked for the Available School Fund. One-fourth of a new tax on the produc-

tion of carbon black was earmarked in 1936 for the State Available School Fund. An occupation tax, imposed on the production of ores at 5 cents per ton and marble and cinnabar at 10 cents per ton in 1935, also contributes one-fourth of its proceeds to the Available School Fund.⁸

Alaska. A tax ranging from $\frac{3}{4}$ of 1 percent to 4 percent on income derived from mining was imposed by a 1935 act and credited to the general fund of the territory. The graduation of rates was revised in 1937 to extend to 8 percent, instead of 4 percent, on the amount of income in excess of \$1,000,000. Certain minerals are taxed under the 1937 act at 3 percent of the cash value of their gross production in excess of \$10,000.⁹

⁷ Oklahoma. *Laws, 1935*. Chap. 66, Article 4, p. 271-74. Approved April 1, 1935; Chap. 66, Article 15, p. 333-35. Approved February 8, 1935. ¶ *Laws, Special Session, 1936*. Chap. 66, Article 2, p. 56-57. Approved January 6, 1937.

⁸ Texas. *Session Laws, 1935*. Chap. 353, p. 898-905. Approved May 20, 1935. ¶ *Session Laws, 3rd Called Session, 1936*. Chap. 495, p. 204-84. October 31, 1936.

⁹ Alaska. *Laws, 1935*. Chap. 74, p. 152-54. Approved March 14, 1935. ¶ *Laws, 1937*. Chap. 20, p. 57-59. Approved March 4, 1937.

IX. Corporation Taxes

Changes in laws taxing corporations, not elsewhere reported in this bulletin, which directly or indirectly influenced school revenues in twenty-two states and two territories, are briefly described in this section. Among the types of taxes affected by this legislation are capital stock taxes and taxes on the value of the corporation franchise measured by capital stock; gross receipts and gross income taxes not included as parts of general sales taxes; public utility and insurance company taxes on whatever basis levied; and corporate organization taxes and filing fees.

In only five states did legislation relating to the above types of corporation taxes affect school revenues directly. One state provided for the allotment of specific sums for other state purposes from corporation franchise taxes ordinarily earmarked for schools. Two states provided for new or increased appropriations for educational purposes from corporation franchise taxes and taxes on the gross receipts of public utilities. One state permitted the expiration of provisions which shifted proceeds of public utilities taxes earmarked for schools to noneducational purposes, but another state permanently placed monies from this source formerly earmarked for schools in the State General Fund.

Laws passed in seventeen states and two territories had only an indirect effect on school revenues. Capital stock taxes going to general revenues were enacted or revised in eight of these states and one territory; taxes on insurance company premiums in four states; taxes on gross receipts of utilities in nine states and one territory; and other types of taxes in four states.

Alabama. An act of 1935 imposed license taxes on express companies, varying according to the number of miles operated within the state, in lieu of the 2½ percent tax on gross receipts, if the former are larger. Proceeds of both types of taxes are placed in the general fund. Schools in Alabama receive general fund appropriations.¹

¹ Alabama. *Acts, 1935*. No. 194, p. 331-33. Approved July 10, 1935.

² California. *Statutes, Extra Session, 1936*. Chap. 9, p. 15-16. Approved May 28, 1936. § *Statutes, 1937*. Chap. 836, p. 2324-49. Approved July 1, 1937. § *Statutes, Extra Session, 1938*. Chap. 20, p. 101-106. Approved April 11, 1938; Senate Constitutional Amendment 1, p. 160-61.

³ Connecticut. *General Statutes, Supplement, 1931, 1933, 1935*. Chap. 66a, p. 159-64. Effective October 1, 1935; Chap. 66b, p. 164-77. Effective July 1, 1935; Chap. 70, p. 178-80.

⁴ Delaware. *Laws, 1935*. Chap. 15, p. 94-95. Approved March 20, 1935. § *Laws, 1937*. Chap. 24, p. 69-70. Approved May 14, 1937.

⁵ Georgia. *Laws, 1935*. No. 360, p. 25-33. Approved March 28, 1935.

⁶ Kentucky. *Acts, 1938*. Chap. 172, p. 777-820. Approved March 11, 1938. § *Acts, Special Revenue Session, 1936*. Chap. 17, p. 167-72. Approved May 12, 1936.

California. Public utilities doing an interstate business and formerly taxed on the basis of gross receipts from operation were brought under the provisions of the corporation income tax law in 1937. A constitutional amendment revising the tax on gross premiums of insurance companies, with respect to the deduction of certain reinsurance premiums, was approved by the voters in November 1938. Proceeds of these taxes are paid into the general revenues of the state upon which the schools have a prior claim.²

Connecticut. Under a 1935 law, companies (except domestic insurance, transportation, and communication, and electric and power companies subject to a tax on their gross earnings) must pay a minimum tax of \$10, or 1 mill per dollar of the value of capital stock and certain other intangible assets, whichever sum is larger. Capital stock and certain license taxes required of domestic insurance companies were abolished. The tax on the gross receipts of steam and electric railroads was imposed at new graduated rates varying according to the ratio of net operating income to gross earnings. All corporation taxes go to the State General Fund from which the schools receive appropriations.³

Delaware. Payment of \$419,529 out of corporation franchise tax proceeds for higher and vocational education, in each of the fiscal years 1936 and 1937, was provided for by 1935 legislation. The corporation franchise tax, levied at graduated rates based on the number of shares of stock, had hitherto been earmarked solely for the support of schools. In 1937 the governor was further authorized to divert corporation franchise tax proceeds to the general fund for specified purposes; \$220,000 was thus diverted for the year 1937-38.⁴

Georgia. The basis of determining the proportion of total capital stock of corporations taxable in Georgia was revised in 1935. Proceeds from this tax go to the general fund of the state, thus indirectly contributing to school revenues.⁵

Kentucky. Under a 1938 law, the tax on banking and financial corporations was reduced from 1/10 to 1/20 of 1 percent of the aggregate price of securities to be sold in the state. A 1936 law imposed a tax of 3 percent on the aggregate gross receipts of public utilities. The State General Fund, from which appropriations are made for schools, receives proceeds of these taxes.⁶

Louisiana. One-fourth of the proceeds of the corporation franchise tax levied on capital stock, surplus, and undivided profits, and any excess in the \$400,000 earmarked for the Charity Hospital of New Orleans, was allotted to the Louisiana State University and Agricultural and Mechanical College by an act of 1935. A further amendment in 1938 provided that the University and Agricultural and Mechanical College should receive one-fourth of the entire tax proceeds only after the payment of (a) \$800,000 to the New Orleans Charity Hospital, (b) one-fourth of the entire tax proceeds to the state board of education to meet obligations on PWA loans, and (c) costs of administration of the tax. The university also receives any unused surplus in the allocation to the state board of education. A law of 1934 taxed public utilities at the rate of 2 percent of their gross receipts. Proceeds were earmarked for the Property Tax Relief Fund from which transfers are made to state and parish school funds.⁷

Maryland. Shares of stock of foreign insurance companies were exempted from taxation by a 1937 act which classified such companies as "ordinary business corporations." The rate of foreign companies writing fidelity, surety, casualty, liability, and compensation insurance, and on domestic fire and marine companies was increased from 1 to 2 percent of gross premiums from such business. Shares of stock of domestic life companies were also exempted from taxation and a tax of 1½ percent of net premiums was imposed. Taxes on insurance premiums are paid into the general fund which is the sole source of state educational support.⁸

Massachusetts. As an alternative to the corporate excess measure of the excise tax on manufacturing and business corporations, a minimum of \$5 on each \$1000 of the value of tangible property (including machinery) exempt from local taxation was provided in 1936. Provisions governing the disposition of the proceeds of the manufacturing and business corporation excise tax, measured by net income and corporate excess, were revised in 1936, and again in 1937, by setting aside for the use of the commonwealth specific sums (\$1,290,383.56 for 1936 and \$1,801,258.38 for 1937 and each year thereafter) plus one-sixth of the balance after distributing other specific sums (totaling \$8,037,136.36 for 1936 and \$9,006,291.88 for 1937 and thereafter) to towns and cities. Formerly one-sixth of proceeds of these taxes was assigned to the commonwealth; five-sixths to towns and cities. Towns and cities are reimbursed for certain special school expenditures from the general revenues of the commonwealth.⁹

Minnesota. Acts of 1937 taxed shares of stock of investment companies at one-third of their true value and added taxes of 1 percent to those on gross earnings of freight line, sleeping car, express, and trust companies. All taxes on investment companies, and one-sixth of the gross earnings taxes by a 1937 law, are placed in the General Revenue Fund from which schools receive appropriations.¹⁰

Montana. A 1934 law levied taxes of 1 percent on the gross receipts of telegraph companies and ½ of 1 percent on the gross receipts from sales of electrical energy. The former rate was increased to 2 percent in 1935 and the latter to 1 percent in 1937, respectively. Only 5 percent of the proceeds of these taxes was earmarked for schools by 1934 and 1935 laws until March 1, 1937, after which date the schools and the general fund were to receive 50 percent each. Fifty percent of the proceeds of a new 1¼ percent tax, levied on the gross income of telephone companies in 1937, was earmarked for the State Public School General Fund.¹¹

New Hampshire. A 1935 act added bonds, notes, or debentures guaranteed by the federal government to the list of deductions allowed in computing the tax paid by banks and trust companies on savings deposits. The tax collected on deposits of nonresidents of New Hampshire is credited to the State Literary Fund. A 4 percent tax was imposed in 1935 on gross premiums paid on insurance policies from companies not authorized to do business in the state. Proceeds were credited to general revenues from which the schools receive appropriations.¹²

New Jersey. Gross receipts taxes on hydroelectric companies levied in 1935 and franchise taxes levied on the capital stock, employed within the state, of foreign corporations by a 1936 law were made payable to the general fund of the state from which appropriations have been made for public schools. A 1937 law exempted from the franchise tax those foreign corporations, 90 percent of whose total assets consists of intangible property located in New Jersey and whose principal business consists in buying, selling, and holding such intangible property. A 1938 law changed the basis of taxing domestic stock insurance companies, other than life, from gross premiums to intangible property.¹³

New York. Water, gas, electric light, heat, and power companies were required to pay a minimum gross earnings tax of \$25, by a 1935 law. The same act differentiated, according to the type of business written, the former 1 percent rate imposed on the gross premiums of all insurance companies. Rates were further revised in 1937 and 1938. An addi-

⁷ Louisiana. *Laws, Extra Session, 1935*. Act No. 10, p. 44-54. Approved March 2, 1935. ¶ *Laws, 1938*. Act No. 5, p. 5-18. ¶ *Laws, 1934*. Act No. 13, p. 27-31. Approved July 12, 1934.

⁸ Maryland. *Laws, 1937*. Chap. 225, p. 418-20. Approved May 18, 1937.

⁹ Massachusetts. *Acts and Resolves, 1936*. Chap. 362, Sections 3, 5, 6; p. 445-47. Approved June 16, 1936. ¶ *Acts and Resolves, 1937*. Chap. 108, p. 85-87. Approved March 16, 1937.

¹⁰ Minnesota. *Session Laws, Extra Session, 1937*. Chap. 3, p. 6-9; Chap. 5, p. 9-10. Approved June 21, 1937; Chap. 9, p. 14-16. Approved July 2, 1937.

¹¹ Montana. *Laws, Extra Session, 1933-34*. Chap. 51, p. 149-53. Approved January 20, 1934. ¶ *Laws, 1935*. Chap. 109, p. 193-94. Approved March 11, 1935; Chap. 175, p. 358-63. Approved March 14, 1935; Chap. 157, p. 314. Approved March 13, 1935. ¶ *Laws, 1937*. Chap. 83, p. 193-94. Approved March 5, 1937; Chap. 94, p. 263-66. Approved March 12, 1937.

¹² New Hampshire. *Laws, 1935*. Chap. 58, p. 102-104; Chap. 32, p. 56-60. Approved March 26, 1935.

¹³ New Jersey. *Session Laws, 1935*. Chap. 144, p. 357-61. Approved March 26, 1935. ¶ *Session Laws, 1936*. Chap. 264, p. 821-26. Approved June 26, 1936. ¶ *Session Laws, 1937*. Chap. 25, p. 44-61. Approved April 14, 1937. ¶ *Session Laws, 1938*. Chap. 245. Effective July 1938.

tional 2 percent tax on the gross earnings of public utilities was first imposed for one year, 1937-38 only, but was later extended to June 30, 1939. Acts passed in 1937 and 1938 provided for the adjustment of the capital stock tax in the case of companies converting shares of stock into shares with par value and shares without par value. Proceeds of all of the above corporation taxes are credited to the general fund of the state. The State General Fund is the principal source of state support of public schools.¹⁴

North Carolina. The capital stock tax on domestic and foreign corporations was increased in 1935 from \$1.50 to \$1.75 per \$1000. An act of 1937 lowered the rate on the first \$25,000 of gross receipts of gas companies and of total gross receipts of privately owned water companies from 6 percent to 4 percent; changed the \$7 tax on each mile of poles owned by telegraph companies to a graduated tax on gross receipts; revised the basis of allocating capital stock of foreign corporations for taxation within the state; and reduced the tax on express companies whose net income on average capital invested is 6 percent or less. The proceeds of these taxes are paid into the general fund of the state which is the source of state school support.¹⁵

Oklahoma. Net proceeds from the 4 percent tax on gross earnings of freight car companies which had been placed in the Common School Fund were earmarked for the General Revenue Fund in 1937.¹⁶

Pennsylvania. The allocation formula for determining the amount of capital stock tax on foreign corporations payable in Pennsylvania was revised in 1935. Exemptions of manufacturing assets of certain corporations were lifted and \$18,000,000 of the proceeds for the year 1935 were allocated for relief purposes, with the remainder payable to the general fund of the state from which the schools receive financial aid. The above provisions were made permanent by a 1937 act which has been declared unconstitutional subject to appeal to the state supreme court. By acts passed at the 1935 and 1937 regular sessions and the 1936 special session of the legislature the tax on the gross receipts of public utilities was raised from 8 to 14 mills and then to 20 mills with a provision that, after December 31, 1938, the

8-mill rate should be restored. Except for \$2,000,000 used for unemployment relief purposes from June 30 to December 31, 1935, all monies collected under this act were to be paid to the general fund of the state. Capital stock taxes were increased as follows: on title insurance and trust companies from 5 to 8 mills in 1936 and then extended indefinitely by a 1937 act; on banks and savings institutions from 4 to 8 mills for a period of one year; and extended by a 1937 act until December 31, 1938. The 4-mill tax on the capital stock of building and loan associations was repealed by a 1937 act. The proceeds of these taxes are paid into the general fund of the state from which the schools receive financial aid.¹⁷

South Carolina. An act of 1935 revised the basis of allocating for state taxation the capital stock of domestic corporations doing an interstate business. Proceeds from this tax are paid into the general fund from which the schools receive legislative appropriations.¹⁸

Tennessee. The capital stock of corporations doing business in Tennessee was taxed at the rate of 15 cents on each \$100 of value under a 1935 law. Offsets were allowed for taxes paid on corporation income, insurance gross premiums, and state banking fees. A 1937 amendment revised exemptions. Net proceeds were made payable to the State General Fund. One-third of the revenue in the State General Fund is appropriated for public schools.¹⁹

Texas. Taxes were increased, in 1936, on the gross receipts of public utilities and on the gross premiums received by insurance companies other than life, fraternal benefit and mutual companies. One-fourth of the revenues from these taxes were earmarked for the State Available School Fund. The rate of the gross receipts tax on telegraph companies was again reduced to the old rate in 1937. An additional tax of 1 percent on the gross premium receipts of foreign mutual insurance companies was levied by a 1937 law.²⁰

Vermont. A 1935 act cut in half the additional tax on the assets of domestic life insurance companies. This tax is paid to the State General Fund. General fund appropriations supplement school revenues from earmarked sources in Vermont.²¹

¹⁴ New York. *Laws, 1935*. Chap. 38, p. 412-24. Approved February 16, 1935. § *Laws, 1937*. Chap. 321, p. 856-61. Approved May 7, 1937; Chap. 530, p. 1197-1202. Approved May 22, 1937; Chap. 632, p. 1465-66. Approved May 26, 1937. § *Laws, 1938*. Chap. 67, p. 549. Approved March 3, 1938; Chap. 710, p. 1012. Approved July 1, 1938; Chap. 128, p. 646-48. Approved March 14, 1938; Chap. 685, p. 1853-55. Approved April 13, 1938.

¹⁵ North Carolina. *Laws, 1935*. Chap. 371, p. 532-35. Approved May 9, 1935. § *Public Laws, 1937*. Chap. 127, p. 257-66. Approved May 13, 1937.

¹⁶ Oklahoma. *Laws, 1937*. Chap. 66, Article 8, p. 435-36. Approved May 1, 1937.

¹⁷ Pennsylvania. *Laws, 1935*. No. 86, p. 184-90; No. 89, p. 200-203. Approved May 16, 1935. § *Laws, Extra Session, 1936*. No. 29, p. 76-77; No. 28, p. 73-75. Approved July 28, 1936; No. 35, p. 87-90. Approved August 6, 1936. § *Laws, 1937*. No. 22, p. 62. Approved March 15, 1937; No. 55, p. 239-45; No. 56, p. 245-48; No. 59, p. 251-54. Approved April 8, 1937; No. 60, p. 254-55. Approved April 6, 1937; No. 181, p. 704-13. Approved May 18, 1937; No. 520, p. 2657-59. Approved July 1, 1937.

¹⁸ South Carolina. *Laws, 1935*. No. 104, p. 135-37. Approved March 23, 1935.

¹⁹ Tennessee. *Public Acts, Special Session, 1935*. Chap. 5, p. 91-104. Effective July 29, 1935. § *Public Acts, 1937*. Chap. 100, p. 379-89. Approved March 4, 1937; Chap. 133, p. 587-99. Approved March 5, 1937; Chap. 295, p. 1151-55. Approved May 21, 1937. § *Public Acts, 3rd Special Session, 1937*. Chap. 7, p. 336. Approved November 18, 1937.

²⁰ Texas. *Session Laws, 3rd Called Session, 1936*. Chap. 495, p. 2040-84. Effective October 31, 1936. *Session Laws, 1st Called Session, 1937*. Chap. 36, p. 1918-19. Approved October 27, 1937; Chap. 33, p. 1913-14. Approved November 1, 1937.

²¹ Vermont. *Public Acts, 1935*. Chap. 28, p. 34-35. Approved April 11, 1935. § *Public Acts, Special Session, 1935-36*. Chap. 2, p. 421. Approved December 14, 1935.

Virginia. A law passed by the general assembly in 1936 continued as an annual levy the 3 percent rate imposed for the years 1934, 1935, and 1936 on the gross receipts of heat, water, light, and power companies. The tax imposed on the transmission of natural gas by means of pipe lines was revised to require the payment of \$250 for each county thru which lines are run, instead of \$120 for each mile of line as hitherto. Taxes on gross receipts of telephone, telegraph, and water transportation companies were reduced in 1936. Proceeds from all of these taxes go to the State General Fund.²²

Alaska. The gross receipts tax on electric light and power plants, telephone companies, and waterworks was raised by a law passed in 1935 from $\frac{1}{2}$ of 1 percent to $\frac{3}{4}$ of 1 percent on gross receipts in excess of \$2,500, \$1,500, and \$2,500, respectively. Proceeds are payable to the Territorial Fund.²³

Hawaii. A tax on the capital stock of banks, levied at a rate sufficient to produce \$50,000 annually, replaced the existing bank tax measured by net income in 1935. Collections of this tax are designated as territorial realizations, from which schools derive support.²⁴

²² Virginia. *Tax Code*. Chap. 16, Section 216-a, 228-29. *Acts of Assembly, 1936*. Chap. 121, p. 210-11. Approved March 6, 1936; Chap. 329, p. 534. Approved March 27, 1936. *Acts of Assembly, 1938*. Chap. 280, p. 412-13. Approved March 28, 1938.

²³ Alaska. *Laws, 1935*. Chap. 58, p. 124-25. Approved March 13, 1935.

²⁴ Hawaii. *Session Laws, 1935*. Series A-41, p. 55-65. Approved May 10, 1935.

X. License Taxes

The term "license tax" is so variously used in state laws, court decisions, and writings on finance that it is difficult for the layman to define. Paid usually in a lump sum, there are those who contend that the so-called "license tax" is not a tax at all, but a fee paid to the government in return for the issuance of a permit to engage in a specific activity. However, the higher the charge made by government for the issuance of such a permit or license, the more that charge takes on the nature of a tax, especially when it is high enough to produce revenues over and above the cost of its administration and to be recognized by government as a means of raising funds for general purposes.

Laws imposing beer, wine, or liquor license taxes, all or a part of which were allocated specifically for public educational support, were enacted or amended by nine states between January 1, 1934, and December 31, 1938. Two states diverted proceeds formerly earmarked for schools to funds for relief purposes. Liquor license taxes contributing indirectly to school support, thru proceeds placed in state general funds, were imposed or revised in eleven states and Puerto Rico. New or additional license taxes on tobacco dealers, earmarked for schools, were levied in two states; in four states new or revised tobacco license taxes were an indirect source of school revenue. Twelve states required the payment of license taxes by persons engaged in other businesses and credited the proceeds to school funds or to state general funds, of which the schools receive a share.

Arkansas. Seventy percent of beer excise and license taxes, formerly placed in the Common School Fund, was earmarked for agricultural extension and welfare purposes in 1937. In attempt to restore school revenues lost as a result of this action, the special session of 1937 allocated for the Common School Fund beverage tax permit fees formerly earmarked for public welfare purposes.¹

¹ Arkansas. *Acts*, 1937. No. 274, p. 964-65. Approved March 18, 1937.

² California. *Initiative Measure No. 2*. Submitted to the Vote of Electors, November 6, 1934. ¶ *Statutes*, 1935. Chap. 330, p. 1123-53. Approved June 16, 1935. ¶ *Statutes*, 1937. Chap. 758, p. 2126-78. Approved July 1, 1937; Chap. 6, p. 61-68. Approved January 29, 1937.

³ Connecticut. *General Statutes, Supplement*, 1931, 1933, 1935. Chap. 76, p. 197-98; Chap. 75a, p. 189-97. ¶ *General Statutes, Supplement*, January Session, 1937. Chap. 75a, p. 148-56.

⁴ Florida. *Laws*, 1935. Chap. 16774, p. 21-46. Approved May 27, 1935. ¶ *Laws*, 1937. Chap. 18015, p. 608-15. Approved June 5, 1937; Chap. 18011, p. 595-606. Approved June 8, 1937.

⁵ Georgia. *Laws*, 1935. No. 360, p. 11-72. Approved March 28, 1935; No. 267, p. 73-81. Approved March 28, 1935. ¶ *Laws*, 1937. No. 336, p. 547-63. Approved March 29, 1937; No. 378, p. 851-61. Approved March 30, 1937. ¶ *Laws, Extra Session*, 1937-38. No. 297, p. 103-24. Approved February 3, 1938; No. 404, p. 175-76. Approved February 16, 1938.

⁶ Idaho. *Session Laws, Regular and Extra Sessions*, 1935. Chap. 103, p. 222-52. Approved March 18, 1935; Chap. 132, p. 312-18. Approved March 10, 1935

California. The Alcoholic Beverage Control Act of 1933 was replaced in 1935 by an act requiring license taxes varying according to the type of business of the licensee. These rates were again revised (generally upward) in 1937. The State General Fund, from which transfers are made to state school funds, receives half of the proceeds. The proportion of motor vehicle license taxes going to the State General Fund was reduced in 1937 from 61½ to 20 percent.²

Connecticut. License taxes based on seating capacity, paid by theaters and other places of amusement, were reduced in 1935. The 1935 law taxing cigarette sales also required the payment of license fees of \$25 by wholesale dealers in cigarettes, and \$1 by retail dealers, renewable annually at one-half of the above amounts. The operation of cigarette vending machines was taxed at \$1 per machine by a 1937 law. Proceeds of all of these taxes are placed in the State General Fund from which Connecticut schools receive appropriations.³

Florida. License taxes imposed by the Alcoholic Beverage Tax Act of 1935 varied from \$15 to \$1250. Proceeds are disposed of as excise tax proceeds. Occupational license taxes, payable to the general revenue fund of the state, were revised in 1937.⁴

Georgia. The wine tax law of 1937 imposed license taxes of \$250 on manufacturers, wholesalers, and jobbers and \$15 on retailers. At the 1937-38 extra session the legislature provided for the payment of the following state liquor licenses: manufacturers and wholesalers, \$1000; retailers, \$100. By constitutional provision all liquor taxes levied in Georgia are used for the support of public schools.⁵

Idaho. The beer tax law was amended in 1935 by raising the license fee required of retailers from \$1 to \$5 and by making an appropriation from the general fund to take care of tax refunds. One-half of the proceeds of the beer tax is distributed to county school funds. Permits to purchase liquor were provided under the Liquor Control Act of 1935 upon payment of 50 cents annually by individuals; \$3 annually by physicians and others requiring special permits. Twenty-five percent of all revenues collected from any source under this act are earmarked for the Public School Income Fund.⁶

Indiana. A 1937 amendment to the Alcoholic Beverage Control Act of 1935 required payment of annual license taxes in varying amounts by beer, wine, and liquor manufacturers and dealers. License taxes paid by beer manufacturers and wholesalers are placed in the general fund of the state. Of each other license tax collected, one-third is distributed to local school units.⁷

Kentucky. License charges on distillers and retailers levied under the Alcoholic Beverage Control Act of 1934 were reduced in 1938 and those required of wholesalers were raised. Special license taxes were required for privileges of transporting distilled spirits and wine within the state and selling distilled spirits and wine on dining cars and in private clubs. All proceeds, formerly partly used for relief, under the 1938 act go to the State General Fund. A 1936 law revised the basis of graduation of rates imposed on race tracks. Motor vehicle operators were first required to pay an operator's license fee of \$1 by a 1936 law. A 1938 act imposed new or increased license taxes on dealers in securities and real-estate brokers and salesmen in first- and second-class cities. All taxes on race tracks, real-estate and securities brokers, and 80 percent of motor vehicle operators' fees go to the State General Fund from which appropriations are made to the schools.⁸

Louisiana. Proceeds of liquor excise and license taxes levied under a 1934 law, in excess of administrative expenses up to \$75,000, go to the State Property Tax Relief Fund in which schools share.⁹

Mississippi. License taxes imposed on dealers in tobacco products, under the Business Privilege License Tax Law, were repealed in 1935 and replaced by new wholesalers' fees of \$50-\$100 and retailers' fees of \$5-\$10 according to the size of the municipality in which the business is located. Licenses imposed on other occupations by this law were revised in 1936 and 1938. Revenues are placed in the State General Fund.¹⁰

Missouri. New annual license taxes of \$100 for the on-premises retail sale of intoxicating liquor, and \$15 for the sale of packaged 3.2 to 5 percent malt beverages by grocers and other retail merchants were required by a 1935 law. The same law

reduced the license fees required of dealers in malt liquors and beer manufacturers from \$50 to \$35 and from \$500 to \$250, respectively. In 1937 rates of the tax on liquor manufacturers were differentiated according to the type and alcoholic content of liquors manufactured. Fees imposed on wholesalers and for the privilege of selling to wholesalers were cut in half.¹¹

Montana. Retail sales of liquor by the drink in other than "state stores" were permitted by a 1937 law. License fees charged for the privilege of making such sales were fixed at amounts, varying according to the size of the town or city in which the business is located, and divided evenly between the state school and public welfare funds.¹²

Nebraska. A law passed in 1935 imposed state license taxes of \$1000 on manufacturers of distilled liquors; \$500 on wine manufacturers; \$100 to \$800 on brewers based on daily capacity; wholesalers of alcoholic liquors, \$500; beer wholesalers, \$250; and retailers \$5 to \$250. By constitutional provision all state license fees are credited to the State School Fund.¹³

New Jersey. Plenary brewery and rectifiers' and blenders' license taxes imposed under the alcoholic beverage control act were raised in 1934 and limited distillery license fees were lowered. Additional classes of licenses (limited brewery, supplementary limited distillery, winery wholesale, state beverage distributor, plenary and limited export wholesale, and public warehouse) were added by 1934, 1935, 1936, and 1937 acts.¹⁴

New Mexico. A 1935 amendment to the motor vehicles license tax law decreased the allowance for expenses from 10 to 6 percent, and after paying 15 percent each to county treasurers and the State General Fund, and 25 percent to county and district school funds, placed any balance in the State School Equalization Fund. The new Alcoholic Beverage Act of 1935 imposed ten classes of license fees at varying rates and credited the net proceeds in excess of \$250,000 for relief to the State Public School Equalization Fund. By a 1937 amendment all monies were used for other than school purposes.¹⁵

⁷ Indiana. *Laws, 1935*. Chap. 226, p. 1056-1197. Approved March 11, 1935. ¶ *Laws, 1937*. Chap. 197, p. 931-1003. Approved March 11, 1937.

⁸ Kentucky. *Acts, 1934*. Chap. 145, p. 613-64. Approved March 17, 1934. ¶ *Acts, Special Revenue Session, 1936*. Chap. 10, p. 127-32. Approved April 24, 1936; Chap. 13, p. 135-51. Approved by the Governor. ¶ *Acts, 1938*. Chap. 2, p. 48-133. Approved March 7, 1938; Chap. 32, p. 224-40. Approved March 10, 1938; Chap. 172, p. 777-820. Approved March 11, 1938.

⁹ Louisiana. *Acts, 1934*. No. 15, p. 67-91. Approved July 12, 1934. ¶ *Acts, First Ex. Session, 1934*. No. 3, p. 7-10. Approved August 20, 1934.

¹⁰ Mississippi. *Laws, Extra Session, 1935*. Chap. 20, p. 52-133. Approved December 4, 1935. ¶ *Laws, 1936*. Chap. 152, p. 134-35. Approved March 24, 1936; Chap. 153, p. 135. Approved March 26, 1936; Chap. 156, p. 151-63. Approved March 25, 1936; Chap. 154, p. 136-49. Approved March 26, 1936. ¶ *Laws, 1938*. Chap. 158, p. 174. Approved March 26, 1938; Chap. 117, p. 117-33. Approved April 8, 1938; Chap. 123, p. 149-51. Approved March 11, 1938; Chap. 124, p. 151. Approved March 29, 1938. ¶ *Laws, 1st Sp. Sess., 1938*. H. B. 103. Effective August 19, 1938. H. B. 217. Effective August 20, 1938.

¹¹ Missouri. *Laws, 1935*. S. B. 30, p. 267-85. Approved May 9, 1935; Committee Substitute for S. B. 54, p. 395-402. Approved May 6, 1935. ¶ *Laws, 1937*. Committee Substitute for House Bills Nos. 128, 129, 130, 131, 132, and 133, p. 527-34. Approved April 10, 1937.

¹² Montana. *Laws, 1937*. Chap. 84, p. 194-207. Approved March 5, 1937.

¹³ Nebraska. *Laws, Special Session, 1935*. Chap. 19, p. 132-33. Approved November 26, 1935.

¹⁴ New Jersey. *Session Laws, 1934*. Chap. 85, p. 218-56. Approved April 13, 1934; Chap. 242, p. 687-90. Approved June 19, 1934. ¶ *Session Laws, 1935*. Chap. 257, p. 787-826. Approved June 8, 1935; Chap. 316, p. 1006-1009. Approved June 29, 1935. ¶ *Session Laws, 1936*. Chap. 125, p. 310-11. Approved May 30, 1936. ¶ *Session Laws, 1937*. p. 271-75. Approved June 1, 1937.

¹⁵ New Mexico. *Laws, 1935*. Chap. 93, p. 202-203. Approved February 25, 1935; Chap. 112, p. 253-78. Approved February 25, 1935. ¶ *Laws, 1937*. Chap. 130, p. 347-86. Approved March 15, 1937.

New York. The Alcoholic Beverage Control Act of 1934 increased the license fees required for the privilege of selling beer at retail, and imposed new fees on wine and distilled liquor manufacturers, wholesalers, and retailers.¹⁶

North Carolina. A 1935 law permitted the manufacture of 5 instead of 3.2 percent beer with no change in the \$500 license fee charged. A license fee of \$1000 on dealers in scrap tobacco, levied in 1935 for the "benefit of the state," was continued by the 1937 legislature. The general revenue act of 1937 included the new beverage control act which imposed the license fees on manufacturers, bottlers, wholesalers, and various classes of retailers of alcoholic liquors. The proceeds are paid into the general fund, which is the main source of state school support.¹⁷

Oklahoma. License taxes were levied in 1935 on wholesalers and retailers of cigarettes at \$25 and \$10 per annum, for each place of business. In 1937 manufacturers were included under the \$25 tax, and a tax of \$1000 per annum was levied upon distributing agents. Each cigarette vending machine was licensed as a separate place of business. A 1937 law earmarked the net proceeds from oleomargarine license taxes formerly credited to the General Revenue Fund for school support. The annual tax on retail dealers in nonintoxicating beverages was reduced in 1937. The proceeds from this tax are earmarked for distribution to school districts.¹⁸

Pennsylvania. Money collected from public service license taxes under the Alcoholic Beverage Control Act was shifted, in 1935, from the general fund, from which schools receive appropriations, to the State Stores Fund. Taxes of \$1 on cigarette wholesalers and retailers and on proprietors of places of amusements were levied in 1935, with proceeds up to June 1, 1936, earmarked for relief, and thereafter for the State General Fund. A 1937 law continued the tax on cigarette dealers to May 31, 1939.¹⁹

Rhode Island. The Alcoholic Beverage Tax Law of 1934 increased license fees and placed the proceeds in the state treasury. License taxes were placed by a 1934 act on races where pari-mutuel wagering is not involved.²⁰

South Carolina. The Alcoholic Beverage Tax Act of 1935 levied license taxes on manufacturers, wholesalers, and retailers. Until July 1, 1936, 65 percent of beer and wine license taxes went to the state public school account. After that time the state's share of the proceeds was placed in the State General Fund. Sixty percent of the money collected from the alcoholic beverage license taxes in unincorporated places goes to the state public school account. Acts of 1934 and 1935 imposed license taxes on moving picture theaters based on the size of the city and seating capacity, and a \$10 tax on operators of public bathing places, proceeds of which are paid into the State General Fund. The \$10 tax was raised to \$15 in 1938.²¹

Tennessee. New annual license fees of \$5 and \$2 were required of tobacco wholesalers and retailers, respectively, for each place of business, by a 1937 act. All net revenues collected from tobacco license taxes are earmarked for the support of public education.²²

Texas. License fees imposed on proprietors of coin-operated vending machines were doubled in 1935. The \$1 fee on penny machines was eliminated. Rates were again raised and further differentiated in 1937. The State Available School Fund receives one-fourth of the fees collected on vending machines. The Alcoholic Beverage Control Act of 1935 which imposed license taxes on beer, wine, and liquor manufacturers and dealers placed one-fourth of the proceeds in the Available School Fund, but all revenues from liquor tax permits were earmarked for old age assistance in 1936. A revised cigarette tax law enacted in 1935 required fees of cigarette distributors, wholesale and retail dealers, and earmarked 97½ percent of the proceeds for the Available School Fund until September 1, 1935, after which date the Available School Fund would receive two-thirds. Cigarette machines were exempted in 1935 from the license tax on coin-operated vending machines, and made subject to the retail dealer's license fee, under the cigarette tax law.²³

Vermont. Annual license taxes were imposed in 1934 for the privilege of manufacturing and selling malt and vinous and spirituous beverages, the proceeds to go to the state. License taxes on bottlers,

¹⁶ New York. *Laws, 1934*. Chap. 478, p. 1074-1130. Approved July 1, 1934.

¹⁷ North Carolina. *Laws, 1935*. Chap. 315, p. 376. Approved May 7, 1935; Chap. 360, p. 421-22. Approved May 9, 1935. *¶ Laws, 1937*. Chap. 127, Article VI, p. 311-22. Approved March 13, 1937; Chap. 249, p. 466-73. Approved March 20, 1937; Chap. 414, p. 860-61. Approved March 23, 1937.

¹⁸ Oklahoma. *Laws, 1935*. Chap. 15, Article 3, p. 15-17. Approved April 30, 1935; Chap. 66, Article 8, p. 315-20. Approved March 20, 1935. *¶ Laws, 1937*. Chap. 66, Article 7, p. 426-34. Approved May 3, 1937. Chap. 24, Article 27, p. 89-90. Approved April 20, 1937; Chap. 16, p. 15-19. Approved April 30, 1937.

¹⁹ Pennsylvania. *Laws, 1935*. No. 399, p. 1246-83. Approved July 18, 1935; No. 155, p. 341-48. Approved June 14, 1935; No. 183, p. 429-39. Approved June 22, 1935. *¶ Laws, 1937*. No. 53, p. 220-27. Approved April 8, 1937.

²⁰ Rhode Island. *Laws, 1934*. Chap. 2088, p. 39-63. Approved May 7, 1934; Chap. 2086, p. 22-36. Approved April 27, 1934. *¶ Laws, 1937*. Chap. 2496, p. 27-45. Approved April 17, 1937; Chap. 2539, p. 231-33. Approved April 27, 1937. *¶ Laws, 1938*. Chap. 2611, p. 601-20. Approved April 23, 1938.

²¹ South Carolina. *Laws, 1935*. No. 599, p. 1211-14. Approved June 21, 1935; No. 329, p. 471. Approved May 18, 1935; No. 232, p. 325-41. Approved May 14, 1935. *¶ Laws, 1936*. No. 794, p. 1477. Approved April 30, 1936. *¶ Laws, 1935*. No. 207, p. 282. Approved April 26, 1935. *¶ Laws, 1934*. No. 934 (1178), p. 1577-80. Approved April 14, 1934. *¶ Laws, 1938*. No. 705 (769), p. 1569. Approved February 26, 1938; No. 887 (1188), p. 1799-1801. Approved May 6, 1938.

²² Tennessee. *Public Acts, 1937*. Chap. 133, p. 587-99. Approved March 5, 1937.

²³ Texas. *Session Laws, 1935*. Chap. 354, p. 905-908. Approved May 30, 1935; Chap. 241, p. 575-603. Approved May 11, 1935. *¶ Session Laws, 2nd Called Session, 1935*. Chap. 467, p. 1795-1842. Approved November 15, 1935. *¶ Session Laws, 3rd Called Session, 1936*. Chap. 495, p. 2040-84. Approved October 31, 1936. *¶ Session Laws, 1937*. Chap. 14, p. 16. Approved March 1, 1937.

wholesale dealers, and hotels and restaurants selling spirituous liquors were raised in 1935 and a new tax on manufacturers and rectifiers was imposed. The \$25 fee required for the privilege of selling oleomargarine which formerly covered all places of business was made to apply individually to each store of a chain, by a 1935 act. Small loan companies were required to pay a license privilege tax of \$100 by a 1937 act.²⁴

Virginia. The Alcoholic Beverage Control Act of 1934 imposed license fees on the manufacture of alcoholic liquors and on wholesale and retail dealers in wine and beer, with the proceeds in excess of a \$1,000,000 reserve fund credited (1) to the State General Fund, and (2) for apportionment to cities and counties. New retail off-premises wine and beer licenses and on- and off-premises licenses to hotels, clubs, restaurants, boats, and dining cars were added by 1936 laws which provided for appropriations of \$950,000 for relief, and \$580,000 for a governor's emergency fund in the fiscal year 1937-38. These 1936 provisions were eliminated by a 1938 act. Business and occupation taxes, proceeds of which are credited to the State General Fund, were slightly revised in 1938.²⁵

West Virginia. The alcoholic liquor license taxes levied by a 1935 act range from \$10 to \$500. Proceeds from these license taxes are paid into the general revenue fund of the state and thus benefit

schools indirectly. A former tax of 3 percent of the total contribution to pari-mutuel pools, which was earmarked for schools, was changed in 1935 to flat fees of \$250 or \$500 per day, depending on the length of the track, payable to the State General Fund.²⁶

Wisconsin. License taxes imposed under the Alcoholic Beverage Tax Law were revised to provide fees varying according to the occupation of the licensee—whether manufacturer, rectifier, wholesaler, retailer, etc.—in place of the flat fee formerly required. A 1937 law repealed the requirement for a special \$500 tax on foreign corporations selling liquor in the state. Revenues go to the State General Fund, thus contributing indirectly to school support.²⁷

Puerto Rico. Alcoholic beverage license taxes required by acts of 1935 were revised upward in 1936 and new first-, second-, and third-class licenses were provided for (1) bottlers and canners, and (2) public bonded warehouses. Proceeds are disposed of as are those of excise taxes. A 1935 law earmarked 30 percent of license fees collected by the Insular Racing Commission for use as follows: 70 percent for the maintenance of school lunchrooms; 30 percent for charitable institutions. Proceeds of an annual \$60 tax levied on every loudspeaker or amplifier, used for broadcasting any kind of industrial or commercial propaganda, go to the general revenues of the Insular Treasury, according to a law passed in 1937.²⁸

²⁴ Vermont. *Public Acts, 1935*. Chap. 191, p. 194-95. Approved February 12, 1935; Chap. 196, p. 199-203. Approved April 11, 1935. ¶ *Public Acts, 1937*. Chap. 30, p. 27-28. Approved February 17, 1937; Chap. 184, p. 206-15. Approved April 8, 1937. ¶ *Public Acts, Special Session, 1935-36*. Chap. 13, p. 436. Approved December 14, 1935.

²⁵ Virginia. *Acts of Assembly, 1934*. Chap. 94, p. 100-36. Approved March 7, 1934. ¶ *Acts of Assembly, 1936*. Chap. 223, p. 374-77. Approved March 23, 1936. ¶ *Acts of Assembly, 1938*. Chap. 232, p. 364-71; Chap. 251, p. 388. Approved March 26, 1938.

²⁶ West Virginia. *Laws, 1935*. Chap. 4, p. 9-36. Passed February 22, 1935; Chap. 6, p. 39-50. Passed February 28, 1935; Chap. 71, p. 303-309. Passed March 8, 1935.

²⁷ Wisconsin. *Session Laws, 1935*. Chap. 217, p. 333-38. Approved July 1, 1935. ¶ *Session Laws, 1937*. Chap. 346, p. 562-64. Approved July 1, 1937.

²⁸ Puerto Rico. *Session Laws (2d Special Session), 1935*. Chap. 1, p. 2-44. Effective July 1, 1935; Chap. 17, p. 92-108. Approved July 15, 1935; Chap. 38, p. 438-86. Effective July 30, 1935. ¶ *Session Laws, 1936*. Act No. 115, p. 610. Approved May 15, 1936. ¶ *Session Laws (3d Special Session), 1936*. Act No. 6, p. 44-113. Approved June 30, 1936. ¶ *Session Laws, 1937*. Act No. 155, p. 414. Approved May 15, 1937.

XI. Property Taxes

Most of the changes in state property tax laws, which took place during the years 1934 thru 1938, were aimed at the relief of the taxpayer. The collapse of property values under the weight of the depression made property tax collections difficult and resulted in a large volume of tax delinquency. Property taxes contributed less than 7 percent of total state tax revenues in 1938,¹ as compared with around 20 percent in 1929,² but in spite of the decline in collections, they were still the main fiscal reliance of local governments.

Property taxes vary in scope among the states. In some states the tax is entirely, or almost entirely, a real-estate tax. In others, tangible personal property and some forms of intangible property are taxed. While general practice has been to tax all forms of property at the same rate, six states in 1937 had adopted comprehensive schemes of classifying property and taxing the separate classes at differentiated rates. General property tax rates vary widely from state to state, as do the assessment valuations upon which they are based. Where assessed values represent a relatively small proportion of true values, it is to be expected that tax rates would be high, and in any comparison of tax rates, this fact must be taken into account.

Efforts directed, in the years 1934-38, toward the relief of the taxpayer, in states where state property taxes are a direct or indirect source of school support, took the form of tax exemptions allowed on the value of homesteads (seven states); increased personal property exemptions (five states); increased or extended exemptions on other types of property (eleven states). State property taxes were reduced, suspended, or abandoned by four states, and the reduction of state and local levies was provided for thru the substitution of revenues from other sources placed in state property tax relief funds in three states. Five states placed new or revised limits on the maximum property tax rates that could be levied. Seven states

and one territory passed measures permitting one or more of the following: (1) extension of the period for payment of delinquent taxes; (2) payment of taxes in installments; (3) waiver of interest and penalties on delinquent taxes for specified periods; (4) liberalized terms under which land sold for taxes might be redeemed.

Seven states and one territory levied increased or additional property tax rates—in the case of three states, for education, specifically. In two states the increased rates applied to intangibles only; and in the territory to personal property only.

Alabama. The 1936-37 extra session of the legislature created a "Property Tax Relief Fund" for the purpose of replacing losses in receipts from the state school tax, the soldiers' relief tax, and the state levy for general purposes due to homestead exemptions. Any remaining surplus in this fund was to be used in reducing the state ad valorem levy. Sources of the Property Tax Relief Fund are (1) any excess above \$750,000 in the general fund after taking care of all appropriations; (2) any surplus in the Educational Trust Fund; (3) earmarked sales tax proceeds. Homesteads were exempted from ad valorem taxation, up to \$2000 of their value. State property tax exemptions had been extended by legislation passed in 1935. Acts of 1935 and 1937 liberalized the provisions for the redemption of land sold for taxes.³

Arizona. A 1935 law continued to apply to taxes delinquent in 1934, provisions permitting the payment of delinquent taxes in twenty semiannual installments. The state property tax rate was raised in 1935 to provide for an increase in the appropriation, for common and high-school education, from \$20 to \$25 per pupil in average daily attendance.⁴

Arkansas. Voters in 1934 approved a measure prohibiting the levy of new or increased taxes except by popular vote or by a three-fourths' vote of both houses of the legislature. A constitutional amendment permitting homestead exemptions, up to \$2500 of value, from state taxation was approved by the voters in 1936. A 1937 law exempted homesteads up to \$1000 of value. State revenues earmarked for the replacement of losses due to homestead exemptions were credited to a Property Tax

¹ Tax Policy League. *op. cit.*, p. vi. 10.

² National Industrial Conference Board. *Cost of Government in the United States, 1929-1930*. New York: the Board, 1932. p. 112.

³ Alabama. *Acts, 1935*. No. 194, p. 256-574. Approved July 10, 1935. Nos. 525, 526. p. 1112-13. Approved September 14, 1935. § *Acts, Extra Session, 1936-37*. No. 81, p. 91-92. Approved February 3, 1937; No. 127, p. 142-43. Approved February 23, 1937; No. 107, p. 113. Approved February 20, 1937.

⁴ Arizona. *Laws, 1935*. Chap. 30, p. 111-16. Approved March 4, 1935. § *Revised Code, Supplement, 1936*. Article 10, Section 1088 (H. B. 100), p. 1087. Approved March 28, 1935.

Reduction Fund for distribution to state funds other than the Common School Fund in the proportion in which each shared in the state property levy.⁵

Colorado. Laws passed in 1937 increased the annual state levies for the University of Colorado and other state institutions of higher learning.⁶

Florida. Homesteads were exempted from property taxes except levies for the retirement of indebtedness, up to a value of \$5000. Motion picture studios and plants were granted an exemption for 15 years.⁷

Georgia. A 1937 law exempted property of housing authorities from city, county, and state taxation. Property was classified for tax purposes by legislation passed in 1937 and special rates were levied on intangible property. Another 1937 law exempted clothing and household and kitchen furniture used within the home, up to \$300 in value, from all state, county, municipal, and school taxes.⁸

Indiana. A 1935 law continued for two more years the suspension of a state tax of 2 cents per \$100 of the valuation formerly levied to finance building and improvements at state educational institutions.⁹

Kentucky. The real-estate tax was reduced in 1934 from 30 cents to 5 cents per \$100. Proceeds were credited to the State General Fund. Formerly 69 percent of state property tax revenues were earmarked for common schools and other specific amounts for institutions of higher education. A 1936 law which would have abolished the state tax on real estate was declared unconstitutional.¹⁰

Louisiana. Laws passed in 1934 created a Property Tax Relief Fund from earmarked special taxes to be used in reimbursing state and local funds, including parish school funds, for losses in property tax revenues due to homestead exemptions and to increase gradually the State School Fund up to \$10,000,000. Homesteads up to a value of \$2000 and 160 acres were exempted from state, parish, and special district, but not municipal property levies. A 1936 law exempted, as instrumentalities issued for

a public purpose, the bonds, notes, and other evidences of indebtedness of housing authorities from state and local taxation.¹¹

Minnesota. All household goods, and certain types of farm machinery, and other personal property up to \$25, were exempted from taxation by laws of 1934 and 1935. A 1936 act increased this exemption to \$100. In 1937 the first \$4000 of unplatted real estate used for purposes of a homestead was exempted from state property taxes, except those levied for servicing previously incurred indebtedness. The limit placed on the state property tax rate that may be levied for teacher retirement outside of cities of the first class was changed in 1934 from 15/100 of a mill to a rate sufficient to produce \$250,000.¹²

Mississippi. The value of homesteads up to \$1000 and 40 acres of homestead property owned by residents of the state were exempted from state ad valorem levies by 1934 legislation. This exemption was increased to \$2500 and 160 acres in 1935, and to \$5000 in 1938. Laws passed in 1935 and 1938 extended the list of personal property exemptions. The 1935 provision exempting property of electric power cooperatives was repealed in 1936, but reenacted in 1938.¹³

Nebraska. A 1935 law required combined returns of tangible and intangible property for taxation but continued provisions for their separate assessment. Another 1935 act permitted the payment without interest and penalties of real and personal property taxes, delinquent for more than one year prior to September 1, 1935, in ten and five annual installments, respectively. Postponements of real-estate mortgage and tax sale foreclosures until after March 1 of the current year were effected by 1935 and 1937 laws. Acts of 1937 waived penalties and interest on delinquent taxes until December 31, 1938, and exempted property of housing authorities from taxation.¹⁴

Nevada. A constitutional amendment, ratified in 1936, limited all state and local property taxes to \$5 per \$100 of assessed valuation. The rate of the annual levy was increased from 60 to 68 cents on the

⁵ Arkansas. *Constitutional Amendment*, No. 25, 1936; No. 247, p. 886-96. Approved March 13, 1937. *Acts, 1937*, No. 242, p. 866-72. Approved March 11, 1937; No. 243, p. 872-75. Approved March 12, 1937.

⁶ Colorado. *Session Laws, 1937*, Chap. 77, p. 240-42; Chap. 152, p. 575-77. Approved June 4, 1937.

⁷ Florida. *Constitution*, Article X, Section 7. *Laws, 1935*, S. B. 123. Approved May 20, 1935.

⁸ Georgia. *Laws, 1937*, No. 411, p. 210-30. Approved March 30, 1937. *Laws, Extra Session, 1937-38*, No. 8, p. 176-79. Approved December 14, 1937; No. 36, p. 145-50. Approved December 16, 1937; No. 68, p. 156-70. Approved December 27, 1937.

⁹ Indiana. *Laws, 1935*, Chap. 190, p. 928-29. Approved March 11, 1935.

¹⁰ Kentucky. *Acts, 1934*, Chap. 25, p. 70-109. Approved March 17, 1934. Chap. 148, p. 665-66. Approved March 15, 1934. *Acts, 1936*, Chap. 98, p. 315-17. Approved February 25, 1936. *Martin v. High Splint Coal Co.*, 268 Ky. 11, 103 S. W. (2d) 711.

¹¹ Louisiana. *Session Laws, 1934*, Act No. 54, p. 266-70; Act No. 78, p. 693-96. Approved July 12, 1934. Amends *Louisiana Constitution*, Article 10, Section 4. Passed at general election November 6, 1934. *Session Laws, 1936*, Act No. 275. Approved July 9, 1936.

¹² Minnesota. *Session Laws, 1933-34*, Chap. 441, p. 897-98. Approved April 13, 1934; Chap. 442, p. 899-900, Chap. 443, p. 901-903. Approved April 17, 1934. *Session Laws, 1935*, Chap. 301, p. 543-44. Approved April 24, 1935; Chap. 385, p. 709-10. Approved April 29, 1935. *Session Laws, 1937*, Chap. 86, p. 153-54. Approved July 23, 1937.

¹³ Mississippi. *Laws, 1934*, Chap. 191, p. 439-95. Approved March 19, 1934. *Laws, Extra Session, 1935*, Chap. 23, p. 143-44. Approved November 20, 1938; Chap. 28, p. 147. Approved December 7, 1935; Chap. 22, p. 136-43. Approved November 14, 1935. *Laws, 1936*, Chap. 184, p. 342-54. Approved March 26, 1936. *Laws, 1938*, Chap. 128, p. 157-59. Approved March 30, 1938; Chap. 248, p. 561. Approved March 25, 1938.

¹⁴ Nebraska. *Laws, 1935*, Chap. 159, p. 582-83. Approved March 6, 1935; Chap. 15, p. 93-126. Approved November 25, 1935; Chap. 41, p. 158-60. Approved February 27, 1935. *Laws, 1937*, Chap. 42, p. 183-87. Approved February 16, 1937; Chap. 167, p. 635-37. Approved March 19, 1937; Chap. 93, p. 325-26. Approved May 18, 1937.

\$100 in 1935. Levies for educational purposes remained unchanged save for a decrease from $\frac{1}{4}$ cent to $\frac{13}{100}$ cent in the levy for the state university. The total state levy was again increased from 68 cents to 73 cents in 1937, and that for the university from $\frac{13}{100}$ to $\frac{35}{100}$ of a cent. The teacher's retirement fund levy was increased from $\frac{1}{2}$ cent to $1\frac{1}{2}$ cents.¹⁸

New Hampshire. Personal property can be taxed in the organized place where the owner resides only when such property has not already been taxed with real estate in unorganized territory, according to a 1935 law. The real-estate tax levied in unorganized parts of the state is earmarked for public school purposes. Laws of 1935 and 1937 added to the list of property tax exemptions.¹⁹

New Jersey. By a 1934 act railroads were directed to remit taxes which were in litigation and were guaranteed refunds for tax payments proved to be excessive. This facilitated the payment to school districts of \$1,500,000 from the state railroad tax, distribution of which had been delayed. The rate of the state school tax was increased in 1938 from $2\frac{3}{4}$ to $2\frac{9}{10}$ mills. Monies in banking institutions were exempted from personal property taxes by another 1938 law. The basis of taxing domestic stock insurance companies, other than life, was changed from gross premiums to the value of intangible property.²⁰

New Mexico. A 1937 act provided for the redemption of land deeded to the state by the payment of delinquent taxes on or before June 30, 1937, without interest and penalties or with interest in installments extended over a period ending September 1, 1940.²¹

Ohio. The aggregate tax rate that may be levied in any taxing unit was limited in 1934 to 10 mills for each \$1 of valuation. The tax on productive investments under the intangible property tax law, which contributes directly to school support, was increased.²²

Oregon. A proposed constitutional amendment which would have limited property tax rates to 20 mills for all purposes except existing debt charges was rejected at the November 1934 election. The

property tax levy for the use of the state educational institutions was lowered for the biennium 1935-37 from 2.04 to 2 mills. The 2.04-mill rate was restored for 1938 with the guarantee that the rate included in the annual state levy thereafter should not be less than that so included for 1930.²³

Pennsylvania. An additional 1-mill tax, levied on certain classes of intangible personal property and vehicles in 1935, was increased to 4 mills by acts of 1936 and 1937. The rate on scrip, bonds, and other evidences of indebtedness was fixed at 8 mills for the years 1938 and 1939, and at 4 mills for 1940. Proceeds were to be used for unemployment relief thru 1936 and thereafter paid into the State General Fund, the source of state appropriations for schools. An act of 1937 exempted the property of housing authorities from all except school taxes, and in a decision of the state supreme court such property is held to be exempt from school taxes also.²⁴

Rhode Island. A 1935 act repealed the state property tax of $4\frac{1}{2}$ cents on each dollar of the amount assessed.²⁵

South Carolina. Acts of 1935 added to the list of exemptions from the state property tax and provided that securities which banks are allowed to deduct from returns of taxable property must have been held in good faith for at least six months. In 1938 the $2\frac{1}{2}$ -mill tax levied upon all taxable property within the state was repealed, and all county treasurers were ordered to keep open the tax books for the year 1937 until the 30th of April without further increase in penalties on unpaid taxes.²⁶

Tennessee. Suits for the collection of state, county, or special ad valorem taxes were postponed and the period allowed for the redemption of property sold for taxes was extended by a 1935 act. Measures passed in 1935 and 1937 waived interest and penalties for specified periods on taxes due for the years 1934 and 1935. A 1937 act exempted property of housing authorities from all state, county, and special taxation.²⁷

Texas. Exemptions from property taxation allowed under laws enacted in 1937 include: (1) property used exclusively in connection with the threefold religious, educational, and physical de-

¹⁸ Nevada. *Laws, 1935*. Senate Joint Resolution, No. 17. Ratified at general election, November 3, 1936. *¶ Laws, 1935*. Chap. 189, p. 398-99. Approved April 2, 1935. *¶ Laws, 1937*. Chap. 215, p. 530-31. Approved March 30, 1937.

¹⁹ New Hampshire. *Laws, 1935*. Chap. 33, p. 60. Approved April 2, 1935; Chap. 71, p. 116. Approved May 8, 1935. *¶ Laws, 1937*. Chap. 175, p. 366. Approved July 28, 1937.

²⁰ New Jersey. *Session Laws, 1934*. Chap. 5, p. 41. Approved January 25, 1934. *¶ Session Laws, 1938*. Chap. 9. Approved February 25, 1938; Chap. 245, p. 554-55. Approved May 25, 1938. Chap. 390. Approved July 16, 1938.

²¹ New Mexico. *Laws, 1937*. Chap. 127, p. 341-44. Approved March 15, 1937.

²² Ohio. *Laws, 1934*. H. B. 9, p. 412-22. Approved June 29, 1934; S. B. 49, p. 341. Approved December 13, 1934; S. B. 97, p. 279-80. Approved December 7, 1934.

²³ Oregon. *Bulletin of the National Tax Association* 20:34; November 1934. *¶ Laws, 1935*. Chap. 357, p. 565. Approved March 18, 1935. *¶ Laws, 1937*. Chap. 182, p. 239. Approved March 2, 1937.

²⁴ Pennsylvania. *Public Laws, 1935*. No. 182, p. 414-29. Approved June 22, 1935. *¶ Public Laws, Special Session, 1936*. No. 24, p. 51-66. Approved July 17, 1936. *¶ Public Laws, 1937*. No. 171, p. 633-52. Approved May 18, 1937; No. 265, p. 955-72. Approved May 28, 1937. *Dorman v. Philadelphia Housing Authority*, 331 Pa., 209, 200 Atlantic 384.

²⁵ Rhode Island. *Laws, 1935*. Chap. 2252, p. 154. Approved May 31, 1935.

²⁶ South Carolina. *Laws, 1935*. No. 98, p. 129. Approved March 22, 1935; No. 248, p. 358-59. Approved May 11, 1935. *¶ Laws, 1938*. No. 1340 (981), p. 2907-2908. Approved March 30, 1938; No. 972 (1160), p. 1939-2018. Returned without approval, May 3, 1938.

²⁷ Tennessee. *Session Laws, 1935*. Senate Joint Resolution, No. 20. Effective February 25, 1935. *¶ Session Laws, 1937*. Chap. 101, p. 390-96. Approved October 1, 1937; Chap. 214, p. 843-45. Approved May 21, 1937.

velopment of youth; (2) property of fraternal benefit societies; (3) real property of a housing authority; and (4) stocks of nurseries. A constitutional amendment approved by the voters in 1937 prohibited the assessment of property at a greater than fair cash market value and provided for discounts on taxes paid when due.²⁵

Utah. A constitutional amendment, ratified by the voters at the November 1936 election, authorized an increase in exemption from \$250 to \$2000 of the value of homesteads and from \$100 to \$300 of the value of personal property. The period for the redemption of property sold for taxes was extended by a 1935 act.²⁶

Washington. The maximum permissible state levy was reduced from 5 mills for all educational purposes to 2 mills for higher education only, in 1934. The previously enacted 40-mill limitation law was continued for two years. The voters defeated a proposed constitutional amendment which would

have allowed the state to impose taxes on a statewide basis and return proceeds equitably to local tax divisions.²⁷

Hawaii. Personal property tax rates were raised and provision was made for dividing personal property tax collections between the territorial and county treasuries in 1937. Formerly all personal property tax collections were designated as territorial realizations. Territorial realizations are a principal source of school revenue.²⁸

Puerto Rico. Laws passed in 1936 extended, until April 1, 1937, the time for paying taxes due in 1934-35 and preceding years, permitted payments in 20 annual installments and exempted homesteads up to a value of \$500 from forced sale. An additional year was granted, by a 1937 law, for redeeming real property sold for taxes. Property tax exemptions were extended by laws passed in 1937 and 1938.²⁹

²⁵ Texas. *Session Laws, 1937*. Chap. 201, p. 401-402. Filed without approval April 26, 1937; Chap. 455, p. 1132-33. Approved June 8, 1937; Chap. 14, p. 16. Approved March 1, 1937; "Amendments to the Constitution of Texas," Article 8, Sec. 20. ¶ *Session Laws, 1937*. p. xxxii. Vote on August 23, 1937. ¶ *Session Laws, 2nd Called Session, 1937*. Chap. 41, p. 1924-39. Approved November 3, 1937.

²⁶ Utah. *Session Laws, 1935*. S. J. R. No. 2, p. 257. Ratified November 3, 1936; Chap. 85, p. 177-78. Approved January 21, 1935.

²⁷ Washington. *Session Laws of the Twenty-fourth Session, January 14-March 14, 1935*. Chap. 2, Initiative Measure No. 94, p. 8-10. Passed by voters at general election November 6, 1934.

²⁸ Hawaii. *Session Laws, 1937*. Series A-45, Chap. 61 (Act 172), p. 73-74. Approved May 8, 1937.

²⁹ Puerto Rico. *Session Laws, 1936*. Act No. 87, p. 460-64. Approved May 13, 1936. ¶ *Session Laws (3d Special Session), 1936*. Act No. 23, p. 160-61. Approved June 30, 1936. ¶ *Session Laws (4th Special Session), 1936*. Act. No. 80, p. 212. Approved May 10, 1937; Act. No. 121, p. 274. Approved May 13, 1937. ¶ *Session Laws, 1938*. Chap. 242, p. 457-58. Approved May 15, 1938.

XII. Tax Surveys and Commissions

Legislation reported in this section is of two types: (1) laws making changes in the tax administration setups of the several states; and (2) laws or resolutions recommending, authorizing, or directing the establishment of special committees or commissions to study the tax problems of the states in question and report, with recommendations, to governors and legislatures.

Three states passed laws of the former type, between 1934 and 1938, designed to promote greater efficiency in state tax administration. One state enlarged and one state reduced the size of its tax commission. The third state set up the administrative machinery providing for state supervision of property assessments.

Legislation passed in fifteen states, during the five-year period 1934-38, provided for the investigation of their tax problems by special commissions. Some information is given below concerning the investigation, or the commission charged with the investigation, in each state. As far as possible, footnotes in the following pages include citations not only to laws providing for the creation of special tax investigating commissions but also to the published reports of these commissions as well. Reports had not been published by some commissions, as far as could be discovered. In the case of a few commissions which have published reports, copies of the laws responsible for their creation could not be obtained; therefore, only reports have been cited.

Alabama. An act of 1935 replaced the one-member tax commission with a commission of three members to be appointed by the governor.¹

Arkansas. A 1937 measure aiming at a more efficient assessment and equalization of property taxes created a tax supervision department in the

Arkansas corporation commission, staffed by a tax supervisor and seven assistant supervisors. A Tax Supervision Fund was created in the state treasury to be made up of payments by county tax collectors of 7/100 mill for each \$100 in taxes collected and the sum of \$11,250 appropriated from general revenues.²

Colorado. An interim committee on public schools reported to the 1935 legislature.³

Georgia. A 1938 law provided for an integrated tax administration by abolishing the three-member state revenue commission and establishing in its stead a state department of revenue headed by a single state revenue commissioner.⁴

Indiana. A resolution passed in 1935 favored the appointment of a joint legislative committee to study taxes in their relation to the financing of a social security program.⁵

Kansas. The report of the legislative council issued in December 1934 anticipated reduction of local school levies, more equitable distribution of school costs, and provision for a minimum educational program.⁶

Massachusetts. Resolutions adopted in 1935, 1936, and 1938 authorized the creation of special tax investigation commissions to study the distribution of the tax burden.⁷

New Jersey. A 1938 act provided for a commission consisting of seven ex-officio members (including the commissioner of education) and others, for the purpose of studying and recommending the revision of the tax system.⁸

New Mexico. A taxation and governmental commission was authorized in 1934 to study public expenditures and recommend revisions of the tax code.⁹

New York. The life of the temporary New York State Commission for the Revision of the Tax Laws was continued from year to year, to April 15, 1938. A new temporary state commission to make a comprehensive study and analysis of business tax laws was created in 1938.¹⁰

¹ Alabama. *Acts, 1935*. No. 194, p. 296. Approved July 10, 1935.

² Arkansas. *Acts, 1937*. No. 165, p. 613-16. Approved March 1, 1937.

³ Colorado. Risley, James H., chairman. *Report of the Colorado Interim Committee on Public Schools*. Denver: the Committee, 1935. 16 p.

⁴ Georgia. *Laws, Extra Session, 1937-38*. No. 296, p. 77-102. Approved January 3, 1938.

⁵ Indiana. *Laws, 1935*. S. C. R. No. 16. Chap. 351, p. 1583. Special Tax Study Committee. *Report . . . to his Excellency the Governor of the State of Indiana and the Members of the Nineteenth General Assembly*. Indianapolis, Ind.: the Committee, 1935. 11 p.

⁶ Kansas. Corrick, Franklin, compiler. *Report and Recommendations to the Kansas Legislature, Submitted December 8, 1934*. Topeka, Kans.: Kansas Legislative Council, 1934. 127 p.

⁷ Massachusetts. *Acts and Resolves, 1935*. "Resolutions," Chap. 63, p. 768. Approved August 2, 1935. *Acts and Resolves, 1936*. Chap. 72, p. 635-37. Approved June 24, 1936. *Acts and Resolves, 1938*. Chap. 38, p. 723. Approved June 7, 1938.

⁸ New Jersey. *Session Laws, 1938*. Chap. 402, p. 993-94. Approved June 22, 1938.

⁹ New Mexico. *Laws, 1934*. Chap. 31, p. 124-25. Effective April 28, 1934.

¹⁰ New York. *Laws, 1934*. Chap. 14, p. 38-39. Approved February 14, 1934. *Laws, 1935*. Chap. 26, p. 61. Approved February 14, 1935; Chap. 895, p. 1710. Approved May 13, 1935. *Laws, 1936*. Chap. 14, p. 36. Approved February 15, 1936; Chap. 61, p. 115. Approved February 28, 1936. *Laws, 1937*. Chap. 10, p. 16-17. Approved February 11, 1937; Chap. 194, p. 670-71. Approved April 14, 1937. *Laws, 1938*. Chap. 505, p. 1282-83. Approved May 13, 1938.

North Carolina. A house resolution declared the willingness of the house of representatives to confer with representatives of Alabama, Georgia, South Carolina, and Tennessee with respect to the problem of relieving the local tax burden.¹¹

North Dakota. A tax survey commission was created in 1935 for the purpose of making a comprehensive survey of the state and local tax structure and to draw up plans for its revision.¹²

Ohio. A house joint resolution of the 1935 legislature authorized the appointment of a special commission to study the financing and needs of the public schools of the state. Study of the tax situation in general, by two commissions created during the second special session of 1937-38, was directed.¹³

Pennsylvania. The 1937 legislature authorized a study of the comparative tax burden placed upon

industry in Pennsylvania and other industrial states.¹⁴

Rhode Island. A ways and means commission was created in 1935 to consider relief of the real-estate tax burden. Another commission was created in 1937 for further study of the state system of taxation.¹⁵

Tennessee. The appointment of a committee of nine members was authorized in 1935 to confer with representatives of South Carolina, Alabama, Georgia, and North Carolina with respect to the reduction of the property tax burden.¹⁶

Texas. A committee charged with studying the tax system and submitting recommendations for its revision reported to the legislature in 1935.¹⁷

Utah. Appointment of a new special tax investigation committee with enlarged powers was authorized in 1935 to replace one created in 1933.¹⁸

¹¹ North Carolina. *Laws, 1935*. H. R. 309, Resolution No. 21, p. 904-905. Approved February 18, 1935.

¹² North Dakota. *Laws, 1935*. Chap. 281, p. 417-18. Approved February 16, 1935. *Report of the Tax Survey Commission to the Governor and the Legislature on the Economic Background of Taxation in North Dakota*. Report No. 1. Mimeo. 11 p. Also *A Digest of Tax Laws*. Report No. 6, 1936. Mimeo. 85 p.

¹³ Ohio. *Laws, 1935*. H. J. R. No. 17, p. 612-13. Adopted March 18, 1935. § *Baldwins Ohio Code Service, June 1938*. p. 6-7. S. B. 420, 414. Government Survey Committee. *Report, 1935*.

¹⁴ Pennsylvania. *Laws, Special Session, 1938*. No. 44, p. 110. Approved December 1, 1938.

¹⁵ Rhode Island. *Laws, 1935*. Resolution No. 66, p. 340-41. Approved February 28, 1935. § *Laws, 1937*. Resolution No. 23, p. 431-32. Approved March 12, 1937. Rhode Island Commission on Ways and Means. *Report Made to the Governor of the State of Rhode Island, November 27, 1935*. Providence, R. I.: William R. Brown and Co., 1935. 130 p.

¹⁶ Tennessee. *Public Acts, 1935*. H. R. No. 21, p. 455-57. Adopted February 13, 1935.

¹⁷ Texas. Tax Program Committee. "Preliminary Report and Recommendations." *Senate Journal, Forty-fourth Legislature*, February 21, 1935. Austin, Texas: the Committee, 1935. p. 451-522.

¹⁸ Utah. *Session Laws, 1935*. Chap. 135, p. 240. Approved March 26, 1935.

Sources of Tax Information

As stated on page 101, legislation reported in this bulletin is restricted to changes in state tax laws which occurred in the years 1934 to 1938, inclusive, and which more or less directly affected state school revenues. For the convenience of the reader who may wish to delve further into the state tax legislation passed during this period or to compare the legislation of this period with that enacted in earlier or later years, a few reliable secondary sources of state tax information found helpful in the past, or in connection with the preparation of the present bulletin, are listed on this page.

These are classified under the following heads in the order named: (1) recently published textbooks and books of readings on public finance; (2) books, pamphlets, and other publications containing information on state tax legislation or the status of various types of taxes in the various states; (3) summaries and digests of state tax legislation and articles on the status of state taxes appearing in articles in periodicals; (4) publications of the National Education Association dealing with state taxation in its relation to public school finance.

Recent Textbooks on Public Finance

- BUEHLER, ALFRED G. *Public Finance*. New York: McGraw-Hill Book Co., 1936. 632 p.
- FAGAN, ELMER D., and MACY, C. WARD. *Public Finance: Selected Readings*. New York: Longmans, Green and Co., 1934. 960 p.
- JENSEN, JENS P. *Government Finance*. New York: Thomas Y. Crowell Co., 1937. 595 p.
- KING, CLYDE L. *Public Finance*. New York: Macmillan Co., 1935. 602 p.
- LUTZ, HARLEY LEIST. *Public Finance*. Third edition. New York: D. Appleton-Century Co., 1936. 940 p.

Books, Pamphlets, and Other Publications Containing Information on State Tax Legislation and the Status of State Taxes in the Various States

Income Taxes

- NATIONAL INDUSTRIAL CONFERENCE BOARD. *State Income Taxes*. 2 vols. New York: the Board, 1930. 121 p., 214 p.

Sales Taxes

- BUEHLER, ALFRED G. *General Sales Taxation*. New York: Business Bourse, 1932. 378 p.
- HAIG, ROBERT MURRAY, and SHOUP, CARL. *The Sales Tax in the American States*. New York: Columbia University Press, 1934. 833 p.

- NATIONAL INDUSTRIAL CONFERENCE BOARD. *General Sales or Turnover Taxation*. New York: the Board, 1929. 204 p.

- NATIONAL INDUSTRIAL CONFERENCE BOARD. *Sales Taxes, General, Selective and Retail*. New York: the Board, 1932. 79 p.

Alcoholic Beverage Taxes

- FENDERSON, A. P., and HARRISON, LEONARD V. *Public Revenues from Alcoholic Beverages, 1937*. Washington, D. C.: Distilled Spirits Institute, May 1938. 57 p.

Gasoline Taxes

- CRAWFORD, FINLA G. *The Gasoline Tax in the United States, 1934*. Publication No. 44. Chicago, Ill.: Public Administration Service, 1935. 46 p.

Property Taxes

- HILLHOUSE, A. MILLER, and WELCH, RONALD B. *Tax Limits Appraised*. Publication No. 55. Chicago: Public Administration Service, 1937. 40 p.
- LEET, GLEN, and PAIGE, ROBERT W. *Property Tax Limitation Laws*. Publication No. 36. Chicago: Public Administration Service, 1934. 92 p.
- LELAND, SIMEON E. *The Classified Property Tax in the United States*. Boston: Houghton Mifflin Co., 1928. 492 p.

General

- NATIONAL TAX ASSOCIATION. *Proceedings of the National Tax Association*. Published annually, 1915-1938. (W. G. Query, editor.) Columbia, S. C.: the Association.
- TAX RESEARCH FOUNDATION. *Tax Systems of the World*. First-seventh editions. Prepared under the direction of the New York State Tax Commission. Published annually, 1930-36, then biennially with supplements in the intervening years. Chicago: Commerce Clearing House. (Seventh edition) Supplement, 1939. 31 p.
- TWENTIETH CENTURY FUND, COMMITTEE ON TAXATION. *Facing the Tax Problem*. New York: the Fund, 1937. 606 p.
- TWENTIETH CENTURY FUND, COMMITTEE ON TAXATION. *Studies in Current Tax Problems*. New York: the Fund, 1937. 303 p.

Summaries and Digests of State Tax Legislation and Articles on Taxation Appearing in Periodicals

- ECKER—R, L. LASZLO. "Distribution of State and Local Liquor Revenues." *Bulletin of the National Tax Association* 19: 271-77; June 1934.
- JACOBY, NEIL H. "Status of State General Sales Taxes as of July 1, 1938." *Tax Magazine* 16: 468-74; August 1938.
- MANNING, RAYMOND E. "State Tax Legislation, 1938." *Bulletin of the National Tax Association* 23: 266-69; June 1938.

Similar summaries of state tax legislation have been contributed annually by the author to this magazine since 1934.

MANNING, RAYMOND E. "State Tax Legislation, 1938." *Tax Magazine* 16: 721-23, 735-38; December 1938.

Similar summaries of state tax legislation for the current years have been contributed annually by the author to the December issue of this magazine since 1935.

"November Election Action on State Tax Issues." *Tax Magazine* 14: 748, 761-62; December 1936.

"Pending State Tax Legislation." *Tax Magazine*.

A digest of state tax measures introduced and approved, which appears monthly while state legislatures are in session.

"Public Finance Measures in November Elections."

Bulletin of the National Tax Association 20: 89; December 1934.

"Table of State Chain Store Taxes." *Tax Magazine* 16: 49, 53; January 1938.

Tax Legislation Bulletin. Published approximately monthly by the Commerce Clearing House, Chicago, Ill.

TAX POLICY LEAGUE. "The Decline of the Sales Tax." *Taxbits* 3: 1-6; June 1936.

TAX POLICY LEAGUE. "State Tax Yield Statistics." *Tax Policy* 6: i-vii, 1-64; December 1938, January 1939.

Publications of the National Education Association

LUTZ, HARLEY L., and CARR, WILLIAM G. *Essentials of Taxation*. Reprinted from the *Journal of the*

National Education Association. October 1933-June 1934. Washington, D. C.: National Education Association, February 1934. 14 p.

NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. "Five Years of State School Revenue Legislation." *Research Bulletin* 12: 4-38; January 1934.

NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. *School Revenues and New Methods of Taxation*. Studies in State Educational Administration, No. 2. January 1930. 10 p.

NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. *The Personal Income Tax and School Support*. Studies in State Educational Administration, No. 8. February 1931. 20 p.

NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. *The Corporation Income Tax and Its Relation to School Revenue Systems*. Studies in State Educational Administration, No. 11. August 1932. 19 p.

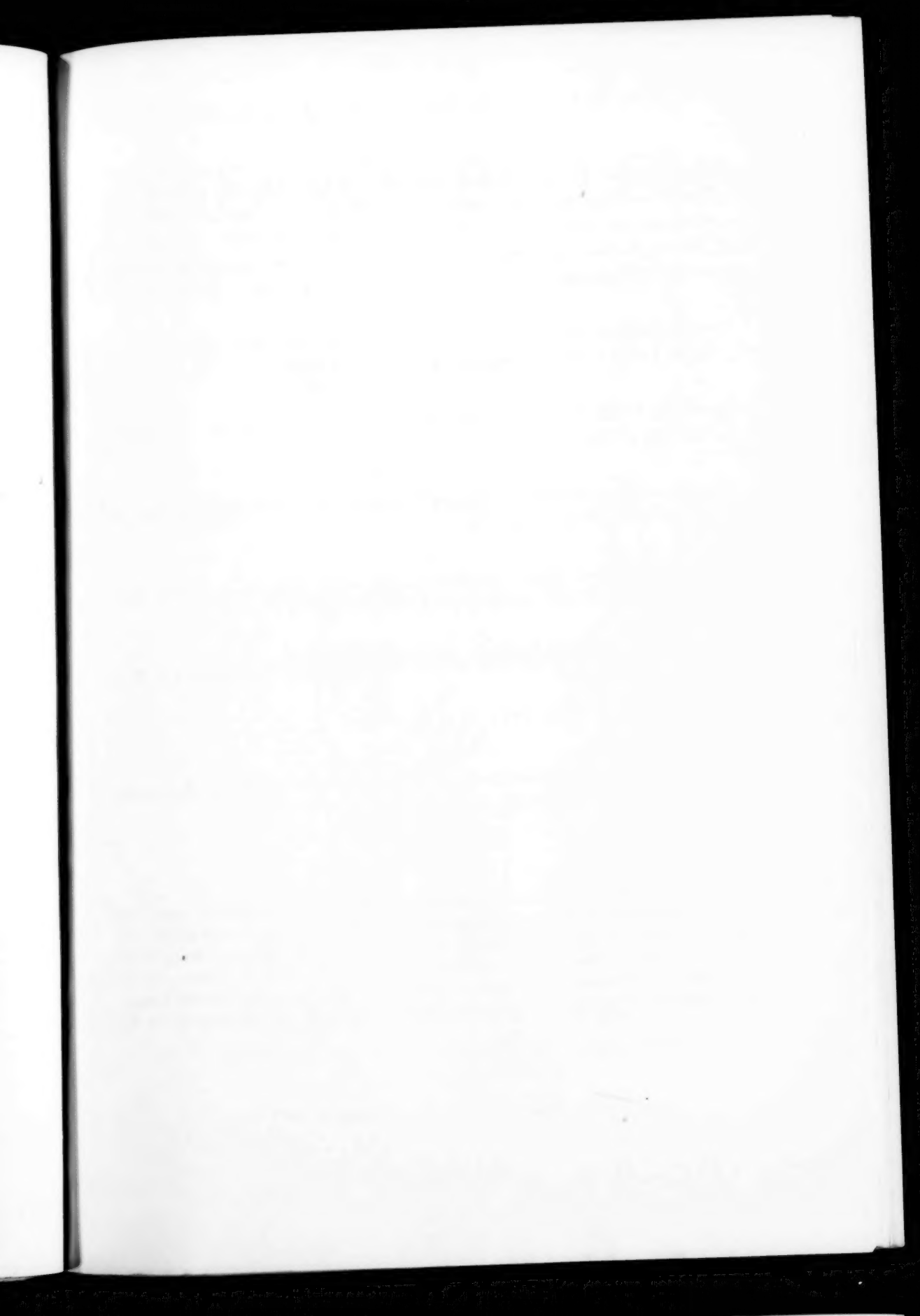
NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. *School Finance Systems*. Revision, No. 2. Washington, D. C.: the Association, January 1938. 12 p.

The latest of a series of five pamphlets containing accounts of the systems of raising and distributing revenues for public schools in the several states.

NATIONAL EDUCATION ASSOCIATION, RESEARCH DIVISION. *State School Legislation, 1938*. Washington, D. C.: the Association, 1938.

The latest of the annual summaries of school legislation, including school revenue legislation, published annually by the Research Division.

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PUBLICATIONS ON RELATED TOPICS

School Finance Systems. Summaries describing the plan of state support for schools in 46 states (issued in 1934 and 1935) \$2. Revised School Finance Systems, covering 7 states (issued in June 1937) 35¢. Revised School Finance Systems, No. 2, covering 6 states (issued in January 1938) 30¢.

Federal Support for Education; the Issues and the Facts. *Research Bulletin*, Vol. 15, No. 4; September 1937. 32 p. 25¢.

Financing Public Education. *Research Bulletin*, Vol. 15, No. 1; January 1937. 56 p. 50¢.

The Efforts of the States To Support Education. *Research Bulletin*, Vol. 14, No. 3; May 1936. 64 p. 50¢.

Five Years of State School Revenue Legislation, 1929-33. *Research Bulletin*, Vol. 12, No. 1; January 1934. 40 p. 25¢.

Report of National Conference on the Financing of Education. 78 p. 25¢.

Schools and Taxes. June 1935. 16 p. 25¢.

Finance and Business Administration. *Review of Educational Research*, Vol. 8, No. 2; April 1938. 112 p. \$1.

All orders for publications should be accompanied by funds in payment for same and must be so accompanied when orders for material amount to \$1 or less. Orders not accompanied by funds in payment are subject to transportation charges. Discounts on quantity orders of the same publication: 2-9 copies, 10 percent; 10-99 copies, 25 percent; 100 or more copies, 33⅓ percent. Make checks or money orders payable to the National Education Association of the United States, 1201 Sixteenth Street, N. W., Washington, D. C.

THE ESSENTIALS of a modern school finance program include:

Equitable taxation—For the adequate support of all governmental activities, including the schools, a stable, varied, and flexible tax system, providing for a just sharing of the cost of government by all members of the community.

Equalization of educational opportunity—For every school district, sufficient financial support from the state to permit the maintenance of an acceptable state minimum program of education and to relieve the local property tax when this tax, upon which local initiative depends, is carrying an unfair share of the cost of government.

Fiscal planning—In every state a long-time financial plan for public education comprehensive in scope, based on experienced judgment and objective data, cooperatively developed, continually subject to review and revision, and reflecting faithfully the broad educational policy of the people.

—From the School Finance Charter.
